Seeing Machines Limited (“Seeing Machines” or the **“Company”)**

18 March 2024

Half year results and financial report

Double-digit underlying revenue growth, continued operational and strategic progress, with cars on the road exceeding 1.5 million

Production started on groundbreaking US$82m interior cabin monitoring program for large German auto manufacturer

Seeing Machines Limited (AIM: SEE, “**Seeing Machines**” the “**Company**” or the “**Group**”), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, today published its unaudited results and financial report for the six months to 31 December 2023 (“H1 2024”).

Financial Highlights:

- Underlying Revenue growth for H1 2024 of 28% to US$25.6m excluding one-off Magna exclusivity payments (Reported Revenue growth of 5% including these one-offs)
    - **OEM (Automotive and Aviation)** revenue was US$11.4m (H1 2023: US$14m)
        - High margin per vehicle royalty revenue, derived from Automotive production volumes increased by 35% to US$4.2m (H1 2023: US$3.1m)
    - Annualised Recurring Revenues increased by 22% year on year to US$14.5m (H1 2023: US$11.9m)
    - **Aftermarket (Fleet and Off-Road)** revenue increased by 38% to US$14.3m (H1 2023: US$10.3m)
- Gross profit of US$10.6m, reduced due to revenue mix changes compared to comparative period with lower proportion of revenue from license fees, a higher proportion of revenue from hardware sales and a lower margin on services revenue.
- Net loss of US$19.8m due to increased development expenditure compared to the comparative period, mainly driven by increased amortisation of previously capitalised expenditure. Several customer projects were completed during the period, resulting in a short-term increase in total development expense, including outsourced resources. The overall development expenditure is expected to reduce in the second half to 30 June 2024
- Net operating cashflows improved to a net outflow of $1,109,000 (H1 FY2023: $6,832,000 outflow), thanks to disciplined focus on working capital management
- Cash position at 31 December 2023 of US$22.2m with cash burn of US$13.9m for the half year. Cash position supported by receivables and inventory balance of US$31.1m with working capital unwind of $5-6m expected in H2 FY2024

Operational Highlights:

- Seeing Machines' production debut of its highest volume program to date with an initial lifetime value of US$82m, featuring interior cabin sensing (driver and occupant monitoring system technology) via a single camera system, a world-first, delivered for a large German OEM, has launched to schedule
- Total of 1,516,545 cars on the road as of 31 December 2023, representing an increase of 116% over 12 months period (H1 2023: 701,049) spanning six individual programs with five global OEMs
- Appointed to deliver two additional Automotive programs with a combined initial lifetime value of US$45m, bringing the total won business to 17 programs with 11 individual OEM customers, building the cumulative initial lifetime value of all OEM programs to US$366m, with the majority of that revenue expected by 2028
- Guardian Generation 3, the Company's innovative new Aftermarket Driver Monitoring System (DMS) for the commercial transport and logistics sector, was independently tested at IDIADA's state of the art test and development facilities and assessed to meet requirements for drowsiness detection in the European Commission's General Safety Regulation (GSR), which is set to come into effect in July 2024
- Guardian is now installed and monitoring 56,896 individual vehicles, compared to 46,018 in December 2023, representing an increase of 24% over the 12-month period
- Collins Aerospace, the world's leading avionics tier 1 supplier, exclusively working with Seeing Machines to target the aviation sector, has begun joint development of the world's first aviation fatigue detection solution, the first component of a potential multi-modal Pilot Support System

Driver and Occupant Monitoring trends in Automotive and the opportunities ahead

To date, the majority of Seeing Machines' revenue generated by passenger vehicle production royalties has been driven by optional Level 2/3 (partial driving automation) 'hands off, eyes on' driving systems (leveraging Seeing Machines' DMS on more than 30 car and truck models across Europe and the US). These systems include General Motor's Super Cruise, Ford's Blue Cruise, Daimler's Drive Pilot, BMW's Highway Assistant and others that the Company is not yet permitted to disclose.

The popularity and deployment of these systems is growing, driven by OEM investment and the need to enable vehicles with hands-free driving to extract premiums from end customers of passenger and commercial vehicles.

Prior to regulation coming into effect, initially in July 2024, DMS remains optional, and there has been some moderation in short term demand for hands-free driving systems due to the affordability of this (relatively expensive) vehicle option in a challenging global financial environment. In addition, there has been some testing of pricing models and levels by OEMs. These factors have impacted the level of automotive royalty volumes across Q2 FY2024 and the resulting total for H1 2024. Seeing Machines is confident of strong growth in royalties tied to Level 2/3 driving systems across all regions.

The Company's confidence is further underpinned by the safety and regulatory momentum that has continued to build across the globe, supporting increased long-term demand for the Company's differentiated DMS technology.

This is led in part by the European New Car Assessment Program (Euro NCAP) requirements for DMS, which started in 2023. A critical piece of EU legislation, the GSR, will come into effect in July 2024 presenting significant additional opportunities for the installation of Seeing Machines' technology across existing and new automotive opportunities and for commercial vehicles.

While OEMs have moved at different speeds in pursuit of NCAP ratings, EU GSR mandates the use of direct (camera-based) DMS or indirect (steering-wheel based) warnings for drowsiness on all new cars, vans, trucks and buses sold in the EU from July 2024. With over 17 million new vehicles sold in Europe annually and Automotive awards for Seeing Machines covering 6 OEMs selling into Europe, GSR is a highly visible structural growth driver for FY2025 and beyond.

GSR mandates will be extended to cover Driver Distraction in 2026, requiring camera-based DMS on all new vehicles sold, bringing predictable, recurring revenue growth for Seeing Machines. Mandates in the US market via the National Highway Transport Safety Administration (NHTSA), dealing with distraction and impairment (including alcohol) are also expected in the next few years.

The rise in demand for interior monitoring solutions that use a wide field of view camera system to monitor the driver and full vehicle interior is driven by a combination of Euro NCAP 2026 protocols requiring a broader view of the cabin, as well as the motivation by OEMs to offer more in terms of occupant focused comfort and convenience features at premium prices.

Seeing Machines is leading the industry in combining driver and occupant monitoring using a single camera system (optionally integrated into a rear-view mirror with partner, Magna) designed to address current Euro NCAP/GSR and the emerging Euro NCAP 2026 requirements, positioning it for ongoing success. This month, the Company became the first in the world to launch such a system with a major European OEM as it starts production on its largest Automotive award to date, supporting 2023 Euro NCAP, GSR and an array of interior cabin sensing features for improved driver and occupant comfort and convenience.

Outlook and current trading

The Group remains well-placed to deliver continued progress in the year ahead, with a typical weighting to the second half, and the Board retains its expectations that financial performance for FY2024 will be in line with consensus[1].

Paul McGlone, CEO of Seeing Machines, said: *"We have continued to make good progress in the first half, operationally and strategically, with double-digit underlying sales growth and a greater contribution from our royalty revenue stream, received for every car that is manufactured and fitted with our technology.*

Furthermore, we are delighted to see our first cabin sensing program, using driver and occupant monitoring technology, start production with a new OEM customer as scheduled and look forward to volume ramping up over the course of the next few quarters as production gets into full swing. With more than 1.5 million cars on the road featuring our technology today, generating high-margin royalty revenue, this milestone will play an important role in the achievement of Seeing Machines' financial goals.

As transport safety regulatory deadlines mandating the fitment of driver monitoring technology come into effect, we are focused on working with our customers as they adjust to the changes. We remain well placed to deliver on our attractive long term growth prospects, thanks to our market leading scale, balance sheet strength and proven technology supported by regulatory changes."

Earnings call

The Company will host a presentation via Investor Meet Company platform at 8am GMT Monday 18 March 2023. To register, please visit www.investormeetcompany.com.

---

[1] Consensus expectations for FY2024 are for revenue of US$66.3m, Cash EBITDA of US$(28.4m) and Cash position of US$26.1m.

Enquiries:

Seeing Machines Limited **+61 2 6103 4700**
Paul McGlone – CEO
Sophie Nicoll – Corporate Communications

Stifel Nicolaus Europe Limited (Nominated Adviser and Broker) **+44 20 7710 7600**
Alex Price
Fred Walsh
Nick Adams
Ben Burnett

Dentons Global Advisors (Media Enquiries) **+44 20 7664 5095**
James Styles
Jonathon Brill
Methuselah Tanyanyiwa
seeingmachines@dentonsglobaladvisors.com

About Seeing Machines (AIM: SEE), a global company founded in 2000 and headquartered in Australia, is an industry leader in vision-based monitoring technology that enable machines to see, understand and assist people. Seeing Machines is revolutionizing global transport safety. Its technology portfolio of AI algorithms, embedded processing and optics, power products that need to deliver reliable real-time understanding of vehicle operators. The technology spans the critical measurement of where a driver is looking, through to classification of their cognitive state as it applies to accident risk. Reliable “driver state” measurement is the end-goal of Driver Monitoring Systems (DMS) technology. Seeing Machines develops DMS technology to drive safety for Automotive, Commercial Fleet, Off-road and Aviation. The company has offices in Australia, USA, Europe and Asia, and supplies technology solutions and services to industry leaders in each market vertical.
www.seeingmachines.com

Review of Operations

Overview

For the six-month period ended 31 December 2023, sales revenue increased by 6% compared to the corresponding period. Cash balances decreased by $13,924,000 to $22,215,000 (FY2023: $36,139,000) when compared to the preceding financial year.

Financial Results

The Company's total sales revenue for H1 FY2024 (excluding foreign exchange gains and finance income) increased by 6% to $25,734,000 (H1 FY2023: $24,383,000).

Business unit	**31 Dec 2023**	**31 Dec 2022**	**Variance**
	$'000	**$'000**	**%**
OEM	11,413	14,037	(19%)
Aftermarket	14,321	10,346	38%
Sales Revenue	**25,734**	**24,383**	**6%**

Royalty revenue, derived from installation of Seeing Machines' Driver Monitoring System (DMS) technology, increased by 35% to $4,200,000 (H1 FY2023: $3,116,000) compared to the same period last year. The growth in royalty revenues in the OEM business has resulted in the revenue mix moving to a greater proportion of higher margin revenue streams, which is expected to continue as Automotive programs become the dominant source of revenue for this business unit. In addition to production royalties, revenue of $2,249,000 (H1 FY2023: $5,354,000) from license fees was earned from exclusive collaboration agreements. The reduction in license fee revenue compared to the prior period is a result of revenue for the provision of prior services that was recognised in the comparative period at the commencement of the agreement with Magna Electronics Inc.

Aftermarket hardware and installation revenue increased by 202% to $5,954,000 (H1 FY2023: $1,971,000). Connected Guardian units increased to 56,896 units in December 2023 representing 24% annual growth from 46,018 in December 2022. As a result of this growth monitoring services revenue increased by 19% to $6,256,000 for half-year, compared to $5,249,000 for the same period last year, continuing the accumulation of recurring revenue from the Guardian connections.

The Company continued to invest in its core technology development to further strengthen its competitive moat, rapidly expand features and leverage systems approach across global OEM and Aftermarket industries. As a result, the Company incurred total research and development expenses of $20,526,000 (H1 FY2023: $17,236,000) during the six-month period ended 31 December 2023 of which $12,350,000 (H1 FY2023: $11,146,000) was capitalised.

Loss for the 6-month period ended 31 December 2023 increased to $19,802,000 (H1 FY2023: $4,619,000 loss) compared to the same period last year. Gross profit reduced due to sales mix changes compared to the comparative period with a lower proportion of revenue from license fees and services.

Interim Consolidated Statement of Financial Position – Unaudited

		Consolidated		
AS AT	Notes	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000	31 Dec 2022 Unaudited $000 *(Restated)*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	22,215	36,139	52,186
Trade and other receivables	6	18,249	27,039	14,843
Contract assets		5,702	6,513	4,656
Inventories	7	6,621	11,191	5,742
Other financial assets		226	312	321
Other current assets		2,255	1,116	4,100
TOTAL CURRENT ASSETS		**55,268**	**82,310**	**81,848**
NON-CURRENT ASSETS				
Property, plant & equipment	8	3,529	3,861	3,152
Right-of-use assets		4,259	1,853	2,114
Intangible assets	9	55,332	45,064	33,581
TOTAL NON-CURRENT ASSETS		**63,120**	**50,778**	**38,847**
TOTAL ASSETS		**118,388**	**133,088**	**120,695**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	10	10,282	11,646	7,692
Contract liabilities		3,973	4,634	5,734
Lease liabilities	11	804	708	686
Provisions		5,246	4,414	4,012
TOTAL CURRENT LIABILITIES		**20,305**	**21,402**	**18,124**
NON-CURRENT LIABILITIES				
Borrowings	12	42,705	40,322	22,151
Lease liabilities	11	4,776	2,195	2,620
Deferred tax liabilities		2,464	2,464	2,217
Provisions		322	174	212
TOTAL NON-CURRENT LIABILITIES		**50,267**	**45,155**	**27,200**
TOTAL LIABILITIES		**70,572**	**66,557**	**45,324**
NET ASSETS		**47,816**	**66,531**	**75,371**
EQUITY				
Contributed equity	16	240,948	240,948	240,948
Other equity	13	5,749	5,749	5,172
Accumulated losses		(205,322)	(185,520)	(174,592)
Other capital reserves		6,441	5,354	3,843
Total equity attributable to the owners of Seeing Machines		**47,816**	**66,531**	**75,371**
TOTAL EQUITY		**47,816**	**66,531**	**75,371**

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

Interim Consolidated Statement of Comprehensive Income – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Notes	Consolidated 2023 Unaudited $000	2022 Unaudited $000 *(Restated)*
Sale of goods		5,858	2,322
Services revenue		11,723	12,193
Royalty and license fees		8,153	9,868
Revenue	3	**25,734**	**24,383**
Cost of sales		(15,161)	(8,901)
Gross profit		**10,573**	**15,482**
Net foreign exchange gains/(losses)		(67)	1,942
Other expenses		-	(81)
Research and development expenses		(8,176)	(6,090)
Customer support and marketing expenses		(4,306)	(3,325)
Operations expenses		(8,232)	(5,447)
General and administration expenses		(7,180)	(6,470)
Expenses	4	**(27,894)**	**(21,332)**
Operating loss		**(17,388)**	**(3,989)**
Finance income		252	369
Finance costs		(2,648)	(876)
Finance costs - net		**(2,396)**	**(507)**
Loss before income tax		**(19,784)**	**(4,496)**
Income tax expense		(18)	(123)
Loss for the period		**(19,802)**	**(4,619)**
Loss for the period attributable to:			
Equity holders of the parent		**(19,802)**	**(4,619)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		70	(2)
Other comprehensive income/(loss) net of tax		**70**	**(2)**
Total comprehensive loss		**(19,732)**	**(4,621)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(19,732)	(4,621)
Total comprehensive loss for the period		**(19,732)**	**(4,621)**
Loss per share for loss attributable to the ordinary equity holders of the parent:			
		Cents	**Cents**
Basic loss per share	15	(0.476)	(0.111)
Diluted loss per share	15	(0.476)	(0.111)

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

Interim Consolidated Statement of Changes in Equity – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Contributed Equity $000	Other Equity $000	Accumulated Losses $000	Foreign Currency Translation Reserve $000	Employee Equity Benefits & Other Reserve $000	Total Equity $000
As at 1 July 2022	**240,948**	**-**	**(169,973)**	**(14,128)**	**16,968**	**73,815**
Loss for the period *(Restated)*	-	-	(4,619)	-	-	(4,619)
Other comprehensive loss	-	-	-	(2)	-	(2)
Total comprehensive loss *(Restated)*	**-**	**-**	**(4,619)**	**(2)**	**-**	**(4,621)**
Transactions with owners in their capacity as owners:						
Value of conversion rights on convertible notes *(Restated)*	-	5,172	-	-	-	5,172
Share-based payments	-	-	-	-	1,005	1,005
At 31 December 2022 – Unaudited *(Restated)*	**240,948**	**5,172**	**(174,592)**	**(14,130)**	**17,973**	**75,371**
As at 1 July 2023	**240,948**	**5,749**	**(185,520)**	**(13,818)**	**19,172**	**66,531**
Loss for the period	-	-	(19,802)	-	-	(19,802)
Other comprehensive gain	-	-	-	70	-	70
Total comprehensive loss	**-**	**-**	**(19,802)**	**70**	**-**	**(19,732)**
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	-	-	1,017	1017
At 31 December 2023 - Unaudited	**240,948**	**5,749**	**(205,322)**	**(13,748)**	**20,189**	**47,816**

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

Interim Consolidated Statement of Cash Flows – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Notes	2023 Unaudited $000	2022 Unaudited $000
Operating activities			
Receipts from customers		36,113	32,398
Payments to suppliers		(37,448)	(39,476)
Interest received		252	369
Income tax paid		(26)	(123)
Net cash flows used in operating activities		**(1,109)**	**(6,832)**
Investing activities			
Proceeds from sale of property, plant and equipment		-	48
Purchase of property, plant and equipment	8	(272)	(524)
Payments for intangible assets (patents, licences and trademarks)	9	(105)	(91)
Payments for intangible assets (capitalised development costs)	4, 9	(12,350)	(11,146)
Maturity/(purchase) of term deposits		87	-
Net cash flows used in investing activities		**(12,640)**	**(11,713)**
Financing activities			
Proceeds from issue of convertible note (net of arrangement fee)		-	28,798
Principal repayment of lease liabilities		(439)	(481)
Net cash flows from financing activities		**(439)**	**28,317**
Net increase in cash and cash equivalents		(14,188)	9,772
Net increase/(decrease) due to foreign exchange difference		264	1,944
Cash and cash equivalents at 1 July		36,139	40,470
Cash and cash equivalents at 31 December	5	**22,215**	**52,186**

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

Notes to the Interim Consolidated Financial Statements – Unaudited

1 Corporate information

Seeing Machines Limited (the "Company" or the "Group") 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 interim consolidated financial report of the Group (the "interim financial report") for the six-month period ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 15 March 2024.

2 Basis of preparation

(a) Basis of preparation

The interim financial report for the six-month period ended 31 December 2023 has been prepared in accordance with *AASB 134 Interim Financial Reporting* in order to fulfil the reporting requirements of Rule 18 of the London Stock Exchange's AIM Rules for Companies issued July 2016.

The interim financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2023. The interim financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

There is no requirement for the interim financial report to be subject to audit or review by the external auditor and accordingly no audit or review has been conducted.

(b) Accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 30 June 2023.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 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.

(c) Correction for accounting for convertible notes

For the 6-month period ending 31 December 2022 the option provided to Magna was deemed to be an embedded derivative and was accounted for as a financial liability at fair value through profit or loss. This should have been classified as other equity (see Note 12 and 13) and not subject to a revaluation at each reporting period.

The accounting has been corrected by restating each of the affected financial statement items for the prior period as follows:

Interim Consolidated Statement of Financial Position (extract) **AS AT**	**31 Dec 2022** **$000**	**Increase/ (decrease)** **$000**	**31 Dec 2022** ***(Restated)*** **$000**
Borrowings	22,955	(804)	22,151
Financial liability at fair value through profit or loss	7,389	(7,389)	-
Deferred tax liabilities	-	2,217	2,217
TOTAL NON-CURRENT LIABILITIES	**33,176**	**(5,976)**	**27,200**
TOTAL LIABILITIES	**51,300**	**(5,976)**	**45,324**
NET ASSETS	**69,395**	**5,976**	**75,371**
Other equity	-	5,172	5,172
Accumulated losses	(175,396)	804	(174,592)
TOTAL EQUITY	**69,395**	**5,976**	**75,371**

Interim Consolidated Statement of Comprehensive Income (extract) **FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER**	**2022** **$000**	**Profit Increase/ (decrease)** **$000**	**2022** ***(Restated)*** **$000**
Net change in fair value of financial liability (loss)	(804)	804	-
Loss for the period	**(5,423)**	**804**	**(4,619)**

Notes to the Interim Consolidated Financial Statements – Unaudited

3 Segment information

a. Segment revenue based on operating segment

The following table presents revenue and net loss information for the Group's operating segments for the six-month periods ended 31 December 2023 and 2022, respectively:

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	Segment Revenue 2023 $000	Segment Revenue 2022 $000	Segment Loss 2023 $000	Segment Loss 2022 $000 *(Restated)*
OEM	11,413	14,037	(9,582)	(1,944)
Aftermarket	14,321	10,346	(10,220)	(2,675)
Total	**25,734**	**24,383**	**(19,802)**	**(4,619)**

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 SIX-MONTH PERIOD ENDED 31 DECEMBER 2023 Unaudited	OEM $000	Aftermarket $000	Total $000
Revenue Types			
Sales at a point in time			
Hardware and Installations	426	5,954	6,380
Royalties	-	1,704	1,704
Sales over time			
Driver Monitoring	-	6,256	6,256
Non-recurring Engineering	4,538	407	4,945
Royalties	4,200	-	4,200
Licensing	2,249	-	2,249
Total revenue	**11,413**	**14,321**	**25,734**

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 Unaudited	OEM $000	Aftermarket $000	Total $000
Revenue Types			
Sales at a point in time			
Hardware and Installations	436	1,971	2,407
Royalties	-	1,012	1,012
Sales over time			
Driver Monitoring	-	5,249	5,249
Non-recurring Engineering	4,745	2,114	6,859
Royalties	3,116	-	3,116
Licensing	5,740	-	5,740
Total revenue	**14,037**	**10,346**	**24,383**

c. Geographic information

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	2023 $000	2022 $000
Revenues from external customers		
Australia	7,341	4,153
North America	12,606	15,117
Asia-Pacific (excluding Australia)	1,567	1,763
Europe	2,714	2,198
Other	1,506	1,152
Total revenue from external customers	**25,734**	**24,383**

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

Notes to the Interim Consolidated Financial Statements – Unaudited

4 Expenses

	31 Dec 2023 Unaudited $000	31 Dec 2022 Unaudited $000
a. Research and development expenses		
Research and development expenses	20,526	17,235
Capitalised development costs during the period	(12,350)	(11,146)
Total research and development expenses	**8,176**	**6,089**
b. Depreciation and amortisation expense		
Depreciation expense – owned assets	605	417
Depreciation expense – leased assets	344	261
Amortisation expense – development costs	2,160	1,246
Amortisation expense - others	26	20
Total depreciation and amortisation expense	**3,135**	**1,944**
c. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	24,680	20,057
Superannuation expense	2,030	1,516
Share-based payment expense	1,017	1,004
Wages and salaries reported as cost of sales	(7,877)	(5,831)
Wages and salaries capitalised to development costs	(9,776)	(9,628)
Total employee benefits expense	**10,074**	**7,118**
d. Other operating expenses		
Non-recoverable foreign withholding taxes	99	124
Total other operating expenses	**99**	**124**

5 Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Cash at bank	8,283	36,139
Term deposits maturing in less than 3 months	13,932	-
Total cash and cash equivalents	**22,215**	**36,139**

6 Trade and other receivables

Current	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Trade receivables (net of provisions)	17,849	25,793
Deferred finance income	(14)	(101)
	17,835	**25,692**
Other receivables	414	1,347
Total trade and other receivables - current	**18,249**	**27,039**

7 Inventories

	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Finished goods (at lower of cost and net realisable value)	6,768	11,206
Provision for obsolescence	(147)	(15)
Total inventories	**6,621**	**11,191**

8 Property, plant and equipment

During the six-month period ended 31 December 2023, the Group acquired assets with a cost of $272,000 (H1 FY2023: $524,000).

No assets relating to plant and equipment were disposed by the Group during the six-month period ended 31 December 2023 (H1 FY2023: $17,000).

9 Intangible assets

During the six-month period ended 31 December 2023, the Group incurred expenditure of $12,455,000 (H1 FY2023: $11,237,000) related to intangibles. $105,000 (H1 FY2023: $91,000) of this expenditure related to patent and trademark applications and licenses. $12,350,000 (H1 FY2023: $11,146,000) related to capitalised development costs.

No intangible assets were disposed by the Group during the six-month period ended 31 December 2023 (H1 FY2023: nil).

10 Trade payables

At 31 December 2023, the balance of the trade payables was $4,244,000 (FY2023: $3,450,000), of which an amount of $3,431,000 (FY2023: $3,383,000) was aged less than or equal to 60 days; and an amount of $813,000 (FY2023: $67,000) was aged over 60 days.

11 Lease liabilities

	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Current		
Lease liabilities	804	708
Non-current		
Lease liabilities	4,776	2,195
Total lease liabilities	**5,580**	**2,903**

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

AT 31 DEC 2023	<=6 months $000	6-12 months $000	>1 year $000	Total $000	Carrying Value $000
Lease liabilities	464	708	5,773	**6,945**	5,580

AT 30 JUN 2023	<=6 months $000	6-12 months $000	>1 year $000	Total $000	Carrying Value $000
Lease liabilities	445	452	2,451	**3,348**	2,903

12 Borrowings

Non-current	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Convertible notes	42,705	40,322

The convertible notes are presented in the balance sheet as follows:

Face value of notes issued	47,500	47,500
Other equity securities – value of conversion rights (see Note 13)	(8,213)	(8,213)
Transaction costs on borrowings	(1,202)	(1,202)
Other costs on borrowings	(187)	(74)
	37,898	**38,011**
Interest expense	4,807	2,311
Non-current liability	**42,705**	**40,322**

On 4 October 2022, Seeing Machines received funding of $47,500,000 from Magna International ("Magna") in the form of a non-transferable 4-year convertible note maturing in October 2026 (the "Convertible Note"). The Convertible Note can be drawn down in two tranches across the 4-year term. The Convertible Note has an all-in yield of 8%, inclusive of fees. 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.

The first tranche of $30,000,000, was drawn on 5 October 2022 and the second tranche of $17,500,000 was drawn down on 27 June 2023. The liability portion of tranches 1 and 2 are valued at amortised cost in accordance with AASB 9 Financial Instruments ("AASB 9") and have effective interest rates of 13.03% and 10.03% respectively.

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 conversion will be at a price of 11 British pence per share. The option provided to Magna is deemed to be an embedded derivative and is classified as other equity (see Note 13).

Notes to the Interim Consolidated Financial Statements – Unaudited

13 Other equity

	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Value of conversion rights – convertible notes	8,213	8,213
Deferred tax liability component	(2,464)	(2,464)
Total other equity	**5,749**	**5,749**

(i) *Conversion right of convertible notes*

The amount shown for other equity securities is the value of the conversion rights relating to the convertible note, details of which are shown in Note 12.

14 Dividends paid

No interim dividends or distributions have been made to members during the six-month period ended 31 December 2023 (H1 FY2023: nil) and no interim dividends or distributions have been recommended or declared by the directors in respect of the six-month period ended 31 December 2023 (H1 FY2023: nil).

15 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	
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	2023 $000	2022 $000 *(Restated)*
For basic and diluted earnings per share:		
Net loss	(19,802)	(4,619)
Net loss attributable to ordinary equity holders of the Company	**(19,802)**	**(4,619)**

Weighted average number of shares

AT 31 DECEMBER	2023 Thousands	2022 Thousands
Weighted average number of ordinary shares for basic earnings per share	4,156,019	4,156,019
Weighted average number of ordinary shares adjusted for the effect of dilution	4,156,019	4,156,019

16 Contributed equity

	Consolidated	
	31 Dec 2023 Unaudited $000	30 Jun 2023 Audited $000
Ordinary shares	240,948	240,948
Total contributed equity	**240,948**	**240,948**

	Consolidated	
Number of ordinary shares	31 Dec 2023 Unaudited Thousands	30 Jun 2023 Audited Thousands
Issued and fully paid	4,156,019	4,156,019

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.

17 Share-based payments

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.

In March 2023 the Company awarded a total of 12,420,232 performance rights in respect of ordinary shares to Executive and key staff to be issued at nil cost.

8,004,838 of the performance rights under the LTI have been awarded in recognition of the past achievement of the Company's objectives in FY2022. 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.

The remaining 4,415,394 performance rights have been granted under a Key Person Agreement in respect of one nominated person. This person has been identified as having a key role 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 this employee 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 the 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 is 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.

18 Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 31 December 2023 and 2022:

		Balance 1-Jul Thousands	Acquired or sold for cash Thousands	Other changes during the period Thousands	Balance 31-Dec Thousands
Director shares:					
Directors' securities	2023	8,002	850	7,500	16,352
Directors' securities	2022	6,552	-	-	6,552

19 Commitments

As at 31 December 2023, the group had commitments of $5,881,000 (H1 FY2023: $15,289,000) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period January 2024 to June 2024.

20 Events after the reporting period

There have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group’s operations, results or state of affairs in future periods.