



**seeingmachines**

ABN 34 093 877 331

Seeing Machines Limited

# Annual **Financial** Report

For the year ended 30 June 2018

---

## Contents to Financial Report

Corporate Information	2
Statement of Financial Position	16
Statement of Comprehensive Income	17
Statement of Changes in Equity	18
Statement of Cash Flows	18
Notes to the Financial Statements	20
Directors' Declaration	72
Independent auditor's report to the members of Seeing Machines Limited	73

## 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 directors' report is not part of the financial report.

<b>Directors</b>	Jack Boyer OBE Ken Kroeger James A Walker Les Carmichael Rudolph Burger Yong Kang NG Tim Crane	Non-Executive Chairman Executive Director & CEO Deputy Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
<b>Company Secretary</b>	James Palmer	
<b>Registered office</b>	80 Mildura Street Fyshwick ACT 2609	
<b>Principal place of business</b>	80 Mildura Street Fyshwick ACT 2609  Phone: + (61) 2 6103 4700 Email: info@seeingmachines.com	
<b>Share Register</b>	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Australia  Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZY United Kingdom  Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.	
<b>Solicitors</b>	DLA Piper Level 21, 140 William Street Melbourne VIC 3000 Australia  Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom	
<b>Bankers</b>	HSBC Commercial Bank Sydney NSW 2000	<b>Auditors</b> Ernst & Young 121 Marcus Clarke Street Canberra ACT 2600

## Directors' Report

Your directors submit their report for the year ended 30 June 2018.

### Directors

The names 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.

Jack Boyer	Non-Executive Chairman	Appointed Director 16 July 2018. Appointed Chairman 19 September 2018
Ken Kroeger	CEO and Executive Director	Appointed interim CEO 29 January 2018; permanent CEO 16 July 2018 – previously Executive Chairman
James A Walker	Non-Executive Deputy Chairman	
Rudolph Burger	Non-Executive Director	
Les Carmichael	Non-Executive Director	
Yong Kang (YK) Ng	Non-Executive Director	
Tim Crane	Non-Executive Director	
Peter Housden	Non-Executive Director	Resigned 25 July 2017
Mike McAuliffe	CEO and Executive Director	Resigned 29 January 2018

## Review of Operations

### Financial Results

The Company's total sales revenue from continuing operations for the financial year (excluding foreign exchange gains and finance income) was \$30.7m compared to the 2017 revenue of A\$14.2m.

<i>Product</i>	<i>FY18</i>	<i>FY17</i>	<i>Variance</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>%</i>
Fleet	17,218	9,085	90
Automotive	8,084	1,621	399
Off Road	3,725	2,491	50
Aviation	189	365	(48)
Scientific Advances	1,500	617	143
<b>Sales Revenue</b>	<b>30,716</b>	<b>14,179</b>	<b>117</b>
Other income	243	8,592	(97)
Gain on foreign exchange	2,478	-	∞
Finance income	456	470	(3)
	<b>3,177</b>	<b>9,062</b>	
<b>Total Revenue</b>	<b>33,893</b>	<b>23,241</b>	

Total sales revenue was A\$30.7m, an increase of 117% year-on-year (2017: A\$14.2m). Revenue momentum accelerated through the year with sales in H2 being more than 9% higher than in H1. Gross profit increased from A\$0.7m in FY17 to A\$7.6m this year, principally attributable to a greater proportion of the revenue coming from the high-margin Automotive, Off-Road and Rail markets. Fleet margin also improved year-on-year due to the high-margin fleet monitoring Monthly Recurring Revenue ("MRR") from its growing

connected customer base. Overall gross margin was impacted by the previously-announced delays to shipments of, and higher-than expected final hardware costs associated with, Fleet Guardian Gen 2.

The key driver for our rapid revenue growth last year was our Fleet business, with sales 90% up in that division. As we develop our channel strategy and further refine the business model, we look forward to continued growth.

Automotive sales was the other major contributor with a 5x increase in sales on the prior year. As we are now working with an increasing number of automotive Tier 1 customers globally and are actively engaged on programs with five OEMs in North America, Europe and China, we are considered a world-leader in DMS for automotive applications. We are also continuing to develop the significant opportunities with global market leaders in the Aviation and Rail segments. Following the signing of the extended partnership agreement with Progress Rail in 2017, we received maiden revenue for this business unit in FY18.

Revenue from Scientific Advances in FY18 totalled \$1.5m (2017: \$0.6m) and represented revenue from research project grants funded by the Australian Government, including the Advanced Safe Truck Concept (“ASTC”) program in collaboration with leading fleet operators and OEMs and the CAN-Drive semi-autonomous driving program. In prior periods this revenue was reported in ‘Other income’.

Finance income was broadly in line with the prior year as expected.

Indirect operating expenses rose from \$37.2m to \$46.6m due to increased investment in our capability and resources to commercialise our technology in our global target industries: fleet, automotive, rail and aviation. This resulted in increased R&D (mainly staff costs) marketing, facility and corporate services costs.

This investment meant the Company made a net loss from continuing operations of A\$36.0m for the FY18 financial year, compared to A\$29.7m for the previous year.

Cash and cash equivalents at 30 June 2018 totalled A\$42.8m (A\$21.4m).

In January 2018, Seeing Machines completed a £35m (gross) fundraise, alongside a £2.4m offer to existing shareholders to accelerate its investment in its AI platform and product development, as well as to scale its infrastructure and global footprint in order to meet sustained customer demand for its leading edge Driver Monitoring Systems (“DMS”) solutions.

## Operational Highlights

During the FY18 financial year the Company continued to execute the multi-sector strategy with increasing focus on the transportation sectors of fleet, automotive, rail, mining and aviation. Investing heavily in the core intellectual property and capabilities that define Seeing Machines, the Company is positioned to capture significant value from all of these sectors and has pioneered the industry of driver monitoring.

### **Automotive**

This past 12 months has been pivotal for the Automotive industry with the evolution of automated vehicle technology, global regulatory bodies moving to mandate technology which improves safety across the world and the speed at which auto-makers are moving to embrace and deploy these technologies. Seeing Machines finds itself in the perfect position to support the technology revolution in automotive with safety technology that forms a key part of the Advanced Driver Assistance System (ADAS), with its FOVIO driver monitoring engine.

FY18 saw the Company secure two production awards with two premium German automotive OEMs as well as with a global automotive OEM, headquartered in North America. A further production award with a Chinese OEM was confirmed in July 2018, taking the total number of awarded programs to five, with numerous new vehicle models launching in the 2019-2022 timeframe.

Seeing Machines is now actively engaged with multiple globally recognised Tier 1 automotive suppliers and this ecosystem is growing as the Company continues to bid on upcoming programs with a multitude of suppliers.

Projected automotive revenue from this booked business to be recognised from 2019 to 2026 is in the range of US\$100m based on initial models included in the corresponding agreements. The addition of further models is currently in discussion.

Recent design awards saw the launch of the Company's proprietary FOVIO Chip. The ability to deliver its DMS technology on the FOVIO Chip broadens Seeing Machines' addressable market considerably, particularly given the timeframes in which OEMs are beginning to implement semi-automated driving technology and incorporating DMS to enhance safety and meet pending regulatory guidance globally. The FOVIO Chip will also be leveraged across the business to provide the Seeing Machines DMS platform across multiple transport sectors and represents an efficient way to package high value features.

The Company welcomed the European Commission recommendation released in May 2018, "Europe on the Move: Commission completes its agenda for safe, clean and connected mobility" which will see all new cars, vans, trucks and buses sold in Europe, fitted as standard, with drowsiness and distraction monitoring, one of eleven key safety measures announced at the time.

Seeing Machines now has established offices in two additional important automotive markets, Germany and Japan, where its local people are supporting the growing DMS requirements of existing and potential automotive Tier 1 customers.

## ***Fleet***

By the end of June 2018, the Company's Fleet business had over 10,000 connected Guardian units across 24 countries and 300 customers worldwide. The business now has total contracted value of over A\$80m through engagements with large transport and logistics companies in Asia Pacific, Europe, UK, the Middle East and USA, and a growing ecosystem of distributors globally.

Guardian Gen 2, the Company's second-generation Fleet product, was launched successfully. Despite initial manufacturing delays, over 5,500 units have now been shipped to distribution partners. These units are currently being installed into customer vehicles as stocks of Guardian Gen 1 are depleted.

Seeing Machines has largely transitioned its business to channel sales, working closely with its distribution partners. 2018 saw the launch of the inaugural Distributor Conference to collaborate on sales and marketing strategy. A small number of flagship multi-national accounts will be managed directly. These accounts are mostly focused on passenger transportation, which is higher value and includes major international brands such as Coach USA and First.

## ***Aviation***

Seeing Machines' Aviation business is developing steadily as the Company continues to work with significant industry brands to shape tailored solutions to enhance safety with eye-tracking systems for evidence based pilot training, support systems in managing pilot fatigue and air traffic controller alertness systems. Each of these areas has achieved significant momentum as Seeing Machines works with key stakeholders to shape the market for its FOVIO driver monitoring technology.

Product development work with multiple major commercial airlines across UAE, US, and Asia Pacific has led to initial contracted engagements with two Simulator OEM's. The key focus for these engagements are on optimising flight training process and data in response to the broadly recognised global pilot shortage.

The Company is moving toward contractual engagements with a major Freight Carrier and multiple Tier 1 Avionics providers for aircraft installations in support of pilot / crew fatigue and reduced crew operations.

Strong support and initial engagement contracts with two Air Navigation Service Providers to develop the current air traffic control environment to support increased air traffic and increased automation of air traffic management.

### ***Rail***

The rollout of Guardian to Croydon Trams in the UK has created strong interest from other tram and light rail operators globally. Class 1 rail operators in North America continue to assess the product. The data captured during these assessments supports the anecdotal evidence that fatigue continues to be a major issue in the rail industry.

Progress with Tram operators and Class 1 rail assessments support the achievement of short and medium term revenue targets in Rail.

### ***Mining (CAT)***

Despite delays with the launch of CAT's own Driver Safety System (DSS) Mining product, revenue recognition was only marginally below forecast for FY18.

Upward performance in the global mining industry was positive and CAT has added significant new customers during the year with notable growth in South East Asia, Russia, North, South and Central America as well as on the African continent. Mining also saw growth in key non-mining verticals such as Quarries, Aggregate and Construction.

The migration of over 800 systems from locally hosted environments to CAT's hosted service was successful and provides additional services revenue to both CAT and Seeing Machines.

The growth achieved in FY18 has positioned CAT well with a strong pipeline of opportunities moving into FY19.

### ***Human Factors***

Human Factors has two main areas of focus. The first is the core research done internally and with research partners to advance understanding of driver state across all transport sectors, using scientific solution design and validation for optimum Human Machine interfaces, generating valuable datasets for use across all industry sectors. The second is around customer-focused research with our automotive, fleet and aviation customers, working with them to design programs that showcase how the Seeing Machines technology can be used to measure operator state in real-world operational settings.

Seeing Machines, in partnership with Monash University's Accident Research Centre and Ron Finemore Transport, was awarded an Australian Government CRC-Project Grant for A\$2.25m over three years to work on a project that builds on the Company's Guardian technology platform. FY18 marked the projects' second year where the Company launched the Naturalist Road Safety Study, the on-road component in partnership with Australian fleet, Ron Finemore Transport.

This project (Advanced Safe Truck Concept) will advance Seeing Machines' goal to deliver the next generation of fatigue prevention and driver monitoring technology for the commercial transport sector in Australia and around the world. In FY18 the Company launched phase

Seeing Machines is also leading the world's first automated vehicle trial with a primary focus on the driver - CAN drive. The Australian Capital Territory (ACT) Government has committed A\$1.35m to the trial, which uses the Company's driver monitoring technology to build information on the connection between driver behaviour and automated vehicles. Phase 1 of this trial, using the Company's Tesla S75 Auto Pilot, with over 80 individual volunteers on a test track in the ACT has now been completed.

### ***Future Developments and Expected Results***

As a result of a recently completed internal review, we are transforming the business model of our Fleet division to improve the deployment of capital and our engineering resources. At the same time, we are seeing substantial and growing demand from the global automotive sector for our DMS technology, as recognition of the key role it plays in transport as safety continues to dominate the global agenda. Key points as follows:

- FOVIO Chip delivery of automotive DMS technology represents scalability across wide range of transport sectors, including existing focused sectors
- Safety and transport regulatory driven demand is accelerating awareness across range of transport sectors in Europe and North America
- Insurance benefits associated with installation of Guardian DMS is influencing uptake of this safety technology to improve claims experience for commercial fleets in multiple geographic locations, with sustained momentum in New Zealand and Latin America
- Unrivalled quantity and quality of real-world on-road driving data compiled to date, over 1.3 billion kilometres of data with 10,000 vehicles currently connected which directly impacts the precision of tracking technology
- Internal review of Fleet business underway with a focus on cutting costs to align with Automotive business model to maximise capital and leverage engineering resources
- 100% of Guardian sales to be channelled through distribution with a transition of direct customers over time, the Group will retain ongoing management of the 24/7 monitoring centre
- Current expectation for FY19 revenue approximately in line with FY18, reflecting transition in Fleet business model and the growth expected in Automotive and other divisions

### **Position Holders During the Period**

#### **Chief Executive Officer**

The Company's Chief Executive Officer from 29 January 2018 and as at the date of this report is Ken Kroeger. The former CEO was Mike McAuliffe who resigned on 29 January 2018.

#### **Company Secretary**

The Company Secretary from 1 June 2018 and as at the date of this report is James Palmer. James remains as the Chief Financial Officer, a role he has filled since March 2016. The former Company Secretary was Andrew Neilson who resigned on 31 May 2018.

#### **Employee Numbers**

At 30 June 2018 the Group had 170 full-time employees (151 employees at 30 June 2017).



## 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 and qualifications	Experience and special responsibilities
Jack Boyer OBE	<p data-bbox="564 483 874 521">Non-Executive Chairman</p> <p data-bbox="564 539 1452 607">Appointed Director 16 July 2018. Appointed Chairman 19 September 2018.</p> <p data-bbox="564 629 1452 824">Jack Boyer, who is based in the UK and holds US and UK citizenship, is a highly experienced non-executive director with significant expertise in the advanced materials and technology sectors. Jack is currently non-executive director at Mitie plc, non-executive director of TT Electronics plc, a board member of the Sir Henry Royce Institute for Advanced Materials and Chairman of Academies Enterprise Trust.</p> <p data-bbox="564 846 1452 1137">In his prior roles, Jack was Chairman of Ilika plc, non-executive director of Laird plc, Deputy Chairman of the Advanced Materials Leadership Council (BEIS), Council Member of the Engineering and Physical Sciences Research Council and the Innovate UK Energy Catalyst. Jack also previously founded and was Chief Executive Officer of several companies in the engineering, telecommunications and biotechnology sectors and prior to this, was an investment banker at Goldman Sachs and a strategy consultant at Bain &amp; Co. In 2015, Jack was awarded an OBE in the Queen's Honours for his services to the fields of Science and Engineering.</p>
Ken Kroeger	<p data-bbox="564 1167 911 1205">CEO and Executive Director</p> <p data-bbox="564 1223 1302 1261">Appointed 29 January 2018 – previously Executive Chairman</p> <p data-bbox="564 1279 1452 1588">Ken comes from a long technology and commercialisation background with exposure to a wide variety of industry sectors. He was the founder of international simulation &amp; training business Catalyst Interactive; with offices in three countries and over 100 employees. The organisation was highly recognised for innovation &amp; high customer service levels and was sold to Halliburton subsidiary, Kellogg, Brown and Root in 2008. Ken has held multiple board directorships and enjoys mentoring a number of start-up entrepreneurs. Ken was CEO of Seeing Machines from 4 July 2011 to 9 May 2017.</p>

Name and qualifications	Experience and special responsibilities
James (Jim) Allan Walker GAICD	<p>Non-Executive Deputy Chairman and Chair of the People, Culture &amp; Remuneration Committee</p> <p>Over the past 45 years, Jim has been involved with heavy equipment dealerships, having retired from WesTrac (Caterpillar dealer for Western Australia, New South Wales/Australian Capital Territory and North East China) after 13 years as CEO.</p> <p>Jim is also Chairman of Macmahon Holdings Limited (ASX:MAH), Austin Engineering Limited (ASX:ANG), Australian Potash Limited and State Training Board (WA) and Deputy Chairman of RAC WA Holdings Pty Ltd.</p> <p>Jim joined the Board of Seeing Machines Limited in 2014 as Non-Executive Director and in May 2017 assumed the position of Deputy Chairman.</p>
Mike McAuliffe	<p>CEO and Executive Director</p> <p>Resigned 29 January 2018</p> <p>Mike was appointed CEO of Seeing Machines' Automotive business (Fovio) in September 2016. In this role, Mike was instrumental in developing Seeing Machines' strategy. He helped build up Seeing Machines' global organisation and establish early leadership in the rapidly growing market for Automotive Driver Monitoring Systems (DMS) for ADAS and Autonomous Driving technology.</p> <p>Based in Silicon Valley, California, Mike has over two decades of senior management experience in successfully building an array of global private and public high technology businesses in the semiconductor, embedded software and electronics industry, ranging from start-ups through extensive M&amp;A to global corporations in multiple market verticals. Prior to joining Seeing Machines, he was CEO of Powervation Inc, a Digital Power Processor semiconductor company which he helped build from start-up to a market leader in Software-defined Power and which was acquired by Rohm Semiconductor in 2015, where he spent a year leading their global digital power business expansion.</p> <p>Mike earned a B.Eng (electronics) from UCC (Ireland), MBA from Henley Management College (UK) and is a graduate of Harvard Business School (AMP), USA.</p>
Dr Rudolph Burger	<p>Non-Executive Director and Chair of the Risk, Audit &amp; Finance Committee</p> <p>Over the past twenty-five years, Rudy has founded five digital media technology companies in the US, run a European public company, and served as a senior executive for two global 500 companies. He is widely recognised as an effective, dynamic leader with a proven track record in management, strategic planning, business development, and M&amp;A. Dr Burger is currently Founder and Managing Partner of an investment bank headquartered in California. Rudy has a BSc and MSc from Yale University and a PhD from Cambridge University. Rudy joined the Board of Seeing Machines Limited in 2014.</p>

<b>Name and qualifications</b>	<b>Experience and special responsibilities</b>
Les Carmichael	<p data-bbox="571 313 1461 380">Non-Executive Director and member of the People, Culture &amp; Remuneration Committee</p> <p data-bbox="571 403 1461 851">Mr Carmichael, based in Dallas, is a veteran of the North American transportation and logistics sectors, where he has spent over 40 years of his professional career. Holding numerous senior management and operational positions, he has experience in all aspects of fleet logistics; sales, marketing, operations, business development, and turnaround management. After a proven track record as Vice-President and General Manager of Dedicated Services at Swift Transportation Corporation, Les became CEO of Taylor Companies, the largest independent crude oil transportation company in the US. After retiring as an executive in 2015, Mr Carmichael served on the board of directors of GlobalTranz, Inc., a venture capital funded, technology focussed, freight forwarding company operating in the US. Les resigned from that board on 29 June 2018 following the successful sale of the company. Les has been on the Board of Seeing Machines Limited since February 2016.</p>
Yong Kang (YK) Ng	<p data-bbox="571 884 1461 952">Non-Executive Director and member of the Risk, Audit &amp; Finance Committee</p> <p data-bbox="571 974 1461 1265">Mr Ng has extensive engineering and operations experience in the manufacturing sector with multinational corporations. Based in Johor, Malaysia, Mr Ng 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. Mr Ng has a Bachelor of Science in Mechanical Engineering from the National Taiwan University and a MBA from Heriot-Watt University in Edinburgh, UK. YK joined the Board of Seeing Machines Limited in March 2016.</p>
Tim Crane	<p data-bbox="571 1288 1461 1355">Non-Executive Director and member of the People, Culture &amp; Remuneration Committee</p> <p data-bbox="571 1377 1461 1534">Mr Crane is General Manager - Cat Services, Marketing &amp; Digital Division. Mr Crane joined the Board to further strengthen the relationship between Seeing Machines and Caterpillar Inc. and to help drive safety related revenues for both companies under the existing global agreement for product development, licensing and distribution.</p> <p data-bbox="571 1556 1461 1863">Mr Crane, based in Peoria, USA, joined Caterpillar in 2011 when his safety culture consulting company was acquired. Under his leadership, Caterpillar Safety Services has achieved global expansion, significant annual growth and has become an enterprise model for commercialising solutions. In 2017 he assumed leadership of the Cat Services group and three additional customer-focused solutions businesses – Drone Services, Equipment Management (EM) Services and Cat Analytics. Mr Crane has a Bachelor of Business Administration and Marketing from Baylor University.</p>

<b>Name and qualifications</b>	<b>Experience and special responsibilities</b>
Peter Housden	<p data-bbox="571 313 1461 369">Non-Executive director and Chairman of the Risk, Audit &amp; Finance Committee</p> <p data-bbox="571 403 853 436">Resigned 25 July 2017</p> <p data-bbox="571 459 1461 705">Mr Housden, based in Sydney, has more than 40 years' accounting and finance experience in major organisations and is an experienced non-executive Director of listed, private and government organisations. He has held executive finance roles with global listed companies and non-executive Director roles for approximately 10 ASX-listed companies. Mr Housden has a B.Com (Hons) from Newcastle University, Australia, and is a Fellow of CPA Australia and the Australian Institute of Company Directors.</p> <p data-bbox="571 728 1461 862">Mr Housden is Non-Executive director of GrainCorp Limited (ASX:GNC), Alliance Aviation Group Limited (ASX:AQZ), Royal Wolf Holdings Limited (ASX:RWH) and is Chair of the Audit &amp; Risk Committee for Sydney Trains, a NSW Government agency.</p>
James Palmer	<p data-bbox="571 896 821 929">Company Secretary</p> <p data-bbox="571 952 853 985">Appointed 1 June 2018</p> <p data-bbox="571 1008 1461 1164">James has been Chief Financial Officer since March 2016 and during his tenure has been instrumental in four share placings and raised more than £58m in capital. Over this period the Company has grown from a staff of 50 to just under 200 full time employees, with top line revenue growth of over four times.</p> <p data-bbox="571 1187 1461 1377">Before joining Seeing Machines James ran his own business providing consulting CFO services and advice to fast growing entrepreneurial companies. Before that, James spent 24 years in professional services in London, Sydney and the USA, 20 of those years with a major accounting firm. He was a partner with Ernst &amp; Young (now EY) for a decade, and for six years, Managing Partner of the EY assurance group in Canberra.</p> <p data-bbox="571 1400 1461 1568">James holds a BSc (Honours) in Management Sciences (Manchester University) and is a Fellow of both the Institute of Chartered Accountants Australia and New Zealand and the Institute of Chartered Accountants in England and Wales. He is a registered company auditor in Australia and a graduate of the Australian Institute of Company Directors.</p>

## Principal Activities

The Company's principal activities during the year were:

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

## Changes in State of Affairs

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

## Subsequent Events after the Balance Date

On 16 July 2018, the Company appointed Jack Boyer OBE, non-executive director and Chairman designate. Ken Kroeger, then Chairman and interim CEO, became CEO on a permanent basis. Ken retained the position of Chairman until 19 September 2018 when Jack took over. Jack Boyer, who is based in the UK and holds US and UK citizenship, is a highly experienced non-executive director with significant expertise in the advanced materials and technology sectors. Jack is currently non-executive director at Mitie plc, non-executive director of TT Electronics plc, a board member of the Sir Henry Royce Institute for Advanced Materials and Chairman of Academies Enterprise Trust.

On 27 July 2018, the Company secured a further program design win, working with a major Tier 1 partner, for a Chinese OEM to deliver the Group's Driver Monitoring System (DMS) technology. Mass production is scheduled from 2019 and the technology will be delivered on Seeing Machines' proprietary FOVIO Chip. The Group's ability to deliver its DMS technology on the FOVIO Chip broadens its addressable market considerably, particularly given the timeframes in which OEMs are beginning to implement semiautomated driving technology and incorporating DMS to enhance safety. The estimated lifetime revenue value of this program is more than A\$10m based on initial models included in the agreement. The first material production revenue is expected to be recognised in Seeing Machines' 2020 financial year.

The Company has an Export Line of Credit Agreement with the Export Finance and Insurance Corporation which was signed on 6 September 2017. The Agreement provides a revolving loan facility to the Company up to the value of US\$2m for funding inventory purchases for sales to approved overseas customers. On 17 July 2018, the Company drew down in full on loan facility providing a cash inflow of US\$2m.

## Environmental Regulations

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

## Dividends

No dividends or distributions have been made to members during the year ended 30 June 2018 and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2018.

## Share Options

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

During the year nil (2017: nil) options were granted under the share loan plan. Replacing the share loan plan is the performance rights scheme. During the year, 96,399,341 (2017: 32,073,126) options were granted by the Company under the new scheme. The terms and conditions of these options are disclosed in note 33 to the financial report.

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

During the year 613,620 (2017: 444,237) options vested and ordinary shares were transferred to the participant from the Group trust (the "Trust"). On 15 August 2018 the Company issued 12,431,756 ordinary shares following the vesting of certain performance rights and options. The New Ordinary Shares will be held in the existing Trust until such time as the beneficiaries of the Award exercise the performance rights and options. On the exercise of such performance rights and / or options, the Trust will transfer the shares to the relevant beneficiary.

### *(iii) Unissued Shares*

During the year conditions have been met and rights to 5,994,678 ordinary shares have been granted by the Company. These shares were still held in trust at 30 June 2018. On 1 July 2018 conditions have been met and rights to 9,514,341 shares have been granted by the Company.

### *(iv) Ex-CEO Performance Rights and Options*

On 26 June 2017 the Company announced a Long Term Incentive Equity Program for then-CEO Michael McAuliffe. On 29 January 2018, Mr McAuliffe left the Company. During the financial year Mr McAuliffe was granted 4,382,720 performance rights and 8,778,602 share options which represented the share-based payment for the period of his employment with the Company from 29 August 2016 to 29 January 2018. Shares were issued at nil cost in satisfaction of the performance rights during the year. On 23 August 2018 shares totalling 8,778,602 were transferred from the Trust to Mr McAuliffe on the exercise of the options.

## Indemnification of Directors and Officer

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 2018 financial year, 13 Board meetings were held (not counting circular resolutions passed outside regular meetings). 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

	Board	Risk, Audit & Finance Committee	People, Culture & Remuneration Committee
<b>Director</b>			
Ken Kroeger	13/13	*	*
James A Walker	12/13	3/3	4/4
Mike McAuliffe	7/7	*	*
Rudolph Burger	12/13	2/3	*
Les Carmichael	13/13	*	4/4
YK Ng	13/13	2/3	*
Tim Crane	11/13	*	4/4

\* Not a member of the committee

#### Indemnification of Auditors

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

#### Auditor's Independence Declaration

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

#### Non-Audit Services

Ernst & Young rendered consulting services in connection with the taxation affairs of 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 this 19th day of September 2018 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.



Ken Kroeger  
Executive Director

## Auditor's Independence Declaration to the Directors of Seeing Machines Limited

As lead auditor for the audit of Seeing Machines Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Anthony Ewan  
Partner  
19 September 2018



## Statement of Financial Position

AS AT 30 June 2018	Note	Consolidated	
		2018 A\$	2017 A\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14	42,786,447	21,438,025
Trade and other receivables	15	19,757,648	7,581,367
Inventories	16	4,300,895	702,212
Other financial assets	20	578,575	574,793
R&D refundable tax offset receivable		-	4,700,825
Other current assets	17	876,131	3,565,033
<b>TOTAL CURRENT ASSETS</b>		<b>68,299,696</b>	<b>38,562,255</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	3,659,310	959,040
Intangible assets	19	3,529,297	5,218,589
Other financial assets	20	-	140,191
Trade and other receivables	15	-	1,828,627
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,188,607</b>	<b>8,146,447</b>
<b>TOTAL ASSETS</b>		<b>75,488,303</b>	<b>46,708,702</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	6,300,402	5,611,096
Provisions	22	2,644,173	2,012,383
Deferred revenue	24	873,735	1,467,967
Borrowings	25	387,590	-
Other liabilities	26	152,830	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,358,730</b>	<b>9,091,446</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	22	29,864	44,372
Borrowings	25	575,964	-
Other liabilities	26	1,197,170	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,802,998</b>	<b>44,372</b>
<b>TOTAL LIABILITIES</b>		<b>12,161,728</b>	<b>9,135,818</b>
<b>NET ASSETS</b>		<b>63,326,575</b>	<b>37,572,884</b>
<b>EQUITY</b>			
Contributed equity	27	158,031,370	96,482,665
Treasury shares	27	(1,108,511)	(1,191,078)
Accumulated losses		(95,439,981)	(59,426,120)
Other reserves		1,843,697	1,707,417
<b>Equity attributable to the owners of the parent</b>		<b>63,326,575</b>	<b>37,572,884</b>
<b>TOTAL EQUITY</b>		<b>63,326,575</b>	<b>37,572,884</b>

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

## Statement of Comprehensive Income

FOR THE YEAR ENDED 30 June 2018	Note	Consolidated	
		2018 A\$	2017 A\$
Sale of goods and licence fees		19,428,991	10,426,879
Rendering of services		9,787,378	3,135,810
Research revenue		1,500,000	616,809
<b>Revenue</b>		<b>30,716,369</b>	<b>14,179,498</b>
Cost of Sales		(23,089,204)	(13,478,086)
<b>Gross Profit</b>		<b>7,627,165</b>	<b>701,412</b>
Other income	8	242,986	8,592,185
Net gain/(loss) on foreign exchange	9	2,477,518	(1,124,338)
Finance income		456,051	470,351
Loss on write down of investment		(140,191)	-
<b>Expenses</b>			
Research and development expenses		(20,220,605)	(15,930,287)
Customer support and marketing expenses		(9,851,247)	(11,431,082)
Occupancy and facilities expenses		(6,438,393)	(3,204,981)
Corporate services expenses		(10,024,977)	(6,571,088)
Finance costs		(109,339)	-
Other expenses	9	(4,425)	(48,624)
<b>Loss before income tax</b>		<b>(35,985,457)</b>	<b>(28,546,452)</b>
Income tax expense	10	(28,404)	(1,142,433)
<b>Loss after income tax</b>		<b>(36,013,861)</b>	<b>(29,688,885)</b>
<b>Loss for the year attributable to:</b>			
Equity holders of parent		(36,013,861)	(29,688,885)
Non-controlling interests		-	-
		(36,013,861)	(29,688,885)
<b>Other comprehensive income – to be reclassified to profit and loss in subsequent periods</b>			
Exchange differences on translation of foreign operations		(381,147)	(244)
<b>Other comprehensive income net of tax</b>		<b>(381,147)</b>	<b>(244)</b>
<b>Total comprehensive income for the year</b>		<b>(36,395,008)</b>	<b>(29,689,129)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of parent		(36,395,008)	(29,689,129)
Non-controlling interests		-	-
<b>Total comprehensive income for the year</b>		<b>(36,395,008)</b>	<b>(29,689,129)</b>
Earnings per share for loss attributable to the ordinary equity holders of the parent:	12		
· Basic earnings per share		(0.0221)	(0.0235)
· Diluted earnings per share		(0.0221)	(0.0235)

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

## Statement of Changes in Equity

	Contributed Equity	Treasury Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Total Equity
<b>FOR THE YEAR ENDED</b>	A\$	A\$	A\$	A\$	A\$	A\$
<b>30 June 2018</b>						
<b>At 1 July 2016</b>	70,592,134	(1,226,938)	(29,737,235)	(764,810)	1,561,166	40,424,317
Profit/(Loss) for the year	-	-	(29,688,885)	-	-	(29,688,885)
Other comprehensive income	-	-	-	(244)	-	(244)
<b>Total comprehensive income</b>	-	-	(29,688,885)	(244)	-	(29,689,129)
<b>Transactions with owners in their capacity as owners</b>						
Shares issued	27,144,440	-	-	-	-	27,144,440
Capital raising costs	(1,253,909)	-	-	-	-	(1,253,909)
Treasury Shares	-	35,860	-	-	-	35,860
Employee shares held in trust	-	-	-	-	911,305	911,305
<b>At 30 June 2017</b>	96,482,665	(1,191,078)	(59,426,120)	(765,054)	2,472,471	37,572,884
<b>At 1 July 2017</b>	96,482,665	(1,191,078)	(59,426,120)	(765,054)	2,472,471	37,572,884
Loss for the year	-	-	(36,013,861)	-	-	(36,013,861)
Other comprehensive income	-	-	-	(381,147)	-	(381,147)
<b>Total comprehensive income</b>	-	-	(36,013,861)	(381,147)	-	(36,395,008)
<b>Transactions with owners in their capacity as owners</b>						
Shares issued	64,627,100	-	-	-	-	64,627,100
Capital raising costs	(3,078,395)	-	-	-	-	(3,078,395)
Treasury Shares	-	82,567	-	-	-	82,567
Employee shares held in trust	-	-	-	-	517,427	517,427
<b>At 30 June 2018</b>	158,031,370	(1,108,511)	(95,439,981)	(1,146,201)	2,989,898	63,326,575

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

## Statement of Cash Flows

FOR THE YEAR ENDED 30 June 2018	Note	Consolidated	
		2018 A\$	2017 A\$
<b>Operating activities</b>			
Receipts from customers		24,388,913	19,621,179
Payments to suppliers and employees		(66,733,811)	(40,085,855)
Interest received		148,597	142,231
Interest paid		(109,339)	-
Income tax paid		(28,404)	(1,142,433)
Payments received for research and development costs		4,700,825	3,830,614
<b>Net cash flows used in operating activities</b>	29	(37,633,219)	(17,634,264)
<b>Investing activities</b>			
Purchase of plant and equipment		(3,864,280)	(788,947)
Purchase of held-to-maturity financial assets		(3,782)	(333,634)
Payments for intangible assets		(299,253)	(1,450,621)
<b>Net cash flows used in investing activities</b>		(4,167,315)	(2,573,202)
<b>Financing activities</b>			
Proceeds from issue of shares		64,627,100	27,144,440
Proceeds from sale of treasury shares		-	35,860
Costs of capital raising		(3,078,395)	(1,253,909)
Proceeds from borrowings		3,208,348	-
Repayments of borrowings		(2,272,561)	-
<b>Net cash flows from financing activities</b>		62,484,492	25,926,391
Net increase in cash and cash equivalents		20,683,958	5,718,925
Net foreign exchange differences		664,464	(1,229,200)
Cash and cash equivalents at beginning of period		21,438,025	16,948,300
<b>Cash and cash equivalents at end of period</b>	14	42,786,447	21,438,025

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

## Notes to the Financial Statements

### 1. Corporate Information

The consolidated financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 19 September 2018.

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

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

### 2. Going Concern Basis of Accounting

The financial report has been prepared on the going concern basis. The Group has made a loss for the year of A\$36,013,861 (2017: Loss of A\$29,688,885). The Group has Accumulated Losses of A\$95,439,981 (2017: Accumulated Losses of A\$59,426,120). The balance of cash and cash equivalents at 30 June 2018 is A\$42,786,447 (2017: A\$21,438,025). The Group has prepared cash flow forecasts for the next twelve months that show that the Group will be able to meet its debts as and when they fall due. Total contract value signed but not yet billed exceeds \$150m. The directors are of the opinion that with the significant cash holdings the going concern basis of accounting is justified.

### 3. Summary of Significant Accounting Policies

#### a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards as issued by the Australian Accounting Standards Board and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

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

#### b. Compliance with IFRS

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

#### c. New accounting standards and interpretations

There were a number of amendments to existing accounting standards that were applicable to the Group for the first time this year as follows:

Reference	Title and Summary
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i> This Standard makes amendments to AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The application of these amendments has had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i> The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in note 29.
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i> This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments have not affected the Group's financial statements.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2018. These are outlined in the table below.

Reference	Title and Summary	Application date of standard	Application date for Group	Impact on the Group
AASB 9 and relevant amending standards	<p><i>Financial Instruments</i></p> <p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity 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.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	1 January 2018	1 July 2018	The Group currently does not have any hedge contracts and does not have any financial assets carried at fair value through profit or loss. The Group does not have any material credit losses. Based on an initial assessment, the application of this Standard is not expected to have a material impact on the Group's financial position or performance.

Reference	Title and Summary	Application date of standard	Application date for Group	Impact on the Group
AASB 15 and relevant amending standards	<p><i>Revenue from Contracts with Customers</i></p> <p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	1 January 2018	1 July 2018	Based on an initial assessment, the application of this Standard is not expected to impact on the measurement of revenue for the Group as the Group has assessed that the existing accounting policies for revenue recognition are consistent with the amended requirements.
AASB 2016-5	<p><i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i></p> <p>This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2018	1 July 2018	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.

Reference	Title and Summary	Application date of standard	Application date for Group	Impact on the Group
AASB 2017-1	<p><i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i></p> <p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>▶ AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration</li> <li>▶ AASB 12 Disclosure of Interests in Other Entities – clarification of scope</li> <li>▶ AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value</li> <li>▶ AASB 140 Investment Property – change in use.</li> </ul>	1 January 2018	1 July 2018	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.
Interpretation 22	<p><i>Foreign Currency Transactions and Advance Consideration</i></p> <p>The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.</p>	1 January 2018	1 July 2018	Based on an initial assessment, the application of this interpretation is not expected to have a material impact on the Group's financial position and performance.
AASB 16	<p>Leases</p> <p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will</p>	1 January 2019	1 July 2019	Based on an initial assessment, the effect on the Group will be that material operating leases would come 'on balance sheet'.



Reference	Title and Summary	Application date of standard	Application date for Group	Impact on the Group
	continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.			
AASB 2017-6	<p><i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i></p> <p>This Standard amends AASB 9 Financial Instruments to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.</p>	1 January 2019	1 July 2019	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.
AASB 2017-7	<p><i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i></p> <p>This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.</p>	1 January 2019	1 July 2019	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.
AASB 2018-1	<p><i>Annual Improvements to IFRS Standards 2015- 2017 Cycle</i></p> <p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>▶ AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation</li> <li>▶ AASB112 Income Taxes - income tax consequences of payments on financial instruments classified as equity</li> <li>▶ AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.</li> </ul>	1 January 2019	1 July 2019	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.
AASB Interpretation 23, and relevant amending standards	<p><i>Uncertainty over Income Tax Treatments</i></p> <p>The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> <li>▶ Whether an entity considers uncertain tax treatments separately</li> <li>▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities</li> </ul>	1 January 2019	1 July 2019	Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.

Reference	Title and Summary	Application date of standard	Application date for Group	Impact on the Group
	<ul style="list-style-type: none"> <li>▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>▶ How an entity considers changes in facts and circumstances.</li> </ul>			

#### **d. Basis of consolidation**

The consolidated financial statements comprise the financial statements of Seeing Machines Limited and its subsidiaries (as outlined in note 30) as at 30 June each year (the Group).

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

- 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, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

#### **e. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **f. 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 Group's normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

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

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the Group's 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.

#### **g. Segment Information – refer note 7**

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

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

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

#### **h. Foreign currency translation**

##### **(i) Functional and presentation currency**

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

##### **(ii) Transactions and balances**

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### **(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 the other comprehensive income relating to that particular foreign operation is recognised in the profit and loss.

#### **i. Cash and cash equivalents – refer note 14**

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

#### **j. Inventories – refer note 16**

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

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

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

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

**k. Property, plant and equipment – refer note 18**

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

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

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

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

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

*Derecognition*

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

**l. Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*(i) Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

**m. 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 fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses of continuing operations, including impairment on inventories are recognised in the statement of profit or loss in expense categories consistent with the functions of the impaired asset, except for the assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### **n. Intangibles – refer note 19**

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

#### *Patents, Trademarks and Licences*

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

#### *Research and development costs*

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

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

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

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

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

#### **o. Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

##### (i) Financial assets

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

###### **Subsequent measurements**

###### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables.

### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income as finance costs.

### Available-for-sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income in the Statement of Comprehensive Income, or the investment is determined to be impaired when the cumulative loss is reclassified from the AFS reserve to finance costs in the Statement of Comprehensive Income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method in the Statement of Comprehensive Income.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

### De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (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 of 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 the Group's 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.

### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of



impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

#### *Available-for-sale (AFS) financial assets*

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income – is removed from OCI and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in their fair value after impairment are recognised directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

## (ii) Financial Liabilities

### *Initial Recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

### Subsequent measurement

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

#### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included in finance costs in the Statement of Comprehensive Income.

#### De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

#### 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.

#### **p. Provisions – refer notes 22 and 23**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

##### (i) Short-term employee benefits

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

##### (ii) Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated

future cash outflows. Long service leave is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. Annual leave is recognised in current liabilities.

(iii) **Warranty Provision**

A provision is recognised for expected warranty claims on products sold during the last 12 months, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties was based on the current information available about returns based on the one-year warranty period for all products sold.

**q. Share-based payment transactions – refer note 33**

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Monte Carlo Method using a Trinomial model.

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

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

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

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

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The Employee share option scheme was replaced on 1 July 2013 with an Employee Share Loan Plan (ESLP). Refer to note 33 for further details on ESLP. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 12).

**r. Contributed equity – refer note 27**

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.

**s. Treasury Shares**

Own instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

**t. Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of goods**

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

**(ii) Licence fees**

Revenue from licence fees is recognised when there is persuasive evidence, usually in the form of a licence agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer. Licences granted to customers are perpetual licences for use of intellectual property (usually in the form of software) with no further work or processing required by the Group.

**(iii) Rendering of services**

Revenue from support and consultancy, including monitoring services, is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer. As the contracts are reasonably short, there is only a small amount outstanding at reporting date, as such the level of judgement required is minimal. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**(iv) Interest revenue**

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

**(v) Agreements with multiple deliverables**

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

**(vi) Paid Research**

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

**(vii) Research and development refundable tax offset**

Any refundable tax offset receivable under the government's research and development scheme is brought to account as accrued income when it is deemed virtually certain that the cash refund will be received by the Group and the value of the refund can be measured reliably. The refundable tax offset is recognised as grant income during the financial year to the extent that research and development costs have been expensed in the financial year. Any refundable tax offset related to research and development costs capitalised in the financial year is deferred and recognised in the relevant year, per the matching principle, proportionate to the amortisation of these costs.

**u. Income taxes and other taxes – refer note 10**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the group operates and generates the taxable income. Current income tax relating to the items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, 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 income 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.
- when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

***Tax consolidation legislation***

Seeing Machines Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2015. The head entity, Seeing Machines Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Seeing Machines Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 10. Any difference between the

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

#### *Goods and service tax*

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

#### **v. Government grants**

Government grants are recognised in the Statement of Financial Position as a liability when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset (development expenditure), the fair value is credited to deferred income and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

#### **w. Earnings per share – refer note 12**

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

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

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

#### **x. Fair value measurements**

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 4. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **y. Comparatives**

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

## **4. Financial Risk Management Objectives and Policies**

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

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

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

### **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 2018 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 and are not designated in cash flow hedges:

FOR THE YEAR ENDED 30 June 2018	Consolidated	
	2018 A\$	2017 A\$
<b>Financial Assets</b>		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	39,844,608	19,294,817
Exposed to United States of America variable interest rate risk	1,957,641	2,074,667
Exposed to United Kingdom variable interest rate risk	984,198	68,541
<b>Total cash and cash equivalents</b>	<b>42,786,447</b>	<b>21,438,025</b>

In addition to the above, the group had held to maturity financial assets totalling \$578,575 (2017: \$574,793) that were subject to short term fixed interest rates.

#### *Interest rate risk sensitivity*

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

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post Tax Profit Higher / (Lower)	
	2018 A\$	2017 A\$
<b>Consolidated</b>		
+ 1% (100 basis points)	427,864	214,380
- .5% (50 basis points)	(213,932)	(107,190)

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

Interest rates on the lease and financing arrangements outstanding at year end are fixed and range from 8.05% to 12.29%. The interest rate on the unused revolving loan facility which expires 31 August 2018 is variable and based on LIBOR plus a margin of 5.5%.

#### *Foreign currency risk*

As a result of significant sales in North America, New Zealand and Europe (denominated in those currencies), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's Statement of Financial Position can be affected by movement in exchange rates generally and the US\$/A\$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating US Dollar bank accounts. Approximately 69% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 46% of costs are denominated in the functional currency.

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

It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivative to exactly match the terms of the hedged item to maximize hedge effectiveness. The Group did not enter into any forward contracts during the 30 June 2018 financial year. Further, for the purpose of settlement of accounts that will likely occur within three months, funds received may be held in a currency other than the functional currency to settle such amounts.



**At 30 June 2018 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents (US\$)	1,957,641	2,074,667
Cash and cash equivalents (GB£)	984,198	68,541
Trade and other receivables (US\$)	12,400,185	5,901,065
Trade and other receivables (NZD)	370,140	572,960
Trade and other receivables (GB£)	323,662	298,567
Trade and other receivables (ZAR)	82,113	7,935
<b>Total</b>	<b>16,117,939</b>	<b>8,923,735</b>
<b>Financial Liabilities</b>		
Trade and other payables (US\$)	(794,513)	(1,149,739)
Trade and other payables (EUR)	(31,030)	-
Trade and other payables (GBP)	(431,488)	-
<b>Total</b>	<b>(1,257,031)</b>	<b>(1,149,739)</b>
<b>Net exposure</b>	<b>14,860,908</b>	<b>7,773,996</b>

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

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

	<b>Post Tax Profit Higher / (Lower)</b>		<b>Equity Higher / (Lower)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>FOR THE YEAR ENDED 30 June</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>Consolidated</b>				
<b>Change in USD rate</b>				
AUD / foreign currency +10%	(1,233,028)	(620,545)	(1,233,028)	(620,545)
AUD / foreign currency -5%	713,858	359,263	713,858	359,263
<b>Change in GBP rate</b>				
AUD / foreign currency +10%	(79,670)	(33,374)	(79,670)	(33,374)
AUD / foreign currency -5%	46,125	19,321	46,125	19,321
<b>Change in EUR rate</b>				
AUD / foreign currency +10%	2,821	-	2,821	-
AUD / foreign currency -5%	(1,633)	-	(1,633)	-
<b>Change in NZD rate</b>				
AUD / foreign currency +10%	(33,649)	(52,087)	(33,649)	(52,087)
AUD / foreign currency -5%	19,481	30,156	19,481	30,156
<b>Change in ZAR rate</b>				
AUD / foreign currency +10%	(7,465)	(721)	(7,465)	(721)
AUD / foreign currency -5%	4,322	418	4,322	418

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

#### *Credit risk*

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables 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 does not hold any credit derivatives to offset its credit exposure.

#### *Trade receivables*

The Group trades only with recognized, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other 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.

Customer credit risk is managed in line with the Group's established policy, procedures and control relating to customer credit risk management. The assessment of each customer is done on the payment history and the reputation and size of the customer. Outstanding customer receivables are regularly monitored and followed up. An impairment analysis is performed at each reporting date on an individual basis for all customers.

#### *Capital management and liquidity risk*

The Group's objective is to raise finance as and when needed by share placement or through debt funding where necessary. Since the significant capital raise in January 2018, the group has significant cashflow to manage the risks associated with liquidity and the directors continue to monitor the cashflow forecasts for liquidity.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may undertake future capital raising by way of issue of new shares. No changes were made in the objectives, policies or process for managing capital during the years ended 30 June 2018 and 2017.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities, including derivative financial instruments as of 30 June 2018. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

#### *Maturity analysis of financial assets and 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 assets and 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 assets and liabilities.

<b>FOR THE YEAR ENDED 30 June 2018</b>	<b>&lt;=6 months \$</b>	<b>6 - 12 months \$</b>	<b>&gt; 1 year \$</b>	<b>Total</b>
Consolidated				
Financial assets				
Cash and cash equivalents	42,786,447	-	-	42,786,447
Trade and other receivables	19,757,648	-	-	19,757,648
Held to maturity financial assets	-	578,575	-	578,575
	62,544,095	578,575	-	63,122,670
Consolidated				
Trade and other payables	6,300,402	-	-	6,300,402
Borrowings	188,621	198,969	575,964	963,554
	6,489,023	198,969	575,964	7,263,956
Net inflow	56,055,072	379,606	(575,964)	55,858,714
<b>FOR THE YEAR ENDED 30 June 2017</b>	<b>&lt;=6 months \$</b>	<b>6 - 12 months \$</b>	<b>&gt; 1 year \$</b>	<b>Total</b>
Consolidated				
Financial assets				
Cash and cash equivalents	21,438,025	-	-	21,438,025
Trade and other receivables	7,581,367	-	1,828,627	9,409,994
Held to maturity financial asset	-	574,793	-	574,793
	29,019,392	574,793	1,828,627	31,422,812
Consolidated				
Financial liabilities				
Trade and other payables	5,611,096	-	-	5,611,096
	5,611,096	-	-	5,611,096
Net inflow	23,408,296	574,793	1,828,627	25,811,716

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

#### *Fair values*

As at 30 June 2018, the carrying values of the financial instruments approximate their fair value.

## **5. Significant Accounting Judgements, Estimates and Assumptions**

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

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

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

#### **a. Significant accounting judgements**

##### *Capitalised development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

##### *Taxation*

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

#### **b. Significant accounting estimates and assumptions**

##### *Impairment of non-financial assets*

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

##### *Impairment of intangible assets and capitalised development costs*

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

##### *Share-based payment transactions*

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

#### *Estimation of useful lives of assets*

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

#### *Research and Development Refundable Tax Offset*

The Group assesses whether the receipt of the cash refund from the research and development refundable tax offset is virtually certain based on past experience and estimates the amount refundable based on an assessment of eligibility of the research and development costs against the relevant legislation.

#### *Revenue Recognition - Agreements with multiple deliverables*

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

## **6. Business combinations and acquisition of non-controlling interests**

No new business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2018.

## **7. Segment information**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the industry into which the Group's products are being sold. The Group operates in three major industries, the automotive industry, mining industry and the fleet trucking industry. The Group is also operating in several other industries including aerospace, consumer electronics and rail. Though specialised products for these industries are still under development, activities in these industries may not meet the thresholds required for individual reporting, where this is the case they have been aggregated as 'other', for business segment purposes.

There are no intersegment transactions. Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

### **a. Business segments**

The following table presents revenue, expenditure and certain asset information regarding business segments for the years ended 30 June 2017 and 30 June 2018.

The segments have been modified in 2018 to reflect the changing nature of the business. In particular, Aviation and Scientific Advances are shown separately.

<b>FOR THE YEAR ENDED 30 June 2018</b>	<b>Automotive A\$</b>	<b>Off-Road A\$</b>	<b>Fleet A\$</b>	<b>Aviation A\$</b>	<b>Scientific Advances A\$</b>	<b>Other A\$</b>	<b>Total A\$</b>
<b>Revenue</b>							
Sales to external customers	8,083,780	3,725,013	17,218,180	189,396	1,500,000		30,716,369
<b>Income/ (Expenses)</b>							
Finance Income						456,051	456,051
Depreciation and amortisation						3,152,555	3,152,555
Segment profit/(loss)	(6,330,369)	2,993,715	(18,825,421)	(839,598)	998,255	(14,010,443)	(36,013,861)
Current assets as at 30 June 2018	1,466,510	4,219,695	18,058,496	57,461	228,750	44,268,784	68,299,696
Non-current assets as at 30 June 2018	2,763,810					4,424,797	7,188,607
<b>Total assets as at 30 June 2018</b>	<b>4,230,320</b>	<b>4,219,695</b>	<b>18,058,496</b>	<b>57,461</b>	<b>228,750</b>	<b>48,693,581</b>	<b>75,488,303</b>
<b>Total liabilities as at 30 June 2018</b>	<b>1,073,739</b>	<b>170,862</b>	<b>3,327,123</b>	<b>16,794</b>	<b>166,337</b>	<b>7,406,873</b>	<b>12,161,728</b>
<b>Other segment information</b>							
Capital Expenditure	112,063					4,051,470	4,163,533

<b>FOR THE YEAR ENDED 30 June 2017</b>	<b>Automotive A\$</b>	<b>Off-Road A\$</b>	<b>Fleet A\$</b>	<b>Other A\$</b>	<b>Total A\$</b>
<b>Revenue</b>					
Sales to external customers	1,621,013	2,490,657	9,085,337	982,491	14,179,498
<b>Income/ (Expenses)</b>					
Finance Income	-	-	-	470,351	470,351
Depreciation and amortisation	-	-	-	1,281,722	1,281,722
Segment profit/(loss)	1,407,781	813,911	(21,150,232)	(9,617,912)	(28,546,452)
Current assets as at 30 June 2017	-	47	14,309,065	24,253,143	38,562,255
Non-current assets as at 30 June 2017	4,071,698	1,953,888	-	2,120,861	8,146,447
<b>Total assets as at 30 June 2017</b>	<b>4,071,698</b>	<b>1,953,935</b>	<b>14,309,065</b>	<b>26,374,004</b>	<b>46,708,702</b>
<b>Total liabilities as at 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>(2,666,907)</b>	<b>(6,468,911)</b>	<b>(9,135,818)</b>
<b>Other segment information</b>					
Capital Expenditure	-	-	-	2,363,122	2,363,122

**b. Geographic Information**

<b>FOR THE YEAR ENDED 30 June 2018</b>	<b>2018 A\$</b>	<b>2017 A\$</b>
<b>Revenue from external customers</b>		
Australia	9,683,513	9,097,434
North America	6,194,652	1,442,735
Asia-Pacific (excluding Australia)	8,471,210	3,639,329
Europe	1,663,830	-
Other	4,703,164	-
<b>Total revenue from external customers</b>	<b>30,716,369</b>	<b>14,179,498</b>
<b>Non-current assets</b>		
Australia	6,943,800	7,848,594
North America	244,807	297,853
<b>Total Non-current assets</b>	<b>7,188,607</b>	<b>8,146,447</b>

**8. Other Income**

	<b>Consolidated</b>	
	<b>2018 A\$</b>	<b>2017 A\$</b>
R&D grant recognised	242,986	8,592,185
	<b>242,986</b>	<b>8,592,185</b>

A total of \$242,986 relating to Research and Development refundable tax offsets from the Australian Taxation Office were recognised during the year (2017: \$8,592,185). These are included in Other Income and result from Research and Development expenditure incurred in previous financial years.

## 9. Expenses

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
<b>a. Depreciation, impairment and amortisation expense</b>		
Depreciation expense	1,164,010	606,919
Amortisation expense	1,988,545	674,803
Total	3,152,555	1,281,722
<b>b. Employee benefits expense</b>		
Wages and salaries and on-costs (excluding superannuation)	29,489,286	22,997,355
Superannuation expense	1,664,158	1,140,378
Share-based payment expense	653,562	1,275,795
Wages and salaries capitalised to development costs	-	(1,106,511)
Total	31,807,006	24,307,017
<b>c. Other expenses</b>		
Other	4,425	48,624
Total	4,425	48,624
<b>d. Net gain/(loss) on foreign exchange</b>		
Unrealised gain/(loss)	1,017,844	(1,228,956)
Realised gain/(loss)	1,459,674	104,618
Total	2,477,518	(1,124,338)



## 10. Income Tax

FOR THE YEAR ENDED 30 June 2018	Consolidated	
	2018 A\$	2017 A\$
Income tax expense		
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge	(10,924,794)	(6,899,309)
Adjustments in respect of current income tax of previous years	25,374	1,030,144
Taxation loss not recognised	10,927,824	6,931,567
Tax loss utilized – not previously recognised	-	-
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	(294,205)	370,217
Temporary differences not recognised	294,205	(290,186)
<b>Total</b>	<b>28,404</b>	<b>1,142,433</b>

### c. Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income calculated per the statutory income tax rate

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:

Total accounting loss before income tax	(35,985,457)	(28,546,452)
At the parent entity's statutory income tax rate of 30% (2017: 30%)	(10,795,637)	(8,563,936)
Share based payments (equity settled)	169,019	284,037
Entertainment	2,520	5,556
Research and development costs claimed	-	3,241,948
Legal fees	2,218	-
Research and development – R&D tax credit	(72,896)	(2,577,657)
Equity raising costs	(184,704)	-
Other	29,247	(116,777)
Origination and reversal of temporary differences		
Other temporary differences	(397,170)	585,107
Temporary differences not recognised	294,205	290,186
Adjustments in respect of current income tax of previous years	25,374	1,030,144
Taxation loss not recognised	10,927,824	6,931,567
Foreign tax	28,404	32,258
<b>Total</b>	<b>28,404</b>	<b>1,142,433</b>

FOR THE YEAR ENDED 30 June 2018	Consolidated Statement of Financial Position	
	2018 A\$	2017 A\$
<b>d. Deferred income tax at 30 June relates to the following:</b>		
(i) Deferred tax liabilities		
Intangible assets	(624,806)	(1,554,026)
Unrealised FX gain	(305,354)	-
Gross deferred tax liabilities	(930,160)	(1,554,026)
Set-off deferred tax assets	930,160	1,554,026
Net deferred tax liabilities	-	-
(ii) Deferred tax assets		
Provision for Doubtful Debts	-	28,659
Accrued expenses	190,795	333,509
Provisions:		
Annual leave	571,413	442,191
Long service leave	154,298	130,051
Warranties	76,500	44,785
S. 40-880 Deduction	389,728	637,352
Unrealised FX loss	-	368,687
Unearned revenue	-	45,286
Lease incentive	405,000	-
Depreciation of plant and equipment	12,305	-
OPEX interest	242,278	341,458
	2,042,317	2,371,978
Tax losses	23,462,337	12,534,513
Gross deferred tax assets	25,504,654	14,906,491
Set-off deferred tax liability	(930,160)	(1,554,026)
Net deferred tax balance not brought to account	24,574,494	13,352,465

**e. Unrecognised temporary differences**

At 30 June 2018, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of \$78,207,790 (DTA of \$23,462,337) for which no deferred tax asset has been recognised on the Statement of Financial Position (2017: Unrecognised tax losses of \$41,781,711 and DTA of \$12,534,513). These losses are available for recoupment subject to satisfaction of relevant statutory tests. As at 30 June 2018 there are net unrecognised deductible temporary differences of \$3,707,190 (DTA of \$1,112,157) for which no deferred tax asset has been recognised on the Statement of Financial Position (2017: net unrecognised deductible temporary differences of \$2,726,505 and DTA of \$817,952).

**f. Tax consolidation**
**(i) Members of the tax consolidated group and the tax sharing arrangement**

Seeing Machines Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2016. Seeing Machines Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

**(ii) Tax effect accounting by members of the tax consolidated group**
*Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below. In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

*Nature of the tax funding agreement*

Members of the tax consolidated group have entered into a tax funding agreement. 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 2018 (2017: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2018 (2017: nil).

**12. Earnings Per Share**

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

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

**a. Earnings used in calculating earnings per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
<i>For basic and diluted earnings per share:</i>		
Net loss	(36,013,861)	(29,688,885)
Net loss attributable to ordinary equity holders of the company	(36,013,861)	(29,688,885)

**b. Weighted average number of shares**

	2018 Number	2017 Number
Weighted average number of ordinary shares for basic earnings per share	1,626,982,393	1,264,425,447
Weighted average number of ordinary shares adjusted for effect of dilution	1,626,982,393	1,264,475,447

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

There have been no transactions involving ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

**c. Information on the classification of securities**

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

### 13. Parent Entity Information

Information relating to Seeing Machines Limited	2018 A\$	2017 A\$
Current assets	72,119,445	39,909,734
Total assets	79,063,710	47,669,420
Current liabilities	10,862,718	8,627,790
Total liabilities	12,665,717	8,672,163
Issued capital	156,922,859	95,237,036
Accumulated losses	(93,361,832)	(58,586,645)
Reserves	2,836,966	2,346,866
Total shareholders' equity	66,397,993	38,997,257
Loss of the parent entity	(35,071,252)	(28,508,648)
Total comprehensive income of the parent entity	(35,071,252)	(28,508,648)

*Significant accounting policies*

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

## 14. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2018 A\$	2017 A\$
Cash at bank and on hand	42,786,447	21,438,025
	<b>42,786,447</b>	<b>21,438,025</b>

### Reconciliation to Cash Flow Statement

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank	42,785,825	21,437,489
Cash on hand	622	536
	<b>42,786,447</b>	<b>21,438,025</b>

## 15. Current Assets – Trade and Other Receivables

	Consolidated	
	2018 A\$	2017 A\$
<b>Current</b>		
Trade receivables	20,272,066	8,782,906
Provision for doubtful debts	-	(95,531)
Deferred finance income	(937,864)	(1,311,163)
	19,334,202	7,376,212
Other receivables	423,446	205,155
	<b>19,757,648</b>	<b>7,581,367</b>
<b>Non-Current</b>		
Trade receivables	-	1,953,889
Deferred finance income	-	(125,262)
	-	<b>1,828,627</b>
	19,757,648	9,409,994

The 2017 non-current trade receivable relating to the sale to Caterpillar of a licence to manufacture and distribute the DSS mining product, is due in February 2019. The agreement was made outside of the Group's standard 30-60 day terms with the amounts scheduled to be repaid over three years.

**(a) Allowances for impairment loss**

Trade receivables are non-interest bearing and are generally 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No provision for impairment loss has been recognised by the Group at 30 June 2018 (2017: \$95,531). See below for movement in the provision for impairment of receivables.

	<b>Individually Impaired A\$</b>
<b>At 1 July 2016</b>	<b>71,427</b>
Charge for the year	95,531
Utilised	(71,427)
Unused amounts reversed	-
<b>As at 30 June 2017</b>	<b>95,531</b>
Charge for the year	-
Utilised	(95,531)
Unused amounts reversed	-
<b>As at 30 June 2018</b>	<b>-</b>

The ageing analysis of trade receivables is as follows:

	<b>Total</b>	<b>0 - 30 days Not due</b>	<b>0-30 days Not due impaired</b>	<b>31 – 60 Days PDNI*</b>	<b>61 - 90 days PDNI*</b>	<b>91+ days PDNI*</b>	<b>91+ days PDI</b>
<b>2018</b>	20,272,066	17,770,817	-	1,891,843	179,897	429,509	-
<b>2017</b>	10,736,795	10,065,644	-	92,990	137,368	345,262	95,531

Receivables past due but not considered impaired are: \$2,501,249 (2017: \$575,620). Payment terms on these amounts have not been re-negotiated. Direct contact has been made with relevant debtors and satisfaction has been gained that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that other balances will be received when due.

\*Past due not impaired

**(b) Fair value and credit risk**

Apart from the Caterpillar receivable, all other trade receivables are short term in nature and therefore, the carrying values approximate their fair value. The Caterpillar receivable has been discounted to present value with a portion of the receivable recognised as finance income when received.

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

**(c) Foreign exchange risk**

Detail regarding foreign exchange risk exposure is disclosed in note 4.

## 16. Current Assets – Inventories

	Consolidated	
	2018 A\$	2017 A\$
Finished goods	4,300,895	702,212
Total inventories at the lower of cost and net realisable value	<b>4,300,895</b>	<b>702,212</b>

## 17. Other Current Assets

	Consolidated	
	2018 A\$	2017 A\$
Prepayments	155,936	3,223,173
Rental Bonds	94,885	97,824
Accrued income	343,500	167,822
Other	281,810	76,214
	<b>876,131</b>	<b>3,565,033</b>

Prepayments for the previous year principally related to inventory purchases.

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

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

<b>CONSOLIDATED</b>	<b>Office Furniture, Fittings and Equipment A\$</b>	<b>Research and Development Software and Equipment A\$</b>	<b>Total A\$</b>
<b>At 1 July 2017 net of accumulated depreciation and impairment</b>	862,797	96,243	959,040
Additions	3,728,929	135,351	3,864,280
Disposals	-	-	-
Depreciation charge for the year	(1,101,462)	(62,548)	(1,164,010)
<b>At 30 June 2018 net of accumulated depreciation and impairment</b>	<b>3,490,264</b>	<b>169,046</b>	<b>3,659,310</b>
<b>At 30 June 2018</b>			
Cost	6,113,717	718,644	6,832,361
Accumulated depreciation and impairment	(2,623,453)	(549,598)	(3,173,051)
<b>Net carrying amount</b>	<b>3,490,264</b>	<b>169,046</b>	<b>3,659,310</b>
<b>CONSOLIDATED</b>	<b>Office Furniture, Fittings and Equipment A\$</b>	<b>Research and Development Software and Equipment A\$</b>	<b>Total A\$</b>
<b>At 1 July 2016 net of accumulated depreciation and impairment</b>	541,150	150,811	691,961
Additions	838,980	35,018	873,998
Disposals	-	-	-
Depreciation charge for the year	(517,333)	(89,586)	(606,919)
<b>At 30 June 2017 net of accumulated depreciation and impairment</b>	<b>862,797</b>	<b>96,243</b>	<b>959,040</b>
<b>At 30 June 2017</b>			
Cost	2,384,787	583,293	2,968,080
Accumulated depreciation and impairment	(1,521,990)	(487,050)	(2,009,040)
<b>Net carrying amount</b>	<b>862,797</b>	<b>96,243</b>	<b>959,040</b>



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

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

	Development Costs	Patents, Licences and Trademarks A\$	Total
<b>CONSOLIDATED</b>	<b>A\$</b>		<b>A\$</b>
<b>At 1 July 2017 net of accumulated amortisation</b>	4,222,897	995,692	5,218,589
Additions	112,063	187,190	299,253
Amortisation	(1,571,150)	(417,395)	(1,988,545)
<b>At 30 June 2018 net of accumulated amortisation</b>	<b>2,763,810</b>	<b>765,487</b>	<b>3,529,297</b>
<b>At 30 June 2018</b>			
Cost	4,981,272	1,249,869	6,231,141
Accumulated amortisation	(2,217,462)	(484,382)	(2,701,844)
<b>Net carrying amount</b>	<b>2,763,810</b>	<b>765,487</b>	<b>3,529,297</b>
<b>CONSOLIDATED</b>	<b>Development Costs</b>	<b>Patents, Licences and Trademarks</b>	<b>Total</b>
<b>At 1 July 2016 net of accumulated amortisation</b>	3,375,705	1,028,563	4,404,268
Additions	1,344,708	144,416	1,489,124
Amortisation	(497,516)	(177,287)	(674,803)
<b>At 30 June 2017 net of accumulated amortisation</b>	<b>4,222,897</b>	<b>995,692</b>	<b>5,218,589</b>
<b>At 30 June 2017</b>			
Cost	4,869,209	1,805,272	6,674,481
Accumulated amortisation	(646,312)	(809,580)	(1,455,892)
<b>Net carrying amount</b>	<b>4,222,897</b>	<b>995,692</b>	<b>5,218,589</b>

**a. Description of Group's intangible assets**
**(i) Development costs**

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Development costs represent costs incurred in the development phase of internal projects to bring the Group's products to sale. This intangible asset has been assessed as having a finite useful life and is amortised over a period of three years. Amortisation commences once the product is available for sale and future economic benefits from development can arise. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

**(ii) Patents, licenses and trademarks**

Patents, licences and trademarks have been acquired and are carried at cost. These intangible assets have been determined to have useful lives between 3 and 20 years and are amortised using the straight line method over the relevant period. Patents, licences and trademarks are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

**b. Impairment losses recognised**

No impairment loss on intangible assets has been recognised in the year to 30 June 2018 (2017: nil).

**20. Other Financial Assets**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
<b>Financial assets at fair value through profit or loss</b>		
Investment in NuCoria Pty Limited	-	140,191
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>140,191</b>
<b>Held to maturity financial assets</b>		
Term deposits	578,575	574,793
<b>Total held to maturity financial assets</b>	<b>578,575</b>	<b>574,793</b>
<b>Total other financial assets</b>	<b>578,575</b>	<b>714,984</b>
<b>Total current</b>	<b>578,575</b>	<b>574,793</b>
<b>Total non-current</b>	<b>-</b>	<b>140,191</b>

nuCoria was established to commercialise a suite of intellectual property developed by Seeing Machines relating to an objective, diagnostic tool for optical and neurological applications. Seeing Machines and nuCoria Pty Ltd entered into an IP License Agreement effective October 14, 2014. Under clause 7.2 (c) of the IP License Agreement, nuCoria was obligated to "enter into a Third Party Transaction with respect to Commercialisation of the Device" within 36 months of the Commencement Date. At 30 June 2018, nuCoria had not found a third party willing to co-develop the technology and Seeing Machines has not agreed to grant an extension to clause 7.2 (c). The investment has been written down to zero on the basis that it now appears unlikely that nuCoria can commercialise the technology.

## 21. Current Liabilities – Trade and Other Payables

	Consolidated	
	2018 A\$	2017 A\$
Trade payables	2,900,903	842,890
Accrued Expenses	1,553,137	3,362,873
GST, Payroll Tax and Payroll Liabilities	1,036,361	909,320
Other	810,001	496,013
	<b>6,300,402</b>	<b>5,611,096</b>

### a. Fair value

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

### b. Foreign exchange, interest rate and liquidity risk

Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 4.

## 22. Provisions

	Consolidated	
Current	2018 A\$	2017 A\$
Annual leave	1,904,709	1,473,969
Long service leave	484,464	389,132
Warranties provision (note 23)	255,000	149,282
	<b>2,644,173</b>	<b>2,012,383</b>

	Consolidated	
Non-Current	2018 A\$	2017 A\$
Long service leave	29,864	44,372
	<b>29,864</b>	<b>44,372</b>

### a. Nature and timing of provisions

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

## 23. Warranties – Provisions

	<b>Maintenance Warranties A\$</b>
<b>As at 01 July 2016</b>	<b>82,404</b>
Arising during the year	149,282
Utilised	-
Unused Amounts Reversed	(82,404)
<b>As at 30 June 2017</b>	<b>149,282</b>
Arising during the year	255,000
Utilised	(109,895)
Unused Amounts Reversed	(39,387)
<b>As at 30 June 2018</b>	<b>255,000</b>

## 24. Deferred Revenue

	<b>2018 A\$</b>	<b>Consolidated 2017 A\$</b>
Deferred R&D grant relating to capitalised labour	425,226	668,211
Customer revenue received in advance	262,905	304,338
Deferred Off-road revenue	185,604	495,418
	<b>873,735</b>	<b>1,467,967</b>

## 25. Borrowings

<b>Current</b>	<b>2018 A\$</b>	<b>Consolidated 2017 A\$</b>
Lease liability	248,306	-
Securitisation finance	139,284	-
	<b>387,590</b>	<b>-</b>

<b>Non-Current</b>	<b>2018 A\$</b>	<b>Consolidated 2017 A\$</b>
Lease liability	22,089	-
Securitisation finance	553,875	-
	<b>575,964</b>	<b>-</b>

The lease liability relates to the lease of IT equipment. The term of the lease is from August 2017 to July 2019. The liability is secured by the leased equipment.

The securitisation finance relates to the financing of system hardware and support. The term of the finance is from October 2017 to October 2022. The finance is secured by the related equipment.

## 26. Other Liabilities

<b>Current</b>	<b>Consolidated</b>	
	<b>2018 A\$</b>	<b>2017 A\$</b>
Lease incentives on operating leases	152,830	-
	<b>152,830</b>	<b>-</b>

<b>Non-Current</b>	<b>Consolidated</b>	
	<b>2018 A\$</b>	<b>2017 A\$</b>
Lease incentives on operating leases	1,197,170	-
	<b>1,197,170</b>	<b>-</b>

The lease incentives relate to the lease for the Group's principal place of business.

## 27. Contributed Equity

	<b>Consolidated</b>	
	<b>2018 A\$</b>	<b>2017 A\$</b>
Ordinary shares	158,031,370	96,482,665
Treasury Shares	(1,108,511)	(1,191,078)
	<b>156,922,859</b>	<b>95,291,587</b>

### a. Ordinary shares

	<b>Consolidated</b>	
	<b>2018 A\$</b>	<b>2017 A\$</b>
Issued and fully paid	2,240,954,587	1,486,455,161

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.

	Shares	A\$
<b>At 1 July 2016</b>	<b>1,073,583,411</b>	<b>69,365,196</b>
Shares issued	412,869,393	27,144,440
Treasury Shares issued	2,357	35,860
Transaction costs	-	(1,253,909)
<b>At 30 June 2017</b>	<b>1,486,455,161</b>	<b>95,291,587</b>
Shares issued	754,499,426	64,627,100
Treasury Shares issued	-	-
Transaction costs	-	(3,078,395)
<b>At 30 June 2018</b>	<b>2,240,954,587</b>	<b>156,840,292</b>

No treasury shares were issued during the year ended 30 June 2018 (2017: nil).

## 28. Retained Earnings and Reserves

### a. Movements in Retained earnings and reserves

Refer to the Statement of Changes in Equity for movements in retained earnings (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.

## 29. Statement of Cash Flow Information

FOR THE YEAR ENDED 30 June 2018	Consolidated	
	2018 A\$	2017 A\$
<b>a. Reconciliation of net loss after tax to net cash flows from operations</b>		
Loss after tax	(36,013,861)	(29,688,885)
Depreciation	1,164,010	606,919
Amortisation	1,988,545	674,803
Net gain on foreign exchange (unrealised)	(1,017,844)	1,228,956
R&D Tax Offset accrued income	-	4,700,825
Loss on write down of investment	140,191	-
Share-based payments	599,994	911,305
Warranties expense	105,718	66,878
Doubtful debt expense	-	24,103
Other	-	(123,554)
<i>Changes in assets / liabilities net of the effect of purchases and disposals of subsidiary</i>		
(Increase) / decrease in inventories	(3,598,683)	7,718,138
(Increase) / decrease in trade and other receivables	(10,347,654)	(1,064,408)
Decrease / (increase) in other assets	7,389,727	(7,602,243)
Increase / (decrease) in provisions	511,564	364,566
Increase / (decrease) in trade and other payables	689,306	3,809,325
Increase / (decrease) in other liabilities	1,350,000	-
Increase / (decrease) in deferred revenue	(594,232)	739,008
<b>Net Cash used in operating activities</b>	<b>(37,633,219)</b>	<b>(17,634,264)</b>

### b. Changes in liabilities arising from financing activities

	1 July 2017	Cash in flows	Cash out flows	Non-cash changes		30 June 2018
	A\$	A\$	A\$	New lease A\$	Other A\$	A\$
Securitisation finance	-	780,000	(86,841)	-	-	693,159
Lease liabilities	-	472,932	(202,537)	-	-	270,395
Inventory financing	-	1,955,416	(1,983,183)	-	27,767	-
	-	3,208,348	(2,272,561)	-	27,767	963,554

The lease liability relates to a sale and leaseback arrangement for IT equipment.

**c. Non-cash financing and investing activities**

There were no non-cash financing or investing activities entered into during the year.

**d. Loan and leasing facilities**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
Loan and leasing facilities	3,556,242	-
Amount utilised	(963,554)	-
<b>Unused facilities</b>	<b>2,592,688</b>	<b>-</b>

The unused facility relates to a revolving loan facility of US\$2,000,000 provided by the Export Finance and Insurance Corporation. The facility expires 31 August 2018. This facility is secured by a general security deed over all present and after-acquired assets of the Group. After year end this facility was drawn down upon. For further details refer note 35.



### 30. Related Party Disclosure

#### a. Information about subsidiaries

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

Name	Country of Incorporation	% Equity Interest		Investment (A\$)	
		2018	2017	2018	2017
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

#### b. Materially owned subsidiaries

There are no subsidiaries held at 30 June 2018 that have non-controlling interests.

#### c. Key management personnel

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

#### d. Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties A\$	Purchases from related parties A\$	Amounts owed by related parties A\$	Amounts owed to related parties A\$
Seeing Machines Inc. <sup>1</sup>	2017	-	6,578,264	-	-
	2018	-	9,209,432	-	-
Seeing Machines (UK) Ltd.	2017	-	-	-	-
	2018	-	507,893	-	-
Guardian South East Asia Pte Ltd <sup>2</sup>	2017	-	-	-	-
	2018	501,087	-	479,364	-

1. The intercompany balances are eliminated on consolidation.

2. Guardian South East Asia Pte Ltd is a distributor of the Company's Guardian product in South East Asia. One of their affiliate companies, V S International Venture Pte Ltd (a Subsidiary of V.S.Industry Berhad), is a shareholder in Seeing Machines Limited. V.S.Industry Berhad has a representative on the Company's Board. All sales were at arm's length. In addition, V.S.Industry Berhad supply the plastic casing for our Guardian Generation 2 unit to our contracted manufacturer, AdLink. The value of these transactions is not included above as the sales are made direct to our manufacturer, an unrelated party.

**e. Director-related transactions**

## (i) Shareholdings of Directors

**Shares in Seeing Machines Limited**

<b>30 June 2018</b>	<b>Balance 01 July 17</b>	<b>Granted as Remuneration</b>	<b>Acquired or sold for cash</b>	<b>Net change other</b>	<b>Balance 30 June 18</b>
<b>Directors</b>					
K Kroeger <sup>1</sup>	5,528,268	2,803,125	-	-	8,331,393
M McAuliffe (resigned 29 January 2018)	-	4,382,720	-	-	4,382,720
T Crane	-	156,753	-	-	156,753
R Burger	267,374	236,424	-	-	503,798
J A Walker	320,849	283,709	-	-	604,558
P Housden (resigned 25 July 2017)	82,557	230,854	-	-	313,411
L Carmichael	90,978	236,424	-	-	327,402
Yong Kang NG <sup>2</sup>	72,181	236,424	-	-	308,605
<b>Total</b>	<b>6,362,207</b>	<b>8,566,433</b>	<b>-</b>	<b>-</b>	<b>14,928,640</b>

<b>30 June 2017</b>	<b>Balance 01 July 16</b>	<b>Granted as Remuneration</b>	<b>Acquired or sold for cash</b>	<b>Net change other</b>	<b>Balance 30 June 17</b>
<b>Directors</b>					
T Winters (resigned 9 May 2017)	1,892,476	274,438	-	(2,166,914)	-
K Kroeger <sup>1</sup>	2,336,643	2,803,125	388,500	-	5,528,268
M McAuliffe	-	-	-	-	-
T Crane	-	-	-	-	-
R Burger	130,155	137,219	-	-	267,374
J A Walker	156,186	164,663	-	-	320,849
P Housden (resigned 25 July 2017)	-	82,557	-	-	82,557
L Carmichael	-	90,978	-	-	90,978
Yong Kang NG <sup>2</sup>	-	72,181	-	-	72,181
<b>Total</b>	<b>4,515,460</b>	<b>3,625,161</b>	<b>388,500</b>	<b>(2,166,914)</b>	<b>6,362,207</b>

**Notes**

1. K Kroeger holds shares through Cook Kroeger Superannuation Fund and has been issued with 1,974,038 performance rights, not shares.
2. Yong Kang NG has no direct shareholding in the Company. He will have an indirect interest in the Company by virtue of his direct and deemed (by virtue of his spouse) ownership of shares in V S Industry Berhad, being 0.086% of VSI's current issued share capital.

## (ii) Other Director related transactions

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

## 31. Key management personnel

### a. Details of Key Management Personnel

(i) Directors

Ken Kroeger	CEO and Executive Director
James A Walker	Non-Executive Director
Rudolph Burger	Non-Executive Director
Les Carmichael	Non-Executive Director
Yong Kang NG	Non-Executive Director
Tim Crane	Non-Executive Director
Peter Housden	Non-Executive Director resigned 25 July 2017
Mike McAuliffe	Managing Director and CEO Resigned 29 January 2018

(ii) Executives

(Other Key Management Personnel)

Nicolas Difiore	Senior Vice President and General Manager, Automotive
Paul Angelatos	Senior Vice President and General Manager, Fleet, Rail & Off Road Applications
Tim Edwards	Chief Technology Officer
Sebastian Rougeaux	Chief Scientist, Machine Intelligence
Mike Lenne	Chief Scientist, Human Factors
Nicole Makin	Senior Vice President People & Culture
Patrick Nolan	General Manager, Aviation
James Palmer	Chief Financial Officer

## 32. Compensation for Key Management Personnel

	A\$	A\$	A\$	A\$
	Short-Term	Post- Employment	Share-Based Payments	Total
For the year ended 30 June 2018	Salary/Fees/ Bonus/Leave	Superannuation	Options/Rights	
<b>Chairman</b>				
<b>CEO and Executive Director</b>				
K Kroeger	433,790	48,818	81,132	563,740
M McAuliffe (resigned 29 January 2018)	1,557,574		270,414	1,827,988
<b>Non-Executive Directors</b>				
R Burger	41,063		12,507	53,570
J A Walker	45,000	4,275	15,008	64,283
T Crane	41,063		8,292	49,355
P Housden (resigned 25 July 2017)	3,375		12,212	15,587
L Carmichael	41,063		12,507	53,573
Y K NG	41,063		12,507	53,570
<b>Other Key Management Personnel<sup>1</sup></b>	2,423,517	190,065	2,575,828	5,189,410
<b>Total</b>	<b>4,627,508</b>	<b>243,158</b>	<b>3,000,407</b>	<b>7,871,073</b>

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

For the year ended 30 June 2017	A\$	A\$	A\$	A\$
	Short-Term	Post- Employment	Share-Based Payments	Total
	Salary/Fees/ Bonus/Leave	Superannuation	Options/Rights	
<b>Chairman</b>				
T Winters (resigned 9 May 2017)	111,415	10,585	-	122,000
<b>Executive Chairman</b>				
K Kroeger	394,977	35,245	68,717	498,939
<b>Executive Director</b>				
M McAuliffe (9 May 2017 to 30 June 2018)	64,828	-	819,297	884,125
<b>Non-Executive Directors</b>				
R Burger	41,062	-	12,500	53,562
J A Walker	45,000	4,275	15,000	64,275
T Crane	17,109	-	5,208	22,317
Peter Housden	49,275	-	15,000	64,275
Les Carmichael	41,062	-	12,500	53,562
Yong Kang NG	41,062	-	12,500	53,562
<b>Other Key Management Personnel</b>	2,224,149	128,681	55,113	2,407,943
<b>Total</b>	<b>3,029,939</b>	<b>178,786</b>	<b>1,015,835</b>	<b>4,224,560</b>

In addition there was an \$11,870 (2017: \$34,781) long service leave expense for Ken Kroeger, the only director entitled to it.

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

### 33. Share-based payment plans

#### a. Recognised share-based payment expenses

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

	Consolidated	
	2018 A\$	2017 A\$
Expense arising from share-based payment transactions from shares held on trust	412,370	123,916
Expense arising from the performance rights long term incentive	(125,177)	391,180
Expense arising from options under long term incentive	230,233	396,212
Expense arising from the shares issued to employees	-	191,411
Directors' shares	90,166	23,079
<b>Total expense arising from share-based payment transactions</b>	<b>607,592</b>	<b>1,125,798</b>

**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) Issue of shares up-front**

The Company has issued Shares: to eligible staff who are not covered by the Company's other incentive scheme; to executives as a short-term incentive; and to non-executive Directors as part of their remuneration. The issue price for these Shares was the market price at the time the Company released its annual accounts. There are no loans for these Shares and they vest on issue.

**(ii) Long Term Incentive – Loan Plan**

As a long-term incentive, during the 2014 financial year the Company also operated a share loan plan. Under these offers, the share issue price is equal to the market value of the shares or as determined by the Board on the date of the invitation to apply for options over the shares. Under the terms of the loan plan, eligible employees are provided with non-recourse loans which will be extinguished if the employee chooses to acquire the shares by applying the exercise price of the option at any time after the vesting date. Under this scheme awards are delivered in the form of options over shares which vest after a period of three years subject to meeting performance measures. The Company uses Target Share Price (TSP) as the performance measure for the loan plan. The Company issues shares to a trustee, to be held on trust for eligible employees during the vesting period.

**Relative TSP performance outcome**

Below the 90 <sup>th</sup> percentile	0%
At the 90 <sup>th</sup> percentile	50%
At the 95 <sup>th</sup> percentile	75%
At the 100 <sup>th</sup> percentile	100%

**c. Summaries of shares issued:**

	2018 No.	2018 WAEP (pence)	2017 No	2017 WAEP (pence)
<b>Summary of shares held in trust</b>				
Outstanding at the beginning of the year	19,015,765	5.78	20,590,689	5.78
Issued during the year	-	-	-	-
Forfeited during the year	-	-	(1,130,597)	7.21
Vested and transferred during the year	(1,089,140)	8.16	(444,327)	8.07
Expired during the year	-	-	-	-
Outstanding at 30 June	17,926,625	5.64	19,015,765	5.78

Conditions have been met and rights to 5,606,250 shares have been granted. These shares were still held in trust at 30 June 2018.

12,320,375 of the above shares are held in trust with no obligation to be issued to any staff members. These shares may be sold at board discretion with profits allocated to staff as part of future incentives not yet determined.

**(i) Long Term Incentive – Performance Rights**

In 2015 the Board had adopted performance rights as a long term incentive tool, instead of using the more complex trust and loan structure. Using performance rights also means that Shares are only issued if and when performance and vesting criteria are satisfied, rather than being issued up-front to a trustee.

A number of Performance rights offers have been made to executives, senior staff and other key staff. With the exception of the arrangements with the former CEO and the Senior Vice President and General Manager, Automotive, which vest on a monthly basis, all other offers vest over a period of between one to and three years. In some cases, the employees are only able to exercise the rights, and have new Shares issued to them, if the Company's share price meets a target share price set by the Board when it made the offer, and the employee is still employed by the Company (subject to some exceptions for 'good leavers'). The rights vest in proportion to the target share price. If less than 90 percent of the target share price is achieved, then none of the rights vest. For all offers the employee must meet minimum individual performance ratings. If these conditions are met, then the employee may exercise their rights and the Company will issue the number of new Shares set out in the offer.

Summary of options granted under the Performance rights scheme	2018	2018	2017	2017
	No.	WAEP (pence)	No	WAEP (pence)
Outstanding at the beginning of the year	36,030,735	8.62	3,957,609	10.02
Granted during the year	96,399,341	15.47	32,073,126	7.21
Forfeited during the year	(20,735,740)	4.03	-	-
Exercised during the year	(806,418)	5.04	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	110,887,918	7.89	36,030,735	8.62
Exercisable at 30 June	772,886	4.5	-	-

For all options standard valuation methodologies are used (binomial, trinomial and Black Scholes) using historic volatility as a proxy for implied volatility, long term UK gilt prices for the risk free rate and AIM share price information. All options expire after 10 years.

## 34. Commitments

### a. (a) Leasing commitments

*Operating lease commitments – Group as lessee*

During the year the Group had five operating leases, one in the US and four in Australia. Two of the Australian leases expired on 30 June 2018 and the month to month lease was terminated in May 2018. The US lease expires in December 2021 and the remaining Australian lease is due to finish in May 2027.

The total lease payments recognised as expenses during the year were \$1,188,091 (2017: \$1,219,593).

Future minimum rental payments under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2018 A\$	2017 A\$
Within one year	1,221,469	1,033,443
After one year but not more than five years	4,657,654	3,414,127
More than five years	4,054,250	3,480,174
<b>Total</b>	<b>9,933,373</b>	<b>7,927,744</b>

#### *Finance leases and hire purchase commitments – Group as lessee*

During the year the Group entered into two leasing/financing arrangements in relation to equipment. The first relates to the lease of IT equipment which expires in July 2019. The other relates to the financing of hardware and support and expires in October 2022.

Payments required under these arrangements are as follows:

	2018 A\$	Consolidated 2017 A\$
Within one year	458,055	-
After one year but not more than five years	655,645	-
More than five years	-	-
Minimum payments	1,113,700	-
Less: Future finance changes	(150,146)	-
Present value of minimum payments	963,554	-

### **35. Contingent Assets and Contingent Liabilities**

During the year, the Company made a sale of its Fleet product to a customer in New Zealand. The customer subsequently entered into a sale and leaseback agreement with HP Financial Services (New Zealand) for the total amount of the sale being A\$1.2m. The proceeds from the sale and leaseback agreement were used by the customer to pay the Company in full for the sale. The Company has agreed to act as 'step in guarantor' to HP Financial Services New Zealand such that – in the event of a default by the customer on the repayments of the loan – the Company will 'step in' and assume responsibility for the loan repayments. In the event that the customer defaults on the loan agreement, the maximum exposure to the Company would be \$1.2m. There is currently no reason to expect that such a circumstance should arise.

### **36. Events After the Reporting Date**

On 16 July 2018, the Company appointed Jack Boyer OBE, non-executive director and Chairman designate. Ken Kroeger, then Chairman and interim CEO, become CEO on a permanent basis. Ken retained the position of Chairman until 19 September 2018 when Jack took over. Jack Boyer, who is based in the UK and holds US and UK citizenship, is a highly experienced non-executive director with significant expertise in the advanced materials and technology sectors. Jack is currently non-executive director at Mitie plc, non-executive director of TT Electronics plc, a board member of the Sir Henry Royce Institute for Advanced Materials and Chairman of Academies Enterprise Trust.

On 27 July 2018, the Company secured a further program design win, working with a major Tier 1 partner, for a Chinese OEM to deliver the Group's Driver Monitoring System (DMS) technology. Mass production is scheduled from 2019 and the technology will be delivered on Seeing Machines' proprietary FOVIO Chip. The Group's ability to deliver its DMS technology on the FOVIO Chip broadens its addressable market considerably, particularly given the timeframes in which OEMs are beginning to implement semiautomated driving technology and incorporating DMS to enhance safety. The estimated lifetime revenue value of this program is more than A\$10m based on initial models included in the agreement. The first material production revenue is expected to be recognised in Seeing Machines' 2020 financial year.

The Company has an Export Line of Credit Agreement with the Export Finance and Insurance Corporation which was signed on 6 September 2017. The Agreement provides a revolving loan facility to the Company up to the value of US\$2m for funding inventory purchases for sales to approved overseas customers. On 17 July 2018, the Company drew down in full on loan facility providing a cash inflow of US\$2m.

### 37. Auditor's Remuneration

The auditor of Seeing Machines Limited is Ernst & Young.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
<b>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</b>		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	100,810	98,840
• Other services in relation to the entity and any other entity in the consolidated group: -Tax compliance and advisory	56,800	185,102
	<b>157,610</b>	<b>283,942</b>

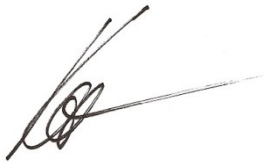


## Directors' Declaration

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 2018 and of its performance for the year ended on that date; and
    - (ii) Complying with Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*.
  - (b) The financial statements and notes comply with the international financial reporting Standards as disclosed in note 3 (b); 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 Regulations 2001* for the financial year ending 30 June 2018.

On behalf of the Board



Executive Director  
Canberra, 19 September 2018

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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Seeing Machines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

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

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

## Revenue recognition for multiple element contracts

### Why significant

The Group has contracts with customers that contain multiple element arrangements. Under these arrangements the Group will sell both fleet hardware products to customers as well as ongoing monitoring services. In the year ending 30 June 2018 multiple element contracts accounted for \$2.6m of total revenues of \$30.7m.

Under these contracts the customer pays a fixed monthly fee for a contract term which covers both the cost of supplying and installing hardware along with monthly monitoring services.

Given there are multiple elements to the sales contract, it is necessary for the Group to determine the value of the total sale assigned to each element and to determine when revenue should be recognised. As a result, revenue recognition is considered to be a key audit matter due to its complexity and the significant judgment involved.

The Group has included disclosures for revenue recognition in Note 3 and related significant judgments in Note 5 of the financial report.

### How our audit addressed the key audit matter

Our procedures included the following:

- ▶ We assessed the appropriateness of the Group's revenue recognition accounting policies in line with Australian Accounting Standards.
- ▶ We assessed and tested the effectiveness of relevant controls over the sales, cost of sales and cash receipts processes.
- ▶ We selected a sample of sales recorded and agreed details underlying sales contracts, including understanding contract terms and duration, to determine whether revenue had been recorded in accordance with the Group's revenue recognition policies.
- ▶ For sales contracts under the model whereby a fixed monthly fee is charged to cover the unit and monitoring services, we assessed the appropriateness of the interest rate used to discount future cash receipts and the fair value of the individual components.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

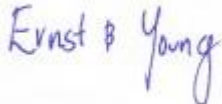
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Ernst & Young



Anthony Ewan  
Partner  
Canberra  
19 September 2018