



ABN 34 093 877 331

Annual Financial Report
For the year ended 30 June 2022

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Corporate Information

ABN 34 093 877 331

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

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 3. The following information is current as at 30 June 2022.

Directors

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

Company Secretary

Susan Dalliston

Registered office

80 Mildura Street
Fyshwick ACT 2609

Principal place of business

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

Share register

Computershare Investor Services Pty Limited
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Abbotsford VIC 3067
Australia

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

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

Solicitors

Herbert Smith Freehills
ANZ Tower 161,
Castlereagh Street,
Sydney NSW 2000
Australia

Fieldfisher LLP
Riverbank House
2 Swan Lane
London EC4R 3TT
United Kingdom

Bankers

HSBC Commercial Bank
580 George Street
Sydney NSW 2000
Australia

Auditors

PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006
Australia

Directors' Report

Your Directors submit their report for the year ended 30 June 2022.

Directors

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

Kate Hill	Non-Executive Director and Chair
Paul McGlone	CEO and Executive Director
Yong Kang (YK) Ng	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director

Financial Results

The Company's total revenue for the financial year (excluding foreign exchange gains and finance income) was A\$54,435,000 compared to the 2021 revenue of A\$47,167,000, representing an 15% increase on prior year results.

Product	2022	2021	Variance
	A\$'000	A\$'000	%
OEM	14,660	12,088	21
Aftermarket	39,775	35,079	13
Sales Revenue	54,435	47,167	15

With the start of customer production for our Original Equipment Manufacturer ("OEM") business unit (Automotive) in FY21 and the continuing increase in production in the FY22, royalty revenues increased by 141% to A\$5,505,000 from A\$2,280,000 in FY21. An increasing royalty licence revenue stream will continue to be received over the model lifetime of awarded OEM programs. The remainder of the revenue in the OEM segment primarily represents NRE (Non-Recurring Engineering) revenue which is software development activities undertaken to embed DMS technologies into the specific OEM vehicle configuration prior to the commencement of vehicle production. NRE revenue increased by A\$3,286,000 to A\$8,172,000 (2021: A\$4,886,000).

Aftermarket grew by 13% on the prior year despite a slowdown in installations arising from local and global pandemic-related changes to business conditions, including supply chain related challenges which have now been resolved. Revenue momentum accelerated through the second half of the year with revenue in H2 increasing by 42% on H1 results to A\$23,354,000 (H1: A\$16,421,000). Hardware and installation revenue increased by 10% over the prior year to A\$20,709,000 (2021: A\$18,798,000) and driver monitoring revenues increased by 19% to A\$13,169,000 (2021: A\$11,064,000).

Gross profit increased from A\$20,765,000 in FY2021 to A\$24,410,000 in FY22. Removing the impact of the one off licence revenue in FY21 amounting to A\$4,190,000, operational gross profit improved 6% year on year from 39% in FY21 to 45% in FY22 primarily reflecting increased high-margin OEM royalty licence revenues. Increased sales of Guardian units and a 6% improvement in Aftermarket gross margin also contributed to the improvement in group gross profit.

In line with the continued accelerating momentum in Automotive safety legislation in both Europe and more recently in the US, the Company continued to invest in its core technology development across global OEM and Aftermarket industries. As a result, Seeing Machines has reflected a portion of development expenditure which meets recognition criteria as an intangible asset amounting to A\$32,767,000 (2021: A\$8,311,000). During FY22, such development expenditure amounting to A\$25,659,000 (2021: A\$8,311,000) was capitalised and A\$1,203,000 (2021: Nil) was amortised. The remaining research and development costs have been expensed and amount to A\$15,487,000. The total investment in research and development for the current year amount is A\$41,146,000 (2021: A\$18,187,000).

Corporate costs increased by \$4,389,000 to A\$17,214,000 (2021: A\$12,825,000) with a combination of one-off and incremental costs that support organisational scale and sustainable growth. Maintained focus on business performance and cost optimisation has partly offset the increase, which will stabilise in future years.

The resultant loss for the period represented an increase of A\$7,903,000 at A\$25,323,000 (2021: A\$17,420,000).

Cash used in operations fell from A\$19,641,000 to A\$15,843,000 as a result of improved revenue receipts exceeding increases in the operating cost base and reflecting that capitalised development costs are disclosed as cash flows from investing activities. Increased revenues, particularly in the later months of the financial year have not all converted to cash within the reporting cycle.

Net cash and cash equivalents at 30 June 2022 totalled A\$58,756,000 (2021: A\$47,393,000).

Financial Results (continued)

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the “New Ordinary Shares”) at a price of 11 British pence per New Ordinary Share, raising gross proceeds of approximately A\$56,855,000 (US\$41,000,000) (the “Placing”). The net proceeds of the Placing are being used to strengthen the Company’s balance sheet, fund core technology expansion, and enhance OEM Business pursuit and Aftermarket product development and regional expansion.

Operational Highlights

It is clear that Seeing Machines is a world-leader in driver and occupant monitoring system technology and is making significant advancements across each of its target transport sectors. The growth across the business has continued despite the pandemic and supply chain related challenges. The regulatory landscape remains a key growth driver and, with compliance dates fast approaching (and already in place for some vehicle classes in Europe and China) this is quickly transforming market opportunities across Aftermarket and is accelerating the requests for information and quotes in Automotive. North American legislation will happen, and Seeing Machines is working closely with regulatory bodies there to shape protocols and assist with policy and rule-making, as was done in Europe, specifically to shape Euro NCAP (New Car Assessment Program) protocol.

Driver and Occupant Monitoring System (DMS/OMS) technology is fundamental to transport safety but is also a key enabler in Automotive as the intelligent cabin continues to advance and the industry sees semi-automated features emerge across an increasing number of vehicles. Where semi-automated features are enabled, understanding what the driver is doing is critical in maintaining driver attention and overall vehicle safety.

Seeing Machines is now actively engaged with ten automakers on fourteen expanding automotive programs to deliver its FOVIO DMS, and with 447,225 cars on road featuring the Company’s technology, the shape of the automotive revenue is rapidly changing from lower margin NRE to high margin royalties, which are expected to continue to significantly ramp over the coming two to three years. The Automotive pipeline continues to grow with the Company actively working on RFQ’s (Request for Quote) from OEMs in Europe, North America and Asia.

The announcement, post-period, that Seeing Machines and Magna International will exclusively co-market DMS/OMS integrated into the rear-view mirror is a big step-change for the Company as this location is predicted to experience the biggest growth (integration location) across all markets. Working with one of the world’s largest automotive tier-one suppliers, with a focus on mirrors, will enable Seeing Machines to grab market share as OEMs work hard to meet regulatory requirements, deliver a reliable driver and occupant monitoring solution and respond to the integration challenge inside the cabin.

The Aviation industry has now emerged from many of the pressures associated with the global pandemic and Seeing Machines remains engaged on key opportunities associated with Simulated Training as well as Air Traffic Control applications of the Company’s eye-tracking technology. A world first, Air Ambulance Victoria will also work with Seeing Machines to install an operator monitoring solution inside the cockpit, signalling validation of the Company’s eye-tracking technology and its application across the Aviation spectrum. With customers and partners such as Collins Aerospace, the Royal Australian Air Force and Airservices Australia, Seeing Machines continues to invest in the Aviation business as it experiences good momentum, with limited competition, in this growing market.

Seeing Machines’ Aftermarket business has also achieved good growth as Guardian sales have continued to accelerate, despite the economic challenges. The offering is attracting the interest of key global organisations as they seek to enhance safety across their vehicle fleets. Large, multi-national companies, such as Shell Global Solutions International, are now working with Seeing Machines as safety receives its due focus across the professional driving industry. These opportunities, while initially slow to expand, will see the Company realise significant growth in direct business with entities capable of installing the hardware independently, swiftly and efficiently. Further, and also due to regulatory pressure, there is growing interest in “After Manufacture” opportunities, where commercial vehicle OEMs are working with Seeing Machines to fit Guardian as standard, before the vehicle is on-sold. Services will then be sold directly or indirectly to the commercial vehicle operator market. Already profitable, excluding corporate costs, this division is well positioned to take advantage of these favourable market opportunities.

Guardian is now connected to 39,832 vehicles, up 25% on prior year and has travelled more than 10 billion kilometres globally providing Seeing Machines unrivalled access to naturalistic driving data which is key to the Company’s algorithm improvement and technology performance. Supply chain issues were a problem for Seeing Machines during FY 2022 and all stock on hand was sold during the year. Now that these issues have been engineered out of the technology, supply will resume and be sufficient to meet demand for FY2023, and until the next generation of hardware is available. The Guardian 3 product is currently in development and scheduled for release during CY2023.

Subsequent Events after the Balance Date

On 4 October 2022, Seeing Machines entered into an exclusive collaboration agreement (“Agreement”) with Magna International (“Magna”), to pursue driver and occupant monitoring system business targeting the vehicle’s interior rear-view mirror. Under the terms of the Agreement, subject to certain exceptions, Seeing Machines and Magna will exclusively co-market driver and occupant monitoring, solely where the Company’s IP is fully integrated inside the rear-view mirror, until the end of June 2025. In return for Seeing Machines granting exclusivity to Magna for the mirror, Magna will make an upfront payment to Seeing Machines of US\$10m, with an additional US\$7.5m payable over the following 2 years.

At the same time, Magna has also agreed to invest up to an additional US\$47.5m into Seeing Machines via a non-transferable 4-year convertible note maturing in October 2026 (the “Convertible Note”). The Convertible Note, which can be drawn down in two tranches across the 4-year term, subject to the satisfaction of certain closing conditions, is convertible into ordinary shares at a price of 11 British pence per share. The first tranche, being US\$30m, was drawn on 5 October 2022 with the remainder available until December 2024. The Convertible Note has an all-in yield of 8%, inclusive of fees. Magna may elect to convert the principal and at Seeing Machines’ election, interest outstanding under the Convertible Note at any time during its term, up to a maximum of 349,650,350 shares which, when added to Magna’s existing shareholding in the Company, will represent approximately 9.9% of the fully diluted share capital of the Company. The Convertible Note contains standard covenants, and anti-dilution provisions. The interest due at the end of the facility can be paid in cash or converted into equity at Seeing Machines’ election.

Chief Executive Officer

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

Company Secretary

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

Employee Numbers

At 30 June 2022 the Group had 266 full-time employees (213 employees at 30 June 2021).

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	<p>Chair of the Board and Member of the Risk, Audit and Finance Committee and of the People, Culture and Risk Committee.</p> <p>Appointed as a Non-Executive Director on 13 December 2018, as interim Chair of the Board on 5 June 2019, as Chair of the Board on 22 July 2019.</p> <p>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.</p> <p>Kate had a distinguished 20+ year career with Deloitte Touche Tomatsu 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.</p> <p>Kate holds a Bachelor of Science (Honours) in Mathematics and Statistics from Bristol University, is a Member of Chartered Accountants in Australia and New Zealand, and a Graduate of the Australian Institute of Company Directors.</p> <p>Kate is considered to be an Independent Director.</p>
Paul McGlone	<p>CEO & Executive Director</p> <p>Appointed on 4 July 2019.</p> <p>Paul has held the CEO position for 3 years, previously he led the Fleet, Mining and Off-road business as the Senior Vice President (SVP). Paul has extensive experience in public company leadership, supply chain and technology driven businesses.</p> <p>During his 10-year career at Australian listed company, Brambles, Paul held operational and corporate leadership roles including President of CHEP Asia Pacific and Group Vice President Strategy, Planning and Innovation. He was the architect of its global growth plan which resulted in a threefold increase in the company's market capitalisation. Paul was appointed as a Director of Canberra Institute of Technology (CIT) in July 2021.</p>

Directors (continued)

Gerhard Vorster

Non-Executive Director and Chair of the People, Culture and Remuneration Committee

Appointed on 1 December 2019.

Gerhard is an accomplished senior executive and former Deloitte partner 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.

Gerhard is considered an Independent Director.

John Murray

Non-Executive Director and Chair of the Risk, Audit and Finance Committee

Appointed on 1 December 2019.

John is a highly experienced board director with significant expertise in the technology sector. He is currently Chairman of PainChek Limited, listed 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.

John is considered an Independent Director.

Directors (continued)

Yong Kang (YK) Ng

Non-Executive Director and member of the Risk, Audit and Finance Committee

Appointed on 22 March 2016.

YK has extensive engineering and operations experience in the manufacturing sector with multinational corporations. Based in Johor, Malaysia, YK has been managing the manufacturing operations of V S Industry Berhad (VSI) since 2002 and was appointed as executive director in 2005. VSI is a leading integrated electronics manufacturing services provider and a strategic investor in Seeing Machines Limited.

YK has a Bachelor of Science in Mechanical Engineering from the National Taiwan University and an MBA from Heriot-Watt University in Edinburgh, UK.

Michael Brown

Non-Executive Director and member of the People, Culture and Remuneration Committee

Appointed on 14 May 2020.

Michael Brown is a highly experienced financial markets professional based in London and comes to the Seeing Machines board with a deep knowledge of the AIM market and small to mid-cap technology companies, as well as previous plc non-executive and observer board roles. He is currently a portfolio manager within the Volantis team at Lombard Odier Investment Managers.

Michael has a BA (Economics and Politics) from Durham University, UK.

Principal activities

The Company's principal activities during the year were:

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

Changes in State of Affairs

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

Likely developments and expected results

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

Environmental Regulations

The Company holds no licences 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 2022 (2021: nil) and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2022 (2021: nil).

Performance rights and share options

Unissued shares

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

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

During the year, 64,996,414 (2021: 29,964,495) performance rights were granted by the Company under the performance rights scheme for employees. The terms and conditions of these rights are disclosed in Note 33 to the financial report.

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

During the year 23,829,206 (2021: 28,552,140) rights vested and ordinary shares were transferred to the employee participants from the Group Trust (the "Trust"). 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 2022 financial year, eleven Board meetings were held. The following table sets out the number of Board and Committee meetings each Director attended and the number they were eligible to attend.

Meetings Attended / Meetings Eligible to Attend

Director	Board	Risk, Audit & Finance Committee	People, Culture & Remuneration Committee
Kate Hill	11/11	4/4	6/6
Paul McGlone	11/11	*	*
Yong Kang (YK) Ng	11/11	4/4	*
Gerhard Vorster	11/11	*	6/6
John Murray	11/11	4/4	*
Michael Brown	11/11	*	6/6

* Not a member of the Committee

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, 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 PricewaterhouseCoopers during or since the financial year.

Rounding

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

Auditor's Independence Declaration

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

Non-Audit Services

PricewaterhouseCoopers rendered advisory 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



Auditor's Independence Declaration

As lead auditor for the audit of Seeing Machines Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'J. Roberts' with a stylized flourish at the end.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
27 October 2022

Consolidated Statement of Financial Position

AS AT 30 JUNE	Notes	2022 A\$000	2021 A\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	58,756	47,393
Other short-term deposits	20	472	472
Trade and other receivables	15	26,983	19,851
Inventories	16	1,305	2,627
Other current assets	17	<u>8,243</u>	<u>5,438</u>
TOTAL CURRENT ASSETS		<u>95,759</u>	<u>75,781</u>
NON-CURRENT ASSETS			
Property, plant & equipment	18	4,404	3,361
Intangible assets	19	34,277	9,540
Right-of-use assets	29	<u>3,449</u>	<u>4,252</u>
TOTAL NON-CURRENT ASSETS		<u>42,130</u>	<u>17,153</u>
TOTAL ASSETS		<u>137,889</u>	<u>92,934</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	16,391	8,839
Lease liabilities	25, 29	948	918
Provisions	22	5,098	4,893
Contract liabilities	24	<u>3,622</u>	<u>772</u>
TOTAL CURRENT LIABILITIES		<u>26,059</u>	<u>15,422</u>
NON-CURRENT LIABILITIES			
Provisions	22, 23	356	192
Lease liabilities	25, 29	<u>4,356</u>	<u>5,272</u>
TOTAL NON-CURRENT LIABILITIES		<u>4,712</u>	<u>5,464</u>
TOTAL LIABILITIES		<u>30,771</u>	<u>20,886</u>
NET ASSETS		<u>107,118</u>	<u>72,048</u>
EQUITY			
Contributed equity	26	313,029	257,382
Accumulated losses		(227,369)	(202,046)
Other reserves		<u>21,458</u>	<u>16,712</u>
Equity attributable to the owners of the parent		<u>107,118</u>	<u>72,048</u>
TOTAL EQUITY		<u>107,118</u>	<u>72,048</u>

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE	Notes	2022 A\$000	2021 A\$000
Sale of goods		22,397	18,840
Services revenue		21,491	18,346
Royalty and licence fees		<u>10,547</u>	<u>9,981</u>
Revenue	7	54,435	47,167
Cost of sales		<u>(30,025)</u>	<u>(26,402)</u>
Gross profit		24,410	20,765
Net gain/(loss) in foreign exchange	8	1,564	(417)
Other income	8	106	1,669
Finance income		392	322
Expenses	9		
Research and development expenses		(15,487)	(9,876)
Customer support and marketing expenses		(9,067)	(6,092)
Operations expenses		(11,266)	(8,087)
General and administration expenses		(15,486)	(14,590)
Finance costs		<u>(453)</u>	<u>(518)</u>
Loss before income tax		(25,287)	(16,824)
Income tax expense	10	<u>(36)</u>	<u>(596)</u>
Loss after income tax		<u>(25,323)</u>	<u>(17,420)</u>
Loss for the period attributable to:			
Equity holders of the Company		<u>(25,323)</u>	<u>(17,420)</u>
		<u>(25,323)</u>	<u>(17,420)</u>
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		<u>(413)</u>	<u>(169)</u>
Other comprehensive (loss)/income net of tax		(413)	(169)
Total comprehensive loss		<u>(25,736)</u>	<u>(17,589)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		<u>(25,736)</u>	<u>(17,589)</u>
Total comprehensive loss for the year		<u>(25,736)</u>	<u>(17,589)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	12	(\$0.01)	(\$0.01)
Diluted loss per share	12	(\$0.01)	(\$0.01)

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

Consolidated Statement of Changes in Equity

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits & Other Reserve	Total Equity
FOR THE YEAR ENDED					
30 JUNE	A\$000	A\$000	A\$000	A\$000	A\$000
As at 1 July 2020	217,204	(184,626)	(1,516)	15,147	46,209
Loss for the period	-	(17,420)	-	-	(17,420)
Other comprehensive loss	-	-	(169)	-	(169)
Total comprehensive loss	<u>-</u>	<u>(17,420)</u>	<u>(169)</u>	<u>-</u>	<u>(17,589)</u>
Transactions with owners in their capacity as owners:					
Shares issued	41,199	-	-	-	41,199
Capital raising costs	(1,021)	-	-	-	(1,021)
Share-based payments	-	-	-	3,250	3,250
At 30 June 2021	<u>257,382</u>	<u>(202,046)</u>	<u>(1,685)</u>	<u>18,397</u>	<u>72,048</u>
As at 1 July 2021	257,382	(202,046)	(1,685)	18,397	72,048
Loss for the period	-	(25,323)	-	-	(25,323)
Other comprehensive loss	-	-	(413)	-	(413)
Total comprehensive loss	<u>-</u>	<u>(25,323)</u>	<u>(413)</u>	<u>-</u>	<u>(25,736)</u>
Transactions with owners in their capacity as owners:					
Shares issued	57,063	-	-	-	57,063
Capital raising costs	(1,416)	-	-	-	(1,416)
Share-based payments	-	-	-	5,159	5,159
At 30 June 2022	<u>313,029</u>	<u>(227,369)</u>	<u>(2,098)</u>	<u>23,556</u>	<u>107,118</u>

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE	Note	2022 A\$000	2021 A\$000
Operating activities			
Receipts from customers		52,335	37,990
Payments to suppliers and employees		(68,303)	(58,985)
Interest received		392	322
Interest paid		(1)	(518)
Income tax paid		(266)	(15)
Receipt of government grants		-	1,565
Net cash flows used in operating activities	28	(15,843)	(19,641)
Investing activities			
Proceeds from sale of property, plant and equipment		-	5
Purchase of plant and equipment		(1,853)	(446)
Payments for intangible assets (patents, licences and trademarks)		(343)	(484)
Payments for intangible assets (capitalised development costs)		(25,659)	(8,311)
Maturity of term deposits		-	40
Net cash flows used in investing activities		(27,855)	(9,196)
Financing activities			
Proceeds from issue of new shares		57,063	41,071
Cost of capital raising		(1,415)	(1,021)
Principal repayment of lease liabilities		(1,271)	(1,459)
Net cash flows from financing activities		54,377	38,591
Net increase in cash and cash equivalents		10,681	9,754
Net increase/ (decrease) due to foreign exchange difference		682	(499)
Cash and cash equivalents at 1 July		47,393	38,138
Cash and cash equivalents at 30 June	14	58,756	47,393

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

Notes to the Financial Statements

1. Corporate Information

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

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

The consolidated financial report of the Group (the “financial report”) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 27 October 2022.

2. Basis of Accounting

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

a. Basis of preparation

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

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

b. Going concern

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

The Group has made a loss for the year of A\$25,323,000 (2021: Loss of A\$17,420,000) and incurred net cash outflows in operating activities of A\$15,843,000 (2021: A\$19,641,000). The Group has net current assets at 30 June 2022 of A\$69,700,000 (30 June 2021: A\$60,359,000). The balance of cash and cash equivalents at 30 June 2022 is A\$58,756,000 (30 June 2021: A\$47,393,000).

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

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

Also refer to Note 36 for details of additional funds raised subsequent to balance date.

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

c. Basis of consolidation

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

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

Notes to the Financial Statements (continued)

2. Basis of Accounting (continued)

c. Basis of consolidation (continued)

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

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

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

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

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

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

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

d. Current versus non-current classification

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

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

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at 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.

The Group classifies all other liabilities as non-current.

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

Notes to the Financial Statements (continued)

2. Basis of Accounting (continued)

e. Segment reporting (refer to Note 7)

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

f. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

g. Climate-related risks

The AASB and the Auditing and Assurance Standards Board (AUASB) issued a joint bulletin in December 2018 (and updated in April 2019), *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2*. The bulletin states that Qualitative external factors, such as the industry in which the company operates and investor expectations, may make climate-related risks material and may require such risks to be disclosed in the financial statements as they pertain to specific financial statement line items. The Group has performed an assessment based on the guidance prescribed in the bulletin and concluded that there are no material impacts of climate change that may impact specific financial statement line items. This is based on management's assumption that the transition to a greener economy will result in a move to electric vehicles, and not the cessation of the use of vehicles.

3. Summary of Significant Accounting Policies

a. Changes in accounting policies and disclosures

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

b. New and amended standards and interpretations effective and adopted in 2022

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139].

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

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

e. Inventories (refer to Note 16)

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

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

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

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

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

Cost

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

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

Depreciation

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

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

Depreciation commences when an asset is available for use.

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

Derecognition

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

g. Intangibles (refer to Note 19)

Cost

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

Amortisation

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

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

Derecognition

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

i) Patents, Trademarks and Licences

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

ii) Research and Development Costs

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

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

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

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

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

	Patents and Trademarks	Licences	Development Costs
Useful lives	Finite (10-20 years)	Finite (3-20 years)	Finite (7-10 years)
Amortisation method used	Amortised on a straight-line basis over the period of the patent or trademark	Amortised on a straight-line basis over the period of the licence	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Acquired	Internally generated

h. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset 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.

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 profit or loss in expense categories consistent with the function of the impaired asset.

For non-financial assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is 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 profit or loss.

i. Leases (refer to Note 29)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the 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.

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

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

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

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

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

ii) Lease liabilities

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

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

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

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

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain 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.

j. Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

j. Financial instruments (continued)

Financial assets (continued)

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

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

Subsequent measurement

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

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

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

Derecognition

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

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

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

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

Impairment

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

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

j. Financial instruments (continued)

Financial assets (continued)

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

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

Financial liabilities (refer to Note 25)

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Derecognition

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

Offsetting of financial instruments

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

k. Provisions (refer to Notes 22 and 23)

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) *Employee leave entitlements*

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

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

ii) Long service leave

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, 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.

iii) Warranty provisions

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

l. Contingent liabilities (refer to Note 35)

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

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

The Group provides benefits to employees, including Key Management Personnel (“KMP”), in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 33.

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

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share (refer to Notes 3(o) and 12).

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

n. Contributed equity (refer to Note 26)

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

o. Earnings per share (refer to Note 12)

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

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

p. Revenue recognition

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

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

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

(i) Hardware and installation

Revenue from the sale of hardware units is recognised when control of the hardware units is transferred to the customer. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur (reflecting, for example, expected levels of returns). The normal credit term is 30 to 60 days upon invoicing.

Revenue from installation service is recognised when the previously sold hardware unit has been installed and connected to the driver monitoring platform, as per the arrangement customer.

(ii) Driver Monitoring

Revenue from driver monitoring service is recognised periodically with reference to the hardware units that are connected to the driver monitoring platform during that period, typically every month.

(iii) Licence fees

Licences granted to customers are perpetual licences for use of IP (usually in the form of software). Where the software is provided on a hardware kit this is treated as one deliverable of a licence 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 licence and whether it is a right to access or a right to use licence.

Licences granted to customers generally provide a right to use IP, and therefore these performance obligations are satisfied at a point in time, generally upon provision of access to the software.

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

(iv) Royalty revenue

Revenue from royalties relate to performance obligations that may be satisfied at a point in time (for example, royalty payments related to a right to use licence) or over time (for example, royalty payments related to sale of customised software). Where the predominant item in the contract to which the royalties relate is right to use licence, the royalties are recognised as revenue when the sale or usage that gives rise to the royalty occurs, given this is generally after the performance obligation has been satisfied. Where the predominant item in the contract to which the royalties relate is sale of customised software, the royalties are recognised as the associated performance obligation is satisfied, to the extent that the amount of revenue recognised is highly probable of not being subject to significant reversal.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

p. Revenue recognition (continued)

(v) Non-recurring engineering services

The Group grants perpetual software licence to its customers for use of its Background Intellectual Property ("Background IP") which includes DMS and OMS licences. The Group also renders non-recurring engineering ("NRE") services to make significant customisations to the Background IP to make it commercially viable for the customer.

The software licence and the non-recurring engineering services are inputs into a combined output, which is a promise to deliver customised software, and therefore the software licence is not considered to be distinct from the non-recurring engineering services. This customised software is delivered in packages ("Samples") with increasing levels of customisation in each Sample delivery with reference to the arrangement with the customer. This performance obligation is satisfied over time, as the services create an asset without an alternative use to the group, and the group has an enforceable right to payment for performance completed to date.

This revenue is recognised over time using the input method based on costs incurred to date relative to the estimated total cost to complete a Sample, including a reasonable margin.

(vi) Consulting

Revenue from consultancy and support 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.

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

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

(vii) Interest revenue

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

(viii) Agreements with multiple deliverables

Where the Group enters into agreements for the provision of both goods and services as part of a single arrangement, the group identifies the separate performance obligations in the contract. The consideration from the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices.

Timing of revenue recognition

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

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

Contract balances

Contract assets

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

Trade receivables

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

p. Revenue recognition (continued)

Contract liabilities

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

q. Government grants

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

r. Taxes (refer to Note 10)

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

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

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

Tax consolidation legislation

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

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

Tax consolidation legislation (continued)

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

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

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

Sales tax

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

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

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

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

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

s. Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would 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.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

s. Fair value measurement (continued)

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.

t. Comparatives

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

4. Significant accounting judgements, estimates and assumptions

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

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

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

Significant accounting judgements

Capitalised development costs

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

Taxation

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets 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.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Given the recent history of tax losses, management's judgement is that there is not convincing evidence of future taxable profits, and therefore deferred tax assets are only recognised to the extent that there are taxable temporary differences against which these deferred tax assets can be recovered.

Notes to the Financial Statements (continued)

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

Significant accounting judgements (continued)

Determination of useful lives of development intangible assets

The determination of the useful lives of development intangible assets has been based on historical experience and expectations of future forecast economic benefits to be derived from the underlying intellectual property which was developed. Adjustments to useful lives are made when considered necessary. Management's conclusion regarding the useful lives of the development intangible assets is set out in note 3(g).

Revenue recognition - Non-recurring engineering

The Group grants perpetual software licence to its customers for use of its Background Intellectual Property ("Background IP") which includes DMS and OMS licences. The Group also renders non-recurring engineering services to make significant customisations to the Background IP to make it commercially viable for the customer.

Judgement was required to determine the nature of the performance obligation in this contract. Management's judgement is that the software licence and the non-recurring engineering services are inputs into a combined output, which is a promise to deliver customised software, and therefore that these services are not distinct from each other. Judgement was also required to determine whether this performance obligation was satisfied at a point in time or over time. Management's judgement is that the performance obligation is satisfied over time, as the development services generate an asset without an alternative use to the group, and the group has an enforceable right to payment for work performed to date.

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies

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

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

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

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates to the Group's short-term cash holdings. The Group did not enter into any forward contracts during the 30 June 2022 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	
	2022	2021
FOR THE YEAR ENDED	A\$000	A\$000
Financial Assets		
<i>Cash and cash equivalents:</i>		
Exposed to Australian variable interest rate risk	49,179	19,001
Exposed to United States of America variable interest rate risk	4,332	18,539
Exposed to United Kingdom variable interest rate risk	5,101	9,791
Exposed to European variable interest rate risk	89	-
Exposed to New Zealand variable interest rate risk	34	-
Exposed to Japanese variable interest rate risk	21	62
Total cash and cash equivalents	58,756	47,393

In addition to the above, the group had term deposits classified as financial assets at amortised cost totalling A\$472,000 (2021: A\$472,000) that were subject to short-term fixed interest rates (refer to Note 20).

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Interest rate risk sensitivity

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

At 30 June 2022, 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:

FOR THE YEAR ENDED 30 JUNE	Post Tax Profit Higher / (Lower)	
	2022 A\$000	2021 A\$000
Consolidated		
+ 1% (100 basis points)	588	474
- 0.5% (50 basis points)	(294)	(237)

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

Interest rates on the lease arrangements outstanding at year end are fixed and range from 6% to 10%.

Foreign currency risk

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

Approximately 67% of the Group's sales and approximately 37% of the Group's expenses and inventory purchases are denominated in currencies other than the functional currency of the operating entity making the transaction. The Group evaluates the concentration of risk with respect to foreign currency as low, as the Group is naturally hedged by holding funds in multiple operating currency accounts, with revenues and expenses being closely aligned on an annual basis.

At 30 June 2022 the Group had the following exposure to foreign currency:

	Consolidated	
	2022 A\$000	2021 A\$000
Financial Assets		
Cash and cash equivalents (US\$)	4,332	18,539
Cash and cash equivalents (GB£)	5,101	9,791
Cash and cash equivalents (EUR)	89	-
Cash and cash equivalents (NZD)	34	-
Cash and cash equivalents (JP¥)	21	62
Trade and other receivables (US\$)	13,918	9,710
Trade and other receivables (EUR)	17	8
Trade and other receivables (GB£)	1,051	1,091
Trade and other receivables (NZD)	4	97
Trade and other receivables (ZAR)	13	14
Trade and other receivables (JP¥)	6	13
Other Current Assets (EUR)	39	-
Total	24,625	39,325
Financial Liabilities		
Trade and other payables (US\$)	(1,588)	(436)
Trade and other payables (GBP)	(361)	(105)
Trade and other payables (EUR)	(135)	(69)
Trade and other payables (JP¥)	(69)	(52)
Trade and other payables (NZD)	(30)	-
Trade and other payables (ZAR)	(1)	-
Total	(2,184)	(662)
Net exposure	22,441	38,663

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

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

	Effect on profit before tax		Equity Higher / (Lower)	
	2022 A\$000	2021 A\$000	2022 A\$000	2021 A\$000
Consolidated				
Change in USD rate				
AUD / foreign currency +5%	(793)	(1,324)	(793)	(1,324)
AUD / foreign currency -5%	877	1,464	877	1,464
Change in GBP rate				
AUD / foreign currency +5%	(276)	(513)	(276)	(513)
AUD / foreign currency -5%	305	567	305	567
Change in EUR rate				
AUD / foreign currency +5%	(0.5)	3	(0.5)	3
AUD / foreign currency -5%	0.5	(3)	0.5	(3)
Change in NZD rate				
AUD / foreign currency +5%	(0.4)	(5)	(0.4)	(5)
AUD / foreign currency -5%	0.4	5	0.4	5
Change in ZAR rate				
AUD / foreign currency +5%	(1)	(1)	(1)	(1)
AUD / foreign currency -5%	1	1	1	1
Change in JPY rate				
AUD / foreign currency +5%	2	(0.5)	2	(0.5)
AUD / foreign currency -5%	(2)	1	(2)	1

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

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Credit risk

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

Trade receivables

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

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

Capital management and liquidity risk

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

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2022. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022.

Maturity analysis of liabilities based on management's expectation

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

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

	<=6 months A\$000	6-12 months A\$000	>1 year A\$000	Total A\$000	Carrying Value A\$000
FOR THE YEAR ENDED 30 JUNE 2022					
Trade and other payables	16,391	-	-	16,391	16,391
Lease liabilities	647	656	5,050	6,353	5,304
Total	17,038	656	5,050	22,744	21,695
FOR THE YEAR ENDED 30 JUNE 2021					
Trade and other payables	8,839	-	-	8,839	8,839
Lease liabilities	685	694	6,345	7,724	6,190
Total	9,524	694	6,345	16,563	15,029

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

Fair values

As at 30 June 2022, the carrying values of the financial instruments approximate their fair value.

Notes to the Financial Statements (continued)

6. Business combinations and acquisition of non-controlling interests

No business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2022 (2021: none).

7. Segment information

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

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

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

No segment assets and assets and liabilities are disclosed because there is no measure of segment assets and liabilities regularly reported to the entity's chief operational decision makers.

a. Segment Revenue based on operating segment

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

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

	Segment Revenue		Segment Profit/(Loss)	
	2022 A\$000	2021 A\$000	2022 A\$000	2021 A\$000
OEM	14,660	12,088	(11,161)	(7,634)
Aftermarket	39,775	35,079	3,052	3,039
Corporate costs	-	-	(17,214)	(12,825)
Total	54,435	47,167	(25,323)	(17,420)

Notes to the Financial Statements (continued)

7. Segment information (continued)

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 2022	OEM A\$000	Aftermarket A\$000	Total A\$000
Revenue Types			
Sales at a point in time			
Paid Research	-	-	-
Consulting	-	855	855
Hardware and Installations	983	20,709	21,692
Royalties	-	5,042	5,042
Licencing	-	-	-
Sales over time			
Driver Monitoring	-	13,169	13,169
Non-recurring Engineering	8,172	-	8,172
Royalties	5,505	-	5,505
Total revenue	<u>14,660</u>	<u>39,775</u>	<u>54,435</u>

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

Notes to the Financial Statements (continued)

7. Segment information (continued)

c. Geographic Information

	2022 A\$000	2021 A\$000
Revenues from external customers		
Australia	18,860	14,874
North America	21,936	19,566
Asia-Pacific (excluding Australia)	6,654	6,172
Europe	4,280	3,407
Other	2,705	3,148
Total revenue from external customers	54,435	47,167

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

8. Other income

	Consolidated	
	2022 A\$000	2021 A\$000
a. Net gain/(loss) on foreign exchange		
Unrealised gain/(loss)	1,120	(217)
Realised gain/(loss)	444	(200)
Total gain on foreign exchange	1,564	(417)
b. Other income		
Government Grants	-	1,565
Other income	106	99
Total other income	106	1,664

For the year ended 30 June 2021, a total of A\$1,565,000 is included in Government grants, relating to the Job Keeper Payment scheme subsidy issued by the Australian Government for businesses significantly affected by COVID-19. No such grants were received during the year ended 30 June 2022.

Notes to the Financial Statements (continued)

9. Expenses

	Consolidated	
	2022	2021
	A\$000	A\$000
a. Depreciation, impairment and amortisation expense		
Depreciation expenses	814	525
Amortisation expense - Development Costs	1,203	-
Amortisation expense – Others	876	787
Total depreciation, impairment and amortisation expense	2,893	1,312
b. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	48,219	40,188
Superannuation expense	3,282	2,362
Share-based payment expense	5,159	3,250
Wages and salaries reported as cost of sales	(11,508)	(9,259)
Wages and salaries capitalised to development costs	(19,774)	(7,314)
Total employee benefits expense	25,378	29,226
c. Other expenses		
Impairment of receivable	6	26
	6	26

10. Income Tax

The major components of income tax expense for the years ended 30 June 2022 and 2021 are:

	Consolidated	
	2022	2021
	A\$000	A\$000
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	(6,202)	(1,319)
Adjustments in respect of current income tax of previous year	18	-
Taxation loss not recognised	6,220	1,915
Deferred tax:		
Relating to the origination and reversal of temporary differences	(263)	(791)
Temporary differences not recognised	263	791
Income tax expense reported in the statement of comprehensive income	36	596

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 2021 and 2022:

	2022 A\$000	2021 A\$000
Loss before income tax	(25,287)	(17,420)
At the parent entity's statutory income tax rate of 30.0% (2021:26%)	(7,587)	(4,529)
Share based payments (equity settled)	1,548	844
Entertainment	17	8
Other permanent differences	78	-
Origination and reversal of temporary differences		
Other temporary differences	-	(81)
Temporary differences not recognised	(263)	(791)
Taxation loss not recognised	6,208	1,915
Adjustments in respect of current income tax of previous years	18	-
Other non-deductible	-	50
Foreign tax-withholding not recoverable	17	737
Impact of tax rate change on deferred tax balances not recognised	-	2,443
Total	36	596

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

Deferred tax relates to the following:

	Consolidated Statement of Financial Position	
	2022 A\$000	2021 A\$000
(i) Deferred tax liabilities		
Intangible assets	(29)	(16)
Right of use assets	(1,035)	(1,106)
Fixed assets	(13)	(97)
Unrealised foreign exchange gain	(336)	-
Gross deferred tax liabilities	(1,413)	(1,219)
Set off deferred tax assets	1,413	1,219
Net deferred tax liabilities	-	-

Notes to the Financial Statements (continued)

10. Income Tax (continued)

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

	Consolidated Statement of Financial Position	
	2022 A\$000	2021 A\$000
(ii) Deferred tax assets		
R&D offset	3,244	3,244
Provision for expected credit loss	29	29
Accrued expenses	154	28
Annual leave	1,017	763
Long service leave	354	217
Warranties	227	167
Makegood	21	-
S. 40-880 deduction	494	427
Finance lease liabilities	1,591	1,626
Accrued bonuses	894	640
Unrealised foreign exchange loss	-	56
OPEX interest	46	78
Others	10	-
Gross deferred tax assets	<u>8,081</u>	<u>7,275</u>
Set-off deferred tax liabilities	<u>(1,413)</u>	<u>(1,219)</u>
Net deferred tax balance not brought to account	<u>6,668</u>	<u>6,056</u>
Tax losses	<u>(53,223)</u>	<u>(39,997)</u>
Losses not recognised	<u>53,223</u>	<u>39,997</u>
Net deferred tax asset	<u>-</u>	<u>-</u>

c. Unrecognised temporary differences

At 30 June 2022, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of A\$177,448,000 (DTA of A\$53,234,000) for which no deferred tax asset has been recognised on the statement of financial position (2021: unrecognised tax losses of A\$153,836,000 and DTA of A\$39,997,000). These losses are available for recoupment subject to satisfaction of relevant statutory tests in each jurisdiction.

As at 30 June 2022 there are net unrecognised deductible temporary differences of A\$22,227,000 (DTA of A\$6,668,000) for which no deferred tax asset has been recognised on the statement of financial position (2021: net unrecognised deductible temporary differences of A\$23,294,000 and DTA of A\$6,056,000).

d. Tax consolidation

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

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

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

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

Notes to the Financial Statements (continued)

10. Income Tax (continued)

d. Tax consolidation (continued)

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

Nature of the tax funding agreement

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

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

11. Dividends Paid and Proposed

No dividends or distributions have been made to members during the year ended 30 June 2022 (2021: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2022 (2021: nil).

Notes to the Financial Statements (continued)

12. Earnings Per Share

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

Earnings used in calculating earnings per share

	Consolidated	
	2022 A\$000	2021 A\$000
<i>For basic and diluted earnings per share:</i>		
Net loss	(25,323)	(17,420)
Net loss attributable to ordinary equity holders of the Company	(25,323)	(17,420)

Weighted average number of shares

	2022	2021
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	4,042,854	3,634,037
Weighted average number of ordinary shares adjusted for the effect of dilution	4,042,854	3,634,037

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

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

Information on the classification of securities

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

13. Parent Entity Information

Information relating to Seeing Machines Limited

	2022	2021
	A\$000	A\$000
Current assets	95,919	72,783
Total assets	137,898	89,716
Current liabilities	24,275	13,657
Total liabilities	28,889	18,969
Issued capital	313,029	257,380
Accumulated losses	(227,391)	(204,884)
Reserves	23,371	18,212
Total shareholders' equity	109,009	70,748
Loss of the Parent entity	(25,747)	(18,297)
Total comprehensive income of the Parent entity	(25,747)	(18,297)

Significant accounting policies

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

Notes to the Financial Statements (continued)

14. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2022	2021
	A\$000	A\$000
Cash at bank	58,756	47,393
Total cash and cash equivalents	58,756	47,393

15. Current Assets – Trade and Other Receivables

	Consolidated	
	2022	2021
	A\$000	A\$000
Current		
Trade receivables	26,560	19,537
Provision for expected credit losses	(226)	(110)
Deferred finance income	(152)	(302)
	26,182	19,125
Other receivables	801	726
Total trade and other receivables - current	26,983	19,851

a. Allowance for expected credit loss

Trade receivables are non-interest bearing and are generally 30-60 days terms. The Group applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECL's at reporting date (refer to Note 3(j)). The provision for impairment loss recognised by the Group at 30 June 2022 was A\$226,000 (2021: A\$110,000).

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

	Individually Impaired	
	2022	2021
	A\$000	A\$000
As at 1 July	110	150
Provision for expected credit losses increase/(decrease)	116	(40)
As at 30 June	226	110

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					Total A\$000
	Current	Days past due				
		0 - 30 days	31 - 60 days	61 - 90 days	91 + days	
2022						
Expected credit loss rate	0.30%	1.20%	1.80%	2.20%	2.70%	
Estimated total gross carrying amount assessed	20,712	2,669	572	334	2,273	26,560
Expected credit loss ¹	73	24	11	45	73	226
2021						
Expected credit loss rate	0.30%	1.60%	3.60%	6.60%	10.60%	
Estimated total gross carrying amount assessed	18,426	386	391	69	265	19,537
Expected credit loss	57	6	14	5	28	110

¹ A specific provision for A\$127,000 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 45.

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\$6,000 (2021: A\$26,000) has been recognised and included in other expenses. Receivables 90 days past due but not considered in default are A\$2,206,000 (2021: A\$265,000). Payment terms on these amounts have been re-negotiated, and satisfaction has been gained that payment will be received in full. It is expected that all other balances will be received when due.

b. Fair value and credit risk

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

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

c. Foreign exchange risk

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

16. Current Assets – Inventories

	Consolidated	
	2022 A\$000	2021 A\$000
Finished goods	1,328	2,640
Write-down of inventories for the period	(23)	(13)
Total inventories	1,305	2,627

Notes to the Financial Statements (continued)

17. Other Current Assets

	Consolidated	
	2022	2021
	A\$000	A\$000
Prepayments	3,115	3,098
Rental bonds	104	133
Unbilled revenue	4,985	2,151
Other	39	56
Total other current assets	8,243	5,438

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

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

CONSOLIDATED	Office Furniture, Fittings and Equipment A\$000	Research and Development Equipment A\$000	Asset under Construction A\$000	Total A\$000
At 1 July 2021 net of accumulated depreciation and impairment	3,072	125	164	3,361
Additions	1,310	543	-	1,853
Disposals	(3)	-	-	(3)
Depreciation charge for the year	(706)	(104)	-	(810)
Write offs	(1)	-	-	(1)
Foreign exchange differences	4	-	-	4
At 30 June 2022 net of accumulated depreciation and impairment	3,676	564	164	4,404
At 30 June 2022				
Cost	7,888	1,263	164	9,315
Accumulated depreciation and impairment	(4,212)	(699)	-	(4,911)
Net carrying amount	3,676	564	164	4,404

CONSOLIDATED	Office Furniture, Fittings and Equipment A\$000	Research and Development Equipment A\$000	Asset under Construction A\$000	Total A\$000
At 1 July 2020 net of accumulated depreciation and impairment	3,000	56	152	3,208
Additions	439	87	12	538
Disposals	-	-	-	-
Depreciation charge for the year	(500)	(18)	-	(518)
Foreign exchange differences	(7)	-	-	(7)
Transferred from right-of-use assets ¹ (Note 29)	140	-	-	140
At 30 June 2021 net of accumulated depreciation and impairment	3,072	125	164	3,361
At 30 June 2021				
Cost	7,461	728	164	8,353
Accumulated depreciation and impairment	(4,389)	(603)	-	(4,992)
Net carrying amount	3,072	125	164	3,361

¹ Office equipment leased at 30 June 2020 was purchased during the financial year ending 30 June 2021, thereby extinguishing the lease. The transfer to property, plant and equipment consisted of original cost of A\$418,000 and accumulated depreciation of A\$278,000.

Notes to the Financial Statements (continued)

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

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

CONSOLIDATED	Development Costs A\$000	Patents, Licences and Trademarks A\$000	Total A\$000
At 1 July 2021 net of accumulated amortisation and impairment	8,311	1,229	9,540
Additions	25,659	343	26,002
Disposals	-	(1)	(1)
Amortisation charge for the year	(1,203)	(61)	(1,264)
At 30 June 2022 net of accumulated amortisation and impairment	32,767	1,510	34,277
At 30 June 2022			
Cost	33,970	1,820	35,790
Accumulated amortisation and impairment	(1,203)	(310)	(1,513)
Net carrying amount	32,767	1,510	34,277
CONSOLIDATED	Development Costs A\$000	Patents, Licences and Trademarks A\$000	Total A\$000
At 1 July 2020 net of accumulated amortisation and impairment	-	899	899
Additions	8,311	484	8,795
Write-offs	-	(106)	(106)
Amortisation charge for the year	-	(48)	(48)
At 30 June 2021 net of accumulated amortisation and impairment	8,311	1,229	9,540
At 30 June 2021			
Cost	8,311	1,751	10,062
Accumulated amortisation and impairment	-	(522)	(522)
Net carrying amount	8,311	1,229	9,540

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

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 30 June. Intangible assets are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period. At 30 June 2022, no impairment indicators were noted.

Notes to the Financial Statements (continued)

20. Other Financial Assets

	Consolidated	
	2022	2021
	A\$000	A\$000
Financial assets at amortised cost		
Term deposits	472	472
Total other financial assets	472	472

At 30 June 2022, term deposits held are classified as short-term and consist of a term deposit of \$140,000 maturing on 27 February 2023 with an interest rate of 0.3775% and a term deposit of \$332,000 maturing on 2 May 2023 with an interest rate of 1.78%.

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

21. Current Liabilities – Trade and Other Payables

	Consolidated	
	2022	2021
	A\$000	A\$000
Trade payables	3,932	2,186
Accrued expenses	5,483	1,981
GST, Payroll Tax and Payroll Liabilities	6,959	4,631
Other current liabilities	17	41
Total trade and other payables	16,391	8,839

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 FY22 STI (short-term incentive) amounting to A\$2,979,000 (2021: A\$2,461,000).

b. Foreign exchange, interest rate and liquidity risk

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

22. Provisions

	Consolidated	
	2022	2021
	A\$000	A\$000
Current		
Annual leave	3,390	2,936
Long service leave	894	705
Warranties provision (Note 23)	758	641
Provision for income tax	56	611
Total provisions - current	5,098	4,893
Non-current		
Long service leave	287	128
Other provisions	69	64
	356	192

a. Nature and timing of provisions

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

Notes to the Financial Statements (continued)

23. Movement in Provisions

	Maintenance Warranties A\$000
As at 1 July 2020	475
Arising during the year	212
Utilised	(46)
As at 30 June 2021	641
Arising during the year	549
Utilised	(432)
As at 30 June 2022	758

24. Contract liabilities

	Consolidated 2022 A\$000	2021 A\$000
Deferred revenue	3,622	772
Total contract liabilities	3,622	772

Contract liabilities totalling A\$362,000 included in the balance at 30 June 2021 were satisfied and recognised as revenue during the year ended 30 June 2022.

25. Financial Liabilities

Current	Consolidated 2022 A\$000	2021 A\$000
Financial liabilities at amortised cost		
Lease liabilities	948	918
Total financial liabilities at amortised cost	948	918
Total financial liabilities - current	948	918
Non-Current	Consolidated 2022 A\$000	2021 A\$000
Financial liabilities at amortised cost		
Lease liabilities	4,356	5,272
Total financial liabilities at amortised cost	4,356	5,272
Total financial liabilities - non-current	4,356	5,272

Notes to the Financial Statements (continued)

26. Contributed Equity

	Consolidated	
	2022	2021
	A\$000	A\$000
Ordinary shares	313,029	257,382
Total contributed equity	313,029	257,382

Number of ordinary shares

	Consolidated	
	2022	2021
	Thousands	Thousands
Issued and fully paid	4,156,019	3,875,618

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	A\$000
	Thousands	
As at 1 July 2020	3,365,214	217,204
Shares issued	510,404	41,199
Transaction costs	-	(1,021)
At 30 June 2021	3,875,618	257,382
As at 1 July 2021	3,875,618	257,382
Shares issued	280,401	57,062
Transaction costs	-	(1,415)
As at 30 June 2022	4,156,019	313,029

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	Consolidated	
	2022 A\$000	2021 A\$000
Reconciliation of net loss after tax to net cash flows from operations		
Loss after tax	(25,323)	(17,420)
Depreciation	814	525
Amortisation	2,079	787
Net gain on foreign exchange (unrealised)	158	219
(Profit)/loss on sale of assets	-	(5)
Share-based payments	5,159	3,376
<i>Changes in assets / liabilities net of the effect of purchases</i>		
Decrease in inventories	1,322	2,116
(Increase) in trade and other receivables	(7,132)	(9,386)
(Increase) in other current assets	(2,805)	(2,283)
Increase in provisions	369	1,108
Increase in trade and other payables	7,552	969
(Decrease)/ Increase in other liabilities	(886)	353
Increase in contract liabilities	2,850	-
Net cash used in operating activities	(15,843)	(19,641)

29. Leases

Group as a lessee

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

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

Notes to the Financial Statements (continued)

29. Leases (continued)

Group as a lessee (continued)

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

	Office space A\$000	Other equipment A\$000	Total A\$000
As at 1 July 2020	4,231	140	4,371
Additions	729	-	729
Amortisation expense	(739)	-	(739)
Foreign exchange differences	31	-	31
Transferred to property, plant and equipment ¹ (Note 18)	-	(140)	(140)
As at 30 June 2021	4,252	-	4,252
Additions	166	-	166
Lease terminations	(170)	-	(170)
Amortisation expense	(815)	-	(815)
Foreign exchange differences	16	-	16
As at 30 June 2022	3,449	-	3,449

¹ Office equipment leased at 30 June 2020 was purchased during the financial year ended 30 June 2021, thereby extinguishing the lease. The transfer to property, plant and equipment consisted of original cost of A\$418,000 and accumulated depreciation of A\$278,000.

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

	2022 A\$000	2021 A\$000
As at 1 July	6,190	6,420
Additions	166	757
Accretion of interest	453	472
Lease terminations	(235)	-
Payments	(1,270)	(1,459)
At 30 June	5,304	6,190
Current	948	918
Non-current	4,356	5,272

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

The following are the amounts recognised in profit or loss:

	2022 A\$000	2021 A\$000
Amortisation expense of right-of-use assets	815	739
Interest expense on lease liabilities	453	472
Expense relating to short-term leases (included in operations expense)	-	-
At 30 June	1,268	1,211

The incremental borrowing rate at 30 June 2022 is between 6 - 10% per annum (2021: 8% per annum).

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

Notes to the Financial Statements (continued)

30. Related Party Disclosure

a. Information about subsidiaries

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

Name	Country of incorporation	% Equity Interest		Investment	
		2022	2021	2022	2021
Seeing Machines Incorporated	United States	100%	100%	770,307	770,307
Seeing Machines Executive Share Plan Pty Ltd	Australia	100%	100%	100	100
Seeing Machines Share Plans Trust	Australia	100%	100%	10	10
Seeing Machines (Sales) Pty Ltd	Australia	100%	100%	12	12
Fovio Pty Limited (formerly Fovionix Pty Limited)	Australia	100%	100%	100	100
Fovio Incorporated	United States	100%	100%	50	50
Seeing Machines (UK) Ltd	United Kingdom	100%	100%	169	169
Seeing Machines Japan Ltd	Japan	100%	100%	13,636	13,636
Seeing Machines Germany *	Germany	100%	100%	41,689	41,689
Seeing Machines New Zealand	New Zealand	100%	-	91	-

* During the current year, a new branch office of Seeing Machines Germany was set up in the Netherlands effective 1 November 2021.

b. Materially owned subsidiaries

There are no subsidiaries held at 30 June 2022 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 2021	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2022
Directors					
K Hill	2,762,080	-	637,920	-	3,400,000
P McGlone (iv)	250,000	-	-	-	250,000
Y K NG (i)	2,160,349	-	-	-	2,160,349
J Murray (ii)	432,291	-	200,000	-	632,291
G Vorster	109,375	-	-	-	109,375
M Brown (iii)	-	-	-	-	-
	5,714,095	-	837,920	-	6,552,015

Notes to the Financial Statements (continued)

30. Related Party Disclosure (continued)

d. Director-related transactions (continued)

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

Notes:

(i) Yong Kang NG has an additional indirect interest in the Company by virtue of his deemed (by virtue of his spouse) ownership of shares in V S Industry Berhard (VSI).

(ii) John Murray's interest in the Company is held by virtue of his direct ownership of shares in Nanjop Pty Ltd.

(iii) Michael Brown has an additional indirect interest in the Company by virtue of his relationship with Lombard Odier Asset Management (Europe) Limited.

(iv) Paul McGlone has unvested performance rights and options on 30 June 2022. Please refer to Note 33(b)(ii) & (iii) for more details.

(ii) Other Director related transactions

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

31. Key Management Personnel

a. Details of Key Management Personnel

(i) Directors

Kate Hill	Non-Executive Director and Chair
Paul McGlone	CEO and Executive Director
Yong Kang NG	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director

(ii) Executives (Other Key Management Personnel)

Paul McGlone	Chief Executive Officer
Naomi Rule	Chief Financial Officer
Nicholas DiFiore	Senior Vice President (SVP) OEM Solutions
Mike Lenné	Chief Science and Innovation Officer
Max Verberne	General Manager - (GM) Aftermarket Solutions
Ryan Murphy	Chief Operating Officer (role terminated 4 June 2021)

Notes to the Financial Statements (continued)

32. Compensation for Key Management Personnel

	Short-Term A\$000	Post- Employment A\$000	Share-Based Payments A\$000	Total A\$000
FOR THE YEAR ENDED 30 JUNE 2022	Salary/Fees/ Bonus/Leave	Superannuation	Rights/Options	
Chair				
Kate Hill	137	14	-	151
CEO and Executive				
Paul McGlone	885	29	210	1,124
Non-Executive Directors				
Y K NG	75	-	-	75
John Murray	85	8	-	93
Gerhard Vorster	79	8	-	87
Michael Brown	75	-	-	75
Other Key Management Personnel ¹	2,155	143	1,009	3,307
Total	3,491	202	1,219	4,912

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

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

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

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

Notes to the Financial Statements (continued)

33. Share-based payments plans

a. Recognised share-based payment expenses

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

	Consolidated	
	2022	2021
	A\$000	A\$000
Expense arising from the performance rights long term incentive	5,022	3,249
Expense arising from options under long term incentive	137	1
Total expense arising from share-based payment transactions	5,159	3,250

b. Type of share-based payment plan

2010 Executive Share Plan

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

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

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

Options were issued to a key staff member in October 2016, the options were valued using a binomial model using volatility as a proxy for implied volatility, long term UK government bond prices for the risk free rate and AIM share price information. All options expire after 10 years. At 30 June 2022 the weighted average remaining life for the outstanding share options was 5.21 years (2021: 6.21 years) and the exercise price for all outstanding options was £0.0561. No new options were granted during the year.

In November 2021 the Company awarded a total of 64,996,414 performance rights in respect of ordinary shares to Executive and key staff to be issued at nil cost.

14,845,702 of the performance rights under the LTI have been awarded in recognition of the past achievement of the Company's objectives in FY2021. The rights were valued at the spot rate of the shares at grant date, and the value is amortised over the vesting period. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2022 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, and the remaining rights are cancelled.

The remaining 50,150,712 performance rights have been granted under Key Person Agreements in respect of a total of 27 nominated key people. These people have been identified as having key roles directly related to the Company's long-term success and the allocation of accelerated performance rights has been implemented by the Board to successfully retain these employees and affirm successful delivery on a range of projects and customer commitments. These awards have an accelerated grant with delayed vesting taking place on 1 July 2024 and require the employee to remain continuously employed by the Company until the vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse. In some cases, for 'good leavers', determined on a discretionary basis by management, options are prorated for service in the current period and that portion are vested on termination, the remaining rights are cancelled.

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

Notes to the Financial Statements (continued)

(ii) 2019 CEO Call Options Scheme

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

Taking into account the terms and conditions upon which the options were granted, and the assumptions outlined below, the weighted average fair value of the options at grant date is £0.0182. At 30 June the weighted average remaining life for the outstanding share options was 1 year (2021: 2 years).

(iii) 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.

Due to the COVID-19 pandemic and geopolitical factors adversely influencing the share-price during FY22 the Board has agreed to roll 100% of the Tranche 3 rights (5,000,000 rights) for retesting on 1 July 2023 and 1 July 2024.

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)

(iv) 2019 CEO LTI Performance Rights (continued)

The table below summarises the number of performance rights issued, vested, cancelled and open for testing/ retesting on 30 June 2022.

Tranche	Original Vesting date	No. of rights	Rights vested	Rights cancelled	Open for testing/ retesting
Tranche 1	1 July 2020	5,000,000	2,500,000	2,500,000	-
Tranche 2	1 July 2021	5,000,000	5,000,000	-	-
Tranche 3	1 July 2022	5,000,000	-	-	5,000,000
Tranche 4	1 July 2023	5,000,000	-	-	5,000,000
Tranche 5	1 July 2024	5,000,000	-	-	5,000,000
Total		25,000,000	7,500,000	2,500,000	15,000,000

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 2022, the Company has recognised A\$5,159,000 of share-based payment expense in the statement of comprehensive income (2021: A\$3,250,000).

e. Summaries of shares issued and held in Trust:

	2022 No '000	2022 WAP* (pence)	2021 No '000	2021 WAP* (pence)
Shares held in Trust at 1 July	85,790	9.64	41,405	6.92
Issued during the year	-	-	70,000	9.50
Vested and transferred during the year	(36,073)	10.43	(25,615)	6.80
Shares held in Trust at 30 June	49,717	9.06	85,790	9.64

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

	2022 Number	2022 WAP* (pence)	2021 Number	2021 WAP* (pence)
Outstanding at 1 July	131,215,354	5.65	132,333,408	5.97
Granted during the year	64,996,414	9.55	29,964,495	5.60
Forfeited during the year	(3,284,533)	7.47	(7,072,085)	4.79
Exercised during the year	(30,466,951)	7.88	(24,010,464)	7.69
Outstanding at 30 June	162,460,284	6.75	131,215,354	5.65
Exercisable at 30 June	45,168,455	5.39	51,806,200	7.02

* Weighted Average Price (WAP) is the Market price at the time of grant.

Notes to the Financial Statements (continued)

34. Commitments

As at 30 June 2022, the Group had commitments of A\$36,287,850 (2021: A\$15,981,803) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period July 2022 to July 2023.

35. Contingent Liabilities

As at 30 June 2022, there were no contingent liabilities (2021: Nil).

36. Events After the Reporting Date

On 4 October 2022, Seeing Machines entered into an exclusive collaboration agreement ("Agreement") with Magna International ("Magna"), to pursue driver and occupant monitoring system business targeting the vehicle's interior rear-view mirror. Under the terms of the Agreement, subject to certain exceptions, Seeing Machines and Magna will exclusively co-market driver and occupant monitoring, solely where the Company's IP is fully integrated inside the rear-view mirror, until the end of June 2025. In return for Seeing Machines granting exclusivity to Magna for the mirror, Magna will make an upfront payment to Seeing Machines of US\$10m, with an additional US\$7.5m payable over the following 2 years.

At the same time, Magna has also agreed to invest up to an additional US\$47.5m into Seeing Machines via a non-transferable 4-year convertible note maturing in October 2026 (the "Convertible Note"). The Convertible Note, which can be drawn down in two tranches across the 4-year term, subject to the satisfaction of certain closing conditions, is convertible into ordinary shares at a price of 11 British pence per share. The first tranche, being US\$30m, was drawn on 5 October 2022 with the remainder available until December 2024. The Convertible Note has an all-in yield of 8%, inclusive of fees.

Magna may elect to convert the principal and at Seeing Machines' election, interest outstanding under the Convertible Note at any time during its term, up to a maximum of 349,650,350 shares which, when added to Magna's existing shareholding in the Company, will represent approximately 9.9% of the fully diluted share capital of the Company. The Convertible Note contains standard covenants, and anti-dilution provisions. The interest due at the end of the facility can be paid in cash or converted into equity at Seeing Machines' election.

37. Auditors' Remuneration

The auditor of the Group is PricewaterhouseCoopers (2021: Ernst & Young).

	Consolidated	
	2022	2021
	A\$	A\$
Amounts received or due and receivable by our auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	270,914	139,000
Other services in relation to the entity and any other entity in the consolidated group:		
Tax compliance	-	74,861
Accounting advisory services	51,000	-
	321,914	213,861

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 2022 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - (b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2(a); and
 - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

On behalf of the board



Paul McGlone
Executive Director & Chief Executive Officer
Canberra



Independent auditor's report

To the members of Seeing Machines Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
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Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$1 million, which represents approximately 4% of the Group's loss before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 4% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

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



Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition for non-recurring engineering services <i>(Refer to notes 4 & 7) [\$8.2 million]</i></p> <p>The Group recognised revenue from pre-production non-recurring engineering services of \$8.2 million. Revenue recognition is a key audit matter due to the significant judgement associated with the recognition of this revenue, particularly:</p> <ul style="list-style-type: none"> ● Identification of performance obligations within the contract including a number of identifiable goods from non-engineering services and an Intellectual Property (IP) licence, ● Allocating the transaction price to separate performance obligations, ● Determining when performance obligations have been satisfied in order to recognise revenue over time. 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ● Obtaining an understanding of the terms and conditions of the contracts. ● Assessing whether the Group's revenue recognition policies are in accordance with Australian Accounting Standards. ● Assessing distinct goods within the contract that qualify as separate performance obligations, and assessing the allocation of the transaction price based on the relative stand-alone selling price of each good. ● Agreeing a sample of non-recurring engineering services revenue transactions to relevant supporting documentation for performance obligations completed during the year. ● For non-recurring engineering services commenced but not completed, assessing total forecasted contract costs and evaluating the percentage of completion based on the actual costs incurred to date and the estimated costs to complete for performance obligations in progress as of the reporting date. ● Assessing the Group's forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs. ● Evaluating the reasonableness of the disclosures in light of the requirements of Australian Accounting Standards.
<p>Capitalised development costs <i>(Refer to notes 4 & 19) [\$25.7 million]</i></p> <p>During the year the Group capitalised \$25.7 million of internally generated project development costs.</p> <p>The capitalisation of project development costs is a key audit matter due to the size of the internal costs capitalised and the significant judgement involved by the Group in assessing whether the criteria set out in the Australian Accounting Standards required for capitalisation of such costs had been met, particularly:</p> <ul style="list-style-type: none"> ● The technical feasibility of the project, 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ● Evaluating the Group's policy and process for calculating the time and cost spent by staff on product development activities eligible for capitalisation in accordance with Australian Accounting Standards. ● Developing an understanding of the capitalised product development projects undertaken during the year and assessing whether the costs meet the criteria for capitalisation in accordance with Australian Accounting Standards.



Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none">• The likelihood of the project delivering sufficient future economic benefits,• The useful lives over which costs should be amortised,• Recoverability of project development costs.	<ul style="list-style-type: none">• On a sample basis, agreeing capitalised costs to supporting documentation, including time sheets and employee contracts, to assess whether labour hours were authorised and to assess the capitalisation rate used in determining the amount of costs to be capitalised.• Assessing the appropriateness of the useful life attributed to these costs through consideration of the economic life of the projects and benchmarking the useful life based on the industry.• Evaluating the Group's assessment for indicators of impairment.• Evaluating the reasonableness of the disclosures in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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



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

Auditor's responsibilities for the audit of the financial report

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

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'J.P.' followed by a stylized flourish.

Jon Roberts
Partner

Melbourne
27 October 2022