

Annual Report
2016



seeingmachines



Seeing Machines

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 9. The directors' report is not part of the financial report.

Directors	Terry Winters	Non-Executive Chairman
	Ken Kroeger	Managing Director and CEO
	Peter Housden	Non-Executive Director
	Les Carmichael	Non-Executive Director
	Rudolph Burger	Non-Executive Director
	James A Walker	Non-Executive Director
	Yong Kang NG	Non-Executive Director

Company Secretary Andrew Neilson

Solicitors Clayton UTZ Lawyers
Level 18, 333 Collins Street
Melbourne, VIC 3000, Australia

Field Fisher LLP
Riverbank House,
2 Swan Lane
London, EC4R 3TT, United Kingdom

Bankers HSBC Commercial Bank
580 George Street
Sydney NSW 2000, Australia

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

Registered Office Level 1, 11 Lonsdale Street
Braddon ACT 2612, Australia

Principal Place of Business Level 1, 11 Lonsdale Street
Braddon ACT 2612, Australia

Share Register
Australia
Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne, Victoria, 3001, Australia
Phone 1800 850 505 or +61 (0)3 9415 4000
Email web.queries@computershare.com.au
Web www.computershare.com

United Kingdom
Computershare Investor Services PLC
The Pavilions, Bridgwater Road,
Bristol BS99 6ZY, United Kingdom
Phone +44 (0)870 702 0000
Email web.queries@computershare.co.uk
Web www.computershare.com

Seeing Machines Limited shares are listed on the
London Stock Exchange AIM market (code: SEE).

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Highlights

\$33.6 million

Record full year revenue for year ended 30 June 2016; 161% growth.

1600+ units

Record number of units shipped for year ended 30 June 2016; 172% growth.

150,000+

Total fatigue events detected and intervened since July 2015.

// In 2016, Seeing Machines has further anchored its position at the preeminent intelligent sensing technology player in global transport markets.

– Ken Kroeger, CEO

Chairman and CEO Letter

Terry Winters, Chairman

Ken Kroeger, CEO

2016 has been one of the most important in the history of Seeing Machines; the year that we were able to realise the benefits from the company's aggressive investment in research & development over the last 3 years and move closer to the founding vision of the company – to help transform the interaction between humans and machines into a simpler, smarter and more seamless experience.

The advances made to our core technology have catapulted us to the forefront of the sectors we're pursuing and strongly cemented the company as one of the world leaders in face and eye-tracking. Algorithmic performance has substantially improved, enabling us to service the automotive market with real-life operational tracking percentages above 99%. Our technology is able to operate across all real-world light levels with a fidelity that our competitors can only emulate in controlled, indoor situations.

A pivotal achievement for Seeing Machines has been the development of its System in Package (SiP) – an unprecedented low-cost, flexible processor platform available for mass-market applications that extend far beyond our current focus-sectors.

We successfully licensed Seeing Machines' DSS mining product to Caterpillar – resulting in a significant one-off revenue boost for the company in the year ended 30 June 2016. Initial royalty revenues from CAT's first 6 months validate the choice of CAT as the best channel to market for mining and rugged off-road applications.

Strong investment in our fleet-focused product, branded Guardian, is beginning to gain traction, with revenue growth of 29% for the business unit over FY2015. As a result of significant marketing and sales efforts globally, Q1 FY2017 will deliver more units sold than the full FY2016. A key feature of this business unit is its Safety as a Service (SaaS) recurring (annuity-type) revenue and the multiplier effect this will generate for the company in future years. Our direct sales are being supplemented by our global value-added reseller (VAR) strategy to leverage local sales, distribution and relationships.

The Company has cemented itself as the market pioneer and leader of driver monitoring system (DMS) technology by securing follow-on orders from a major US automotive OEM, and has received strong levels of interest for developing programs with several major European automotive OEMs as they seek to adopt DMS for their semi-autonomous capable vehicles.

Seeing Machines has matured as a business with several key business systems being implemented in 2016. ISO 9001 Quality Accreditation, financial processes, HR and performance management systems, marketing automation and customer relationships management integration have all been established to enable the company to cost effectively scale the business at rates not possible before. The quality and output from our R&D team has been multiplied with investments in machine learning and data truthing teams within a human factors-led framework.

We delivered revenue growth on our 2015 results of 161% to A\$37.3 million (excluding foreign exchange gains). Our deliberate planned investment in operational costs to build our future capability and capacity to execute our business plans in several industry sectors, led to the Company making a net loss of A\$1.6 million for the 2016 financial year, compared to a net loss of A\$10.2 million for the previous year.

Your Company ended the financial year with a strong balance sheet, a significant pipeline of opportunities and increased ability to execute that are expected to lead to significant growth in the 2017 financial year and beyond.



Seeing Machines expertise and R&D in computer vision technology, accelerated by machine learning is enabling us to bridge technologies to human experience – as we deliver increasingly sophisticated artificial intelligence capability, making for smarter, more personalised applications that understand, analyse and help humans in an intuitive way.”

– Terry Winters, Chairman

// We intend to create and maintain a remuneration framework that is simple, transparent and fair to both shareholders and our employees.

– Nicole Makin, SVP People and Culture

Letter from Remuneration Committee Chairman

Jim Walker, Chairman of the People,
Culture and Remuneration Committee

Dear Shareholder,

As Chairman of Seeing Machines' People, Culture & Remuneration Committee I am pleased to provide the following update.

From a remuneration perspective It has been a year of consolidation. Our remuneration framework has been in place for 18 months and is being used effectively for remuneration reviews as well as bringing new talent into the organization. The salary bands which underpin the framework are updated on an annual basis and are able to be benchmarked in each location where we have employees.

A new addition to our remuneration approach has been the introduction of a long term performance rights plan for those employees who are viewed as important to the longer term success of the organization. This is a very small group of employees who receive 20% of their remuneration as shares under a performance rights plan, granted after a 2 and 3 year period, provided they are still employed with the company and have strong performance. This initiative was well received by the Executive as a retention tool and by the individuals as recognition of their value to the organization.

Our vision is to create and maintain a remuneration framework that is simple, transparent and fair to both shareholders and employees. This year of consolidation has given a sense of process and structure to our remuneration approach which is appreciated by employees.

The Committee has also taken an interest in the major People & Culture initiatives for the year. We are pleased to see that the ePerformance Management system has been effectively used by the whole organization and that adjustments have been made to ensure its easy integration into the performance cycle. We have had regular reports on Work Health & Safety activity and were pleased with the introduction of an Employee Assistance Programme which had been a gap for Australian employees. The Employee Engagement Survey whilst indicating a highly engaged team also pin pointed areas of attention which we were pleased to see quickly acted on.

The Committee is pleased to see the continuing maturation of the People & Culture activities within the organisation.

“Very few of the publicly listed companies offer the prospect of changing the world in the way that Seeing Machines could.

– Loren Daniel, finCapp

Directors' Report

Your directors submit their report
for the year ended 30 June 2016.

Directors

The names of the Company's directors 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.

Terry Winters	Non-Executive Chairman	
Ken Kroeger	Managing Director and CEO	
Rudolph Burger	Non-Executive Director	
James A Walker	Non-Executive Director	
Les Carmichael	Non-Executive Director	Appointed 1 February 2016
Yong Kang (YK) Ng	Non-Executive Director	Appointed 22 March 2016
Peter Housden	Non-Executive Director	Appointed 31 March 2016
David Gaul	Non-Executive Director	Resigned 22 March 2016
Michael Roberts	Non-Executive Director	Resigned 31 March 2016
James D Walker	Executive Director	Resigned 1 March 2016

Review of Operations

Financial Results

The Company's total revenue from continuing operations for the financial year (excluding foreign exchange gains and finance income) was A\$33.6 million, an increase of A\$20.8 million, or 161%, over the 2015 revenue of A\$12.8 million.

These revenue figures exclude revenue from our joint-venture (JV) company in Chile which we sold back to our original distribution partners, as part of the transition of the DSS business to Caterpillar. The results of these operations are required to be excluded from results from continued operations under Accounting Standards. For details of the share sale and the results of the discontinued operation refer to note 8.

These revenue figures also exclude the research and development tax incentive received from the Australian government which is reported in 'Other income'. This incentive - which is received as a cash refund based on eligible R&D expenditure - totalled A\$2.3 million for FY16 (FY15 A\$2.2 million).

This full year revenue is the largest revenue year ever achieved by the Company. The revenue was earned from the sale of goods and services and license fees. Included in the license fees is an amount of A\$21.8 million from Caterpillar Inc. on signing a global product development, licensing and distribution agreement.

This was a year of transition for the Group as - during September 2015 - the Company signed a global product development, licensing and distribution agreement with Caterpillar Inc. At that point, Caterpillar took over responsibility for manufacturing, marketing and sales of Seeing Machines' existing DSS rugged off-road product and have distribution rights for Seeing Machines' Guardian fleet product, exclusively within agreed industries (mining, construction, quarry, aggregates, cement, marine, forestry). Responsibility for servicing current DSS customers also transitioned to Caterpillar from 1 January 2016. Consequently, revenue from DSS product dropped compared to the prior year by 29%. Instead, the company received ongoing royalties on sales of the DSS ruggedized product by Caterpillar as well as the one-off license fee of \$21.8 million. This license fee is to be received in instalments with US\$9 million received during FY16 and balance to be received in future years with the last instalment of US\$1.5 million due on 1 January 2019).

Revenue from sales of the Guardian product totalled \$3.3 million for the year - up 29% on the prior year. Revenue from core technology integration services totalled \$1.1 million up 11% on the prior year figure of \$980,000.

Revenue for the year for the Company's product lines, as well as Other Income compared to the last financial year, is shown in the following table:

PRODUCT	FY16 A\$'000	FY15 A\$'000	Variance
DSS™	6,580	9,303	(29%)
Guardian	3,315	2,575	29%
	9,895	11,878	
Core technology integration services	1,089	980	11%
Caterpillar license fee	21,850	-	∞
Caterpillar royalties	728	-	∞
	33,562	12,858	161%
Other income	2,546	2,218	
Foreign exchange gains	(182)	3,060	
Finance income	1,371	251	
	3,735	5,529	
TOTAL REVENUE	37,297	18,387	

Other income was primarily due to the receipt of the R&D tax incentive grant from the Australian Government. Finance income has increased as the Caterpillar receivable was initially measured at its present value with the discount unwinding over time and being recognised as finance income.

Cost of Goods Sold (COGS) decreased A\$0.9 million (12%) to A\$6.3 million (2015: A\$7.1 million) due to lower product sales but was also affected by a change in the mix of sales to include the Guardian product which has a lower margin than the DSS product.

Indirect expenditure for the year was A\$32.6million, up from A\$23.3million for the year to 30 June 2015. The increase was mainly due to the increased investment in automotive research and development. Also included in this expense is an amount of \$5.2 million for the revaluation of the Guardian inventories to the net realisable value; this revaluation is based on Guardian sales to date together with the Board's assessment of the likely unit sale price across our target markets in the short and medium term.

The Company made a net loss from continuing operations of A\$1.6 million for the 2016 financial year, compared to a net loss from continuing operations of A\$12.0 million for the previous year. The significantly improved result is due to the one-off Caterpillar license fee of \$21.8 million offset in part by the increased spend on research and development. This net loss was better than market expectations.

During this year we invested significantly in our capability and resources to commercialise our technology in our global target industries: mining; commercial fleets; road vehicles; rail; consumer electronics; and aviation and simulators. This investment is reflected in increased expenses for R&D, sales and marketing and corporate activities.

During the financial year the Company raised A\$12.8 million from a placing with a new strategic investor, V S Industry Berhad (VSI) through its wholly owned subsidiary V S International Venture Pte. Ltd. (VSIV), a leading integrated electronics manufacturing services provider. A total of 129,654,000 new ordinary shares in the Company were placed with VSIV, at an issue price of 5.199 pence per share, which was a premium of 20% to the Company's 30-day volume-weighted average market price ended 16 March 2016. VSIV's interest in 129,654,000 shares represents a stake of 12% in the Company's issued share capital.

Cash reserves at 30 June 2016 were A\$16.9 million compared to A\$14.2 million at 30 June 2015.

Operational highlights during the 2016 financial year the Company continued to execute the multi-sector strategy with increasing focus on the transportation sectors of mining (rugged off-road) industries, commercial road vehicles, automotive, rail and aerospace. 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

// Strategy Analytics estimates that the market for Driver Monitoring Systems (DMS) will grow from US\$0.6B to US\$13.3B by 2022.



Mining & Caterpillar Industries

In September 2015 the Company signed a global product development, licensing and distribution agreement with Caterpillar. In return for exclusive rights to Seeing Machines' DSS product in their fields, Caterpillar pays Seeing Machines a license fee of A\$21.85 million over four years, plus ongoing royalties on sales. This licence fee from Caterpillar – all of which has been recognised as revenue in the 2016 financial year – is larger than any of the Company's previous annual revenue results.

Seeing Machines' DSS rugged off-road product, under license to Caterpillar, will be available exclusively through Cat® Dealers across Caterpillar's broader industries; including mining, construction, quarry, aggregates, cement, and forestry.

During the second half of the financial year the Company completed the transition of its

"ruggedized" product business to Caterpillar, for Caterpillar to manage the supply chain for this product and take over full responsibility for sales and after sales support. During the second half of the year the Company started to receive royalties based on Caterpillar's sale of these products and services – with over 170 units sold and multiple assessments underway or completed, Caterpillar is developing a healthy pipeline for DSS as central to their safety service offering.

Caterpillar are investing in their own product improvement. They are seeking to incorporate the latest algorithmic improvements into their product as well as seeking to reduce the manufacturing cost of the product, while maintaining the exacting specifications that the CAT brand has become synonymous with.

A large yellow CAT dump truck is shown from a low angle, emphasizing its massive size. The truck is in a mining or construction environment, with a rocky hillside in the background. Dust is being kicked up by the truck's movement, creating a hazy atmosphere. The truck's large, treaded tires and heavy-duty frame are prominent features.

“The companies investing in the power to see, mitigate and manage fatigue and distraction risk, are reducing waste, maximizing profitability without increasing risk.

– Tim Crane, CAT Safety Services

GUARDIAN

PREVENT. PROTECT.



Commercial Fleets

In 2015 the Company launched a new lower-cost product for the commercial fleet market to bring driver fatigue and distraction detection to truck drivers. Throughout FY2016, the Company invested in sales, marketing, operations and product development. Rebranding the product to Guardian by Seeing Machines, introducing an integrated forward-facing camera, and developing a healthy sales pipeline with significant distribution agreements were the most significant achievements of FY2016.

Sales for FY2016 were 1,666 units. The Company has focussed on building a solid pipeline and engaging with Enterprise Level accounts (Companies with over 1000 vehicles). At the close of the FY the Company has in place 34 assessments in 10 countries, addressing a total potential fleet size in excess of 100,000 vehicles. Additional Sales resources have been hired in North America bringing in specialised fleet and telematics expertise to the team.

In June 2016 the Company appointed Guardian South East Asia Pte. Ltd. (Guardian SEA) as a non-exclusive distributor to market, sell and service the Seeing Machines' Guardian solution in Singapore and Malaysia. As part of the agreement, Guardian SEA purchased 1,000 Guardian units, the Company's single largest sale of Guardian units to date. Guardian SEA is wholly owned by VS Industry Berhad (VSI), a leading integrated electronics manufacturing services provider, and a strategic investor in Seeing Machines. Guardian SEA and VSI bring extensive regional knowledge and industry relationships to accelerate market penetration of Seeing Machines' Guardian solution into the South-East Asian region.

Seeing Machines appointed Technologica Information Technology, LLC (Technologica) as its exclusive distributor for Guardian in the UAE and Gulf States. Technologica brings a wealth of expertise in integrating technology solutions into client environments, particularly in the UAE. Technologica is representing Seeing Machines in two large opportunities; Dubai Taxi Company and the Public Transport Authority. Both opportunities are subject to the outcomes of a tender evaluation process.

In 2014 the Company entered into a collaboration with Chilean company GTD Ingenieria de Sistemas to form Seeing Machines Latin America, in order to provide local support for mining customers and Caterpillar dealers. During the 2016 financial year, as part of the transition of the DSS business to Caterpillar, the Company sold its 55% stake in Seeing Machines Latin America back to our original distribution partners. We continue to work with our partners in Chile under a revised distribution agreement for our Guardian fleet product.

In March 2016 the Company launched an enhanced product rebranded as Guardian by Seeing Machines which includes an integrated Forward-Facing Camera. Unlike competitors' products, which purely record events for later analysis, the Guardian solution combines the activity in front of the vehicle with the state of the driver at the time of a critical event. Seeing Machines is also progressing with the next generation Guardian product which will enable ready integration with telematics products.

During the year the Company engaged with multiple fleet telematics providers to develop an integrated driver monitoring and safety product, combining Seeing Machines' technology and partner telematics features. These active discussions and commercial negotiations continued after the end of the financial year.

OEM Automotive Market

The automotive industry is going through massive technological change driven by powerful dynamics of disruption. The global adoption of ride-sharing platforms is changing the economics of car ownership and the advancements in autonomous vehicle capability is fundamentally altering the act of driving. These various stages of autonomy were highlighted by Seeing Machines' co-founder and CTO, Tim Edwards, in last years' annual report. The opportunity for Seeing Machines' core technology in semi-autonomous vehicles as part of Advanced Driver Assistance Systems (ADAS) is staggering. Strategy Analytics estimates that the market for Driver Monitoring Systems (DMS) will grow from US\$0.6B to US\$13.3B by 2022.

In 2014 the Company signed a mutually exclusive strategic alliance with TK Holdings Inc., the Americas subsidiary of Takata Corporation, a Tier 1 supplier of automotive safety systems to major global automotive manufacturers. Through Takata, in 2014 the Company secured a contract to develop driver monitoring systems (DMS) for a global car maker.

In March 2016 the Company and Takata secured a major follow-on order for their 2nd-Generation DMS from the same automotive manufacturer. This second order is expected to see the companies' DMS technologies integrated into more than fifteen, higher-volume, 2018 and 2019 vehicle models. This second program expands the DMS offering across a number of the manufacturer's international car brands as DMS become part of the brands' ADAS offering.

During the financial year the Company continued to engage closely with over 13 of the world's car manufacturers, including by supplying a PC-based variant of its automotive technology that allows

the automotive manufacturer to easily map DMS capability to their ADAS and autonomous vehicle technology road maps and to input into their technology packaging strategy for new vehicles, model range interiors and dashboards. All the major OEMs are targeting semi-autonomous vehicles on their roadmaps with several automotive analysts predicting that DMS technology will be mandated within 5-10 years.

The Company continues to work on strategic and commercial options to maximise the value of this substantial market opportunity, with the aim of capturing more automotive business more quickly to maximise returns for the Company's shareholders.


The Company announced the signing of a non-binding term sheet with a US-based investment firm to focus on commercialising Seeing Machines' technology in the automotive market. The Company and its advisors continue to work to capitalise the automotive business opportunity and drive value for shareholders.

Post year end the Company completed development and launched a proprietary automotive hardware module containing the Company's driver monitoring engine software, with the intention of selling this hardware module to automotive customers and embedding in future products. The Board and Management believe this will enable the Company to capture a greater share of the revenue and margin in the automotive and commercial fleet markets. In September 2016 the Company announced the appointment of Mike McAuliffe as CEO of our automotive business, now named FOVIO.



FOVIO

DRIVING INTELLIGENCE



“The usability and precision of the eye-tracking solution provided by SeeingMachines have demonstrated the potential to provide the next breakthrough in the aviation industry.

– Human Factors Lead, Major Global Airline

Aerospace

Over the last 12 months the Seeing Machines Aviation Group has continued to increase Seeing Machines' market presence in the global aviation industry; represented by the validation of market demand in core sectors, and in advances of early stage product development with major aviation customers and partner engagements, including the following:

- Engagement with a major freight carrier – globally recognised as a leader in Fatigue Risk Management – a successfully delivered a proof-of-concept for a solution to objectively measure pilot attention and alertness during critical phases of flight;
- Maturation through technical readiness levels with a major Aircraft Manufacturer to develop an Aircrew Training Tool using eye (gaze) tracking as a key measurement of situational awareness and effective instrument scanning;
- Advanced technical and commercial relationship with another major Aircraft Manufacturer to evaluate a flight-deck installation into an operational wide-body aircraft to support the measurement and identification of pilot incapacitation;
- Commenced a new engagement with a leading Air Navigation Service Provider (ANSP) to develop a multi-sensory solution to understand and monitor the operational state of air traffic controllers;
- Undertaking an installation of eye-tracking technology into another ANSP training facility to enhance their training and debriefing function, and supply air traffic control instructors with an objective insight into their trainee situational awareness and scan patterns;
- Working closely with multiple carriers to leverage our capability to understand and address the global requirements for training of pilots in Upset Prevention and Recovery Training (UPRT);
- Finalising an initial engagement with an Air Force to support and supplement ab-initio (initial) pilot training, and to provide evidence based training data through eye tracking to support more effective streaming decisions .

Seeing Machines offers the aviation industry best-in-class sensors and data to ensure their aircrew and air traffic controller personnel are trained to the highest standards based on evidence, and are enabled to perform and maintain vigilance and alertness in demanding and complex operational environments.

Rail & Consumer Electronics

During the 2016 financial year the Company and EMD conducted trials of the Company's technology with three major rail customers in North America. The trial results were positive and the Company continues to work with EMD to develop the specific product development and marketing program for the rail sector. During the year EMD responded to a request for tender from a major urban transit authority, with the Seeing Machines' fatigue and distraction capability as part of the EMD solution. The outcome of this tender process will be announced during the 2017 financial year. This work was undertaken as part of the initial three-year exclusive agreement with Electro-Motive Diesel, Inc. (EMD), a Caterpillar company signed in September 2014.

Also in September 2014, the Company signed a Memorandum of Understanding (MOU) with Samsung Electro-Mechanics Corporation (SEMCo) to facilitate joint development of face and eye tracking technology for the consumer electronics industry. For the Consumer Electronics Show (CES) 2016 in Las Vegas, Seeing Machines worked with Samsung to develop and demonstrate the world's first eye-tracking enabled heads-up-display (HUD) on a car windshield.



Position Holders During the Period

Chief Executive Officer

The Company's Chief Executive Officer for the full financial year to 30 June 2016 and at the date of this report is Ken Kroeger.

Company Secretary

The Company Secretary for the full financial year to 30 June 2016 and at the date of this report is Andrew Neilson.

Employee Numbers

At 30 June 2016 the Group had 110 full-time employees (125 employees at 30 June 2015 which includes 21 employees in our Chile JV which was sold during FY16).

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.



**Non-Executive Chairman, member of the Risk,
Audit & Finance Committee and member of the People,
Culture & Remuneration Committee**

Terry is widely known as a strategic leader having served as chairman and director of several Australian and international listed and private companies and charities. He has led companies from start-up to successful realisation events and is currently chairman of Converge International Pty Ltd and Intelledox Pty Ltd and is a director of Redflex Holdings Limited (ASX:RDF), Future Fibre Technologies Limited (ASX:FFT), Australian Home Care Services and Many Rivers Microfinance. Terry led the team that created Optus Communications, Australia's second telecommunications carrier. Prior to this he was a senior executive at Motorola for 11 years following which he founded Link Telecommunications, a business that grew to over \$200 million in revenues with over 1,000 employees.



Managing Director and CEO

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 & training business Catalyst Interactive; with offices in three countries and over 100 employees. The organisation was highly recognised for innovation & 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.



Dr Rudolph Burger

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

Over the past twenty-five years, Rudy has founded five digital media technology companies in the US, run a European public company, and served as a senior executive for two global 500 companies. He is widely recognised as an effective, dynamic leader with a proven track record in management, strategic planning, business development, and M&A. Dr Burger is currently Founder and Managing Partner of an investment bank headquartered in California. He also serves as a Board Member of another technology company based in Cambridge, UK. Rudy has a BSc and MSc from Yale University and a PhD from Cambridge University.



James (Jim) Allan Walker, GAICD

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

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.

Jim is also Chairman of Macmahon Holdings Limited (ASX:MAH) and State Training Board (WA) and Non-Executive Director of Programmed Maintenance Services Group Limited (ASX:PRG), RACWA Holdings Pty Ltd and Austin Engineering Limited (ASX:ANG).



Les Carmichael

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

Appointed as a Director on 1 February 2016

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 serves on the board of directors of GlobalTranz, Inc., a venture capital funded, technology focussed, freight forwarding company operating in the US.



Yong Kang (YK) Ng

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

Appointed as a Director on 22 March 2016

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.



Peter Housden

Non-Executive director and Chairman of the Risk, Audit & Finance Committee

Appointed as a Director on 31 March 2016

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.

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 & Risk Committee for Sydney Trains, a NSW Government agency.



Andrew Neilson, GAICD

Company Secretary

Andrew is an experienced legal and commercial executive. He has eight years' experience as a commercial lawyer, with one of Australia's largest law firms as well as two NYSE-listed global information technology firms. He also has eight years' management experience as Group General Manager Commercial (and Company Secretary) for an Australian clean energy company listed on the AIM market. Andrew has experience in commercialising technology, managing intellectual property and structuring and negotiating deals with global partners, as well as capital raising, investor & public relations, corporate governance and ASX & AIM market practice. He has a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

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.

Environmental Regulations

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

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 below and in the financial statements or notes thereto.

Subsequent Events after the Balance Date

There have been no significant events after balance date.

Dividends

No dividends or distributions have been made to members during the year ended 30 June 2016 and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2016.

Share Options

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

During the year nil (2015: 4,684,232) options were granted under the share loan plan. Replacing the share loan plan is the performance rights scheme. During the year, 5,965,559 (2015: nil) options were granted under the new scheme. The terms and conditions of these options are disclosed in note 31 to the financial report.

(ii) Shares Issued as a Result of the Exercise of Options

During the year 847,281 (2015: nil) options vested and were transferred under the share loan plan.

Since the end of the financial year there have been no shares issued by the Board as a result of the exercise of options under the Employee Share Plan.

Unissued Shares

During the year conditions have been met and rights to 2,803,125 shares have been granted. These shares were still held in trust at 30 June 2016.

Indemnification of Directors and Officers

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

Directors' Meetings

During the 2016 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.

Director	Board	Risk, Audit & Finance Committee	People, Culture & Remuneration Committee
Terry Winters	12/13	4/4	3/3
Ken Kroeger	13/13	*	*
David Gaul	8/11	*	2/2
Michael Roberts	11/11	4/4	*
Rudolph Burger	10/13	4/4	*
James A Walker	13/13	*	3/3
James D Walker	13/13	*	*
Les Carmichael	5/5	*	1/1
YK Ng	2/2	1/1	*
Peter Housden	2/2	1/1	*

* Not a member of the committee.

Indemnification of Auditors

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

Non-Audit Services

Ernst & Young rendered consulting services in connection with the taxation affairs of Seeing Machines Limited as disclosed at note 34.

Auditor's Independence Declaration

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

Signed at Canberra this 30th day of September 2016 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.



Terry Winters
Chairman



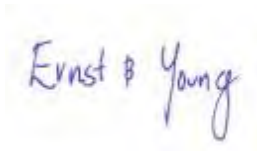
Ken Kroeger
Managing Director

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 2016, 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
30 September 2016

Statement of Financial Position

AS AT 30 JUNE 2015	Note	Consolidated	
		2016 A\$	2015 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	15	16,948,300	14,221,615
Trade and other receivables	16	6,786,046	7,154,077
Inventories	17	8,420,350	10,182,633
Current financial assets	21	241,159	238,462
Deferred Taxation	11	85,581	-
Other current assets	18	663,615	224,910
TOTAL CURRENT ASSETS		33,145,051	32,021,697
NON-CURRENT ASSETS			
Property, plant and equipment	19	691,961	863,214
Intangible assets	20	4,404,268	3,011,560
Non-current financial assets	21	140,191	140,191
Trade and other receivables	16	6,284,468	166,489
TOTAL NON-CURRENT ASSETS		11,520,888	4,181,454
TOTAL ASSETS		44,665,939	36,203,151
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	22	1,801,771	4,075,472
Provisions	23	1,591,987	1,409,955
Deferred revenue		728,959	196,429
Income tax payable		85,581	366,620
TOTAL CURRENT LIABILITIES		4,208,298	6,048,476
NON-CURRENT LIABILITIES			
Provisions	24	33,324	20,389
TOTAL NON-CURRENT LIABILITIES		33,324	20,389
TOTAL LIABILITIES		4,241,622	6,068,865
NET ASSETS		40,424,317	30,134,286
EQUITY			
Contributed equity	26	70,592,134	57,490,870
Treasury shares	26	(1,226,938)	(1,301,823)
Accumulated losses		(29,737,234)	(27,997,987)
Other reserves		796,355	767,710
Equity attributable to the owners of the parent		40,424,317	28,958,770
Non-controlling interest		-	1,175,516
TOTAL EQUITY		40,424,317	30,134,286

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

Statement of Comprehensive Income

		Consolidated	
		2016	2015
FOR THE YEAR ENDED 30 JUNE 2015		A\$	A\$
Continuing operations			
Sale of goods and licence fees		30,949,453	9,789,929
Rendering of services		2,612,390	3,068,382
Revenue		33,561,843	12,858,311
Cost of Sales		(6,259,566)	(7,135,063)
Gross Profit		27,302,277	5,723,248
Other income	9	2,545,986	2,217,944
Net gain/(loss) on foreign exchange		(181,652)	3,060,252
Finance income		1,370,973	251,359
Research and development expenses		(9,767,194)	(6,571,092)
Customer support and marketing expenses		(10,501,039)	(9,045,745)
Occupancy and facilities expenses		(2,289,188)	(2,104,950)
Corporate services expenses		(4,835,127)	(5,414,727)
Other expenses	10	(5,243,002)	(146,555)
Loss from continuing operations before income tax		(1,597,966)	(12,030,266)
Income tax expense	11	(23,810)	(41,643)
Loss from continuing operations after income tax		(1,621,776)	(12,071,909)
(Loss)/profit from discontinued operations after income tax	8	(20,485)	1,436,748
Loss for the year after tax		(1,642,261)	(10,635,161)
Loss for the year attributable to:			
Equity holders of parent		(1,739,248)	(11,281,698)
Non-controlling interests		96,987	646,537
		(1,642,261)	(10,635,161)
Other comprehensive income – to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		(220,372)	(613,466)
Other comprehensive income net of tax		(220,372)	(613,466)
Total comprehensive income for the year		(1,862,633)	(11,248,627)
Total comprehensive income for the year attributable to:			
Equity holders of parent		(1,959,620)	(11,872,774)
Non-controlling interests		96,987	624,147
Total comprehensive income for the year		(1,862,633)	(11,248,627)
Earnings per share for profit/loss attributable to the ordinary equity holders of the parent:	13		
Basic earnings per share		(0.0018)	(0.0130)
Diluted earnings per share		(0.0018)	(0.0130)

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 & Other Reserve	Total	Non- Controlling Interest	Total Equity
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
At 1 July 2014	45,776,174	(707,110)	(16,716,289)	46,638	1,007,251	29,406,664	-	29,406,664
Loss for the year	-	-	(11,281,698)	-	-	(11,281,698)	646,537	(10,635,161)
Other comprehensive income	-	-	-	(591,076)	-	(591,076)	(22,390)	(613,466)
Total comprehensive income	-	-	(11,281,698)	(591,076)	-	(11,872,774)	624,147	(11,248,627)
Transaction with owner in their capacity as owner								
Shares Issued	12,301,678	(594,713)	-	-	-	11,706,965	-	11,706,965
Capital Raising Costs	(586,982)	-	-	-	-	(586,982)	-	(586,982)
Employee Share Loan Plan	-	-	-	-	304,897	304,897	-	304,897
Share Options Issued	-	-	-	-	-	-	551,369	551,369
At 30 June 2015	57,490,870	(1,301,823)	(27,997,987)	(544,438)	1,312,148	28,958,770	1,175,516	30,134,286
At 1 July 2015	57,490,870	(1,301,823)	(27,997,987)	(544,438)	1,312,148	28,958,770	1,175,516	30,134,286
Profit/(Loss) for the year	-	-	(1,739,248)	-	-	(1,739,248)	96,987	(1,642,261)
Other comprehensive income	-	-	-	(220,372)	-	(220,372)	-	(220,372)
Total comprehensive income	-	-	(1,739,248)	(220,372)	-	(1,959,620)	96,987	(1,862,633)
Transaction with owner in their capacity as owner								
Shares issued	13,136,529	-	-	-	-	13,136,529	-	13,136,529
Capital raising costs	(2,736)	-	-	-	-	(2,736)	-	(2,736)
Treasury Shares	(32,529)	74,885	-	-	-	42,356	-	42,356
Employee Share Loan Plan	-	-	-	-	249,018	249,018	-	249,018
Derecognition of Non- controlling interest	-	-	-	-	-	-	(1,272,503)	(1,272,503)
AT 30 JUNE 2016	70,592,134	(1,226,938)	(29,737,235)	(764,810)	1,561,166	40,424,317	-	40,424,317

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 2016	Note	Consolidated	
		2016 A\$	2015 A\$
Operating activities			
Receipts from customers		29,420,077	11,486,346
Payment to suppliers and employees		(38,845,703)	(34,575,733)
Interest received		1,370,973	251,359
Interest paid		-	(1,659)
Income tax paid		(44,186)	(6,098)
Payments received for research and development costs		2,764,224	2,202,534
Net operating cash flow from discontinued operations		260,095	2,023,643
Net cash flows used in operating activities	28	(5,074,520)	(18,619,608)
Investing activities			
Proceeds from sale of plant and equipment		1,052	-
Purchase of plant and equipment		(527,496)	(748,905)
Purchase of held-to-maturity financial assets		(2,697)	(238,462)
Payments for intangible assets		(1,998,870)	(1,934,686)
Proceeds from sale of subsidiary		1,299,264	-
Cash derecognised on sale of subsidiary		(2,445,969)	-
Net cash flows used in investing activities		(3,674,716)	(2,922,053)
Financing activities			
Proceeds from issue of shares		13,136,529	11,433,559
Proceeds from sale of treasury shares		42,356	-
Costs of capital raising		(2,736)	(586,982)
Repayment of borrowings		-	(50,851)
Net cash flows from financing activities		13,176,149	10,795,726
Net (increase) / decrease in cash and cash equivalents		4,426,913	(10,745,935)
Net foreign exchange differences		(1,700,228)	2,202,776
Cash and cash equivalents at beginning of period		14,221,615	22,764,774
Cash and cash equivalents at end of period	15	16,948,300	14,221,615

The above consolidated statement of comprehensive income 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 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

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\$1,642,261 (2015: Loss of A\$10,635,161). The Group has Accumulated Losses of A\$29,737,234 (2015: Accumulated Losses of A\$27,997,987). The balance of cash and cash equivalents at 30 June 2016 is A\$16,948,300 (2015: Cash and cash equivalents A\$14,221,615). 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. 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 two amendments to existing accounting standards that were applicable to the Group for the first time this year as follows:

Reference	Title
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

These amendments have been adopted but resulted in no material change to past or current results or restatement of balance sheet amounts.

(Section continues on next page)

3. Summary of Significant Accounting Policies (continued)

c) New accounting Standards and interpretations (continued)

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 2016. These are outlined in the table below.

Reference	Title	Application date of Standard	Application date for Group	Impact on the Group
AASB 9	<p>Financial Instruments</p> <p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p>	1 January 2018	1 July 2018	The Group currently does not have any hedge contracts nor any financial assets carried at fair value through profit or loss. The application of this Standard will not have a material impact on the Group's financial position or performance.
AASB 2014-3	<p>Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations</p> <p>AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11</p>	1 January 2016	1 July 2016	The application of these amendments will not have a material impact on the Group's financial position or performance.

3. Summary of Significant Accounting Policies (continued)

c) New accounting Standards and interpretations (continued)

Reference	Title	Application date of Standard	Application date for Group	Impact on the Group
AASB 15	<p>Revenue from Contracts with Customers</p> <p>In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services).</p> <p>The core principle of IFRS 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 the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Early application of this standard is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2018	1 July 2018	The application of this Standard may impact on the measurement of revenue for the Group. The Group is currently evaluating the impact of the new standard.
AASB 2015-1	<p>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</p> <p>The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> • Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. 			

3. Summary of Significant Accounting Policies (continued)

c) New accounting Standards and interpretations (continued)

Reference	Title	Application date of Standard	Application date for Group	Impact on the Group
	<p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 			
AASB 2015-2	<p>Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101</p> <p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 July 2016	The application of this amendment would impact on the disclosure requirements in the financial statements for the Group.
AASB 16	<p>Leases - AASB 16 key features:</p> <p>As a lessee, the Group will need to account as follows:</p> <ul style="list-style-type: none"> Required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. 	1 January 2019	1 July 2019	The effect on the Group will be that material operating leases would come 'on balance sheet'.

3. Summary of Significant Accounting Policies (continued)

c) New accounting Standards and interpretations (continued)

Reference	Title	Application date of Standard	Application date for Group	Impact on the Group
2016-1	<p>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</p> <p>Amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirement on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	1 January 2017	1 July 2017	The application of these amendments will not have a material impact on the Group's financial position and performance.
2016-2	<p>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</p> <p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p>	1 January 2017	1 July 2017	The application of this amendment would impact on the disclosure requirements in the financial statements for the Group.
IFRS 2 (Amendments)	<p>Classification and Measurement of Share-based Payment Transactions</p> <p>This standard amends to IFRS 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"> • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations <p>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</p>	1 January 2018	1 July 2018	The application of this amendment would impact on the disclosure requirements in the financial statements for the Group.

3. Summary of Significant Accounting Policies (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Seeing Machines Limited and its subsidiaries (as outlined in note 29) 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 either 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.

3. Summary of Significant Accounting Policies (continued)

e) Business combinations and goodwill (continued)

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

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

- Expected to be realised or intended to 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 6

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.

3. Summary of Significant Accounting Policies (continued)

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 operations is recognised in the profit and loss.

i) Cash and cash equivalents – refer note 15

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 17

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.

3. Summary of Significant Accounting Policies (continued)

k) Property, plant and equipment – refer note 19

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 40%
- 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

3. Summary of Significant Accounting Policies (continued)

m) Impairment of non-financial assets (continued)

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 20

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 intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the intangible relates. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Patents, Trademarks and Licenses

The Group made upfront payments to 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

3. Summary of Significant Accounting Policies (continued)

n) Intangibles (continued) – refer note 20

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.

Customer contracts

The Group acquired the customer contracts as a part of the establishment of Seeing Machines Latin America SpA, which included the transfer of the assets from GTD (the existing distributor). The values of these contract was based on the future revenue to be generated.

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

	Patents & Trademarks	Licences	Development Costs of assets in use	Customer Contracts
Useful lives	Finite	Finite	Finite	Finite
Amortisation method used	15-20 years - Straight line	4-20 years - Straight line	3-5 years - Straight line	Life of the contract
Internally generated / acquired	Acquired	Acquired	Internally generated	Acquired
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.	When an indicator of impairment exists.

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.

(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. The Group does not have financial assets at fair value through profit and loss.

3. Summary of Significant Accounting Policies (continued)

o) Financial instruments - initial recognition and subsequent measurement (continued)

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 profit or loss. The losses arising from impairment are recognised in the statement of profit or loss 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 profit or loss. The losses arising from impairment are recognised in the statement of profit or loss 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 profit or loss, or the investment is determined to be impaired when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the EIR method in the statement of profit or loss.

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.

3. Summary of Significant Accounting Policies (continued)

o) Financial instruments - initial recognition and subsequent measurement (continued)

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 costs

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 profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; 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.

3. Summary of Significant Accounting Policies (continued)

o) Financial instruments - initial recognition and subsequent measurement (continued)

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, loans 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 income statement 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 profit or loss.

Offsetting of financial instruments

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

p) Provisions – refer notes 23, 24 and 25

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.

3. Summary of Significant Accounting Policies (continued)

p) Provisions (continued) – refer notes 23, 24 and 25

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 recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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.

(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 31

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).

3. Summary of Significant Accounting Policies (continued)

(q) Share-based payment transactions (continued) – refer note 31

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 30 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 26

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

(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.

3. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition (continued)

(iii) Rendering of services

Revenue from the support and consultancy 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) Research and development refundable tax offset

Refundable tax offset received under the government's research and development scheme is recognised as revenue on receipt to the extent those costs have been expensed in the financial year. 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 11

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.

3. Summary of Significant Accounting Policies (continued)

(u) Income taxes and other taxes (continued) – refer note 11

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 Cash Flow Statement 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.

3. Summary of Significant Accounting Policies (continued)

(w) Earnings per share - refer note 13

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 to by the Group.

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

economic best interest.

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

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

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

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

For assets and liabilities that are recognised in the financial statements 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. Totals relating to discontinued operations in 2016 have been reclassified in 2015 comparative Statement of Comprehensive Income and Statement of Cash Flows to show the relevant items as a single line item relating to discontinued operations.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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 2016 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:

	Consolidated	
	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$
Financial Assets		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	6,652,348	5,619,427
Exposed to United States of America variable interest rate risk	8,025,450	2,164,013
Exposed to United Kingdom variable interest rate risk	2,270,502	4,277,686
Exposed to Chile variable interest rate risk	-	2,160,489
Total cash and cash equivalents	16,948,300	14,221,615

In addition to the above, the group had held to maturity financial assets totalling \$241,159 (2015: \$238,462) 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, 2016, 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)	
	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$
Consolidated		
+ 1% (100 basis points)	142,953	189,821
- .5% (50 basis points)	(71,477)	(94,911)

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

4. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

As a result of significant sales in North America, South America 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 53% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 34% 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 2016 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 2015 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$
Financial Assets		
Cash and cash equivalents (US\$)	8,025,450	2,164,013
Cash and cash equivalents (GB£)	2,270,502	4,277,686
Cash and cash equivalents (CLP)	-	2,160,489
Trade and other receivables (US\$)	13,575,595	6,262,538
Trade and other receivables (CLP)	-	-
Trade and other receivables (NZD)	8,876	5,511
Trade and other receivables (ZAR)	5,893	-
Total	23,886,316	14,870,237
Financial Liabilities		
Trade and other payables (US\$)	(250,038)	(1,301,237)
Trade and other payables (EUR)	(34,042)	(5,709)
Trade and other payables (GBP)	(3,770)	(3,221)
Trade and Other Payables (CLP)	-	(4,094)
Total	(287,850)	(1,314,261)
Net exposure	23,598,466	13,555,976

4. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

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:

	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2016	2015	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$	A\$	A\$
Consolidated				
Change in USD rate				
AUD / foreign currency +10%	(2,045,803)	(647,756)	(2,045,803)	(647,756)
AUD / foreign currency -5%	1,184,412	375,017	1,184,412	375,017
Change in GBP rate				
AUD / foreign currency +10%	(206,067)	(388,588)	(206,067)	(388,588)
AUD / foreign currency -5%	119,302	224,972	119,302	224,972
Change in CLP rate				
AUD / foreign currency +10%	-	(196,537)	-	(196,537)
AUD / foreign currency -5%	-	113,785	-	113,785
Change in EUR rate				
AUD / foreign currency +10%	3,095	519	3,095	519
AUD / foreign currency -5%	(1,792)	(300)	(1,792)	(300)
Change in NZD rate				
AUD / foreign currency +10%	(807)	-	(807)	-
AUD / foreign currency -5%	467	-	467	-
Change in ZAR rate				
AUD / foreign currency +10%	(536)	-	(536)	-
AUD / foreign currency -5%	310	-	310	-

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 derivative instruments. 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.

4. Financial Risk Management Objectives and Policies (continued)

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 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. Since the significant capital raise in March 2016, 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 2016 and 2015.

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 2016. 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 2016.

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.

4. Financial Risk Management Objectives and Policies (continued)

	< = 6 months A\$	6 - 12 months A\$	→ 1 year A\$	Total A\$
FOR THE YEAR ENDED 30 JUNE 2016				
Consolidated Financial Assets				
Cash and cash equivalents	16,948,300	-	-	16,948,300
Trade and other receivables	6,728,906	57,140	6,284,468	13,070,514
Held to maturity financial assets	-	241,159	-	241,159
	23,677,206	298,299	6,284,468	30,259,973
Consolidated Financial liabilities				
Trade and other payables	1,801,771	-	-	1,801,771
	1,801,771	-	-	1,801,771
Net inflow	21,875,435	298,299	6,284,468	28,458,202
FOR THE YEAR ENDED 30 JUNE 2015				
Consolidated Financial Assets				
Cash and cash equivalents	14,221,615	-	-	14,221,615
Trade and other receivables	7,070,833	83,244	166,489	7,320,566
Held to maturity financial asset	-	238,462	-	238,462
	21,292,448	321,706	166,489	21,780,643
Consolidated Financial liabilities				
Trade and other payables	4,075,472	-	-	4,075,472
	4,075,472	-	-	4,075,472
Net inflow	17,216,976	321,706	166,489	17,705,171

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

Fair values

As at 30 June 2016, the carrying values of the financial instruments approximate their fair value.

5. Significant Accounting Judgments, 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 judgments

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).

5. Significant Accounting Judgments, Estimates and Assumptions (continued)

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 Hull White method using a trinomial model, with the assumptions detailed in note 29. 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.

6. Business combinations and acquisition of non-controlling interests

No new business combinations or acquisitions of new controlling interests have occurred throughout the period ending 30 June 2016.

Formation of subsidiary

On 8th August 2014, Seeing Machines Limited incorporated a new entity Seeing Machines Latin America SpA registered in Chile with its existing distributor GTD. The total capital invested in the new entity was US\$1,036,364 (A\$1,120,877). Seeing Machines Limited acquired 55% shares in the new entity by investing in the form of cash and inventory. The following table represents fair value of net assets contributed for the shares in Seeing Machines Latin America SpA:

NET ASSETS CONTRIBUTED	US\$	A\$
Inventory	420,000	454,250
Cash	150,000	162,232
Customer Contracts	190,000	205,494
Fixed Assets	93,364	100,978
Business know how	183,000	197,923
Total identifiable net assets	1,036,364	1,120,877
Non-controlling interest	466,364	504,395
Purchase consideration transferred	570,000	616,482

The Group has elected to measure the non-controlling interest in Seeing Machines Latin America SpA at carrying value which in this case is represented by their share of the net assets in the entity.

From the date of incorporation, Seeing Machines Latin America SpA contributed \$6,183,231 of revenue and \$1,864,031 to profit before income tax from continuing operations of the Group. The Business know how (Goodwill) of \$197,923 comprises the fair value of expected synergies arising from the acquisition.

7. Segment Information

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief 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.

a) Business segments

	DSS (Mining)	Guardian (Fleet)	Other	Total
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$	A\$	A\$
Revenue				
Sales to external customers	29,158,440	3,315,416	1,087,987	33,561,843
Income/ (Expenses)				
Net finance income/(expenses)	1,340,457	103	30,413	1,370,973
Depreciation and amortization	-	-	892,116	892,116
Impairment of inventories	-	(5,242,981)	-	(5,242,981)
Segment profit/(loss)	26,555,036	(14,023,689)	(14,129,313)	(1,597,966)
Current assets as at 30 June 2016	4,112,470	10,918,024	18,114,557	33,145,051
Non-current assets as at 30 June 2016	6,149,260	135,208	5,236,420	11,520,888
Total Assets as at 30 June 2016	10,261,730	11,053,232	23,350,977	44,665,939
Total Liabilities as at 30 June 2016	-	(84,316)	(4,157,306)	(4,241,622)
Other Segment Information				
Capital expenditure	-	-	2,526,366	2,526,366

7. Segment Information (continued)

FOR THE YEAR ENDED 30 JUNE 2015	DSS (Mining) A\$	Guardian (Fleet) A\$	Other A\$	Total A\$
Revenue				
Sales to external customers	9,303,412	2,575,226	979,673	12,858,311
Income/ (Expenses)				
Net finance income/(expenses)	-	-	251,359	251,359
Depreciation and amortization	-	-	923,485	923,485
Impairment of inventories	-	-	(146,555)	(146,555)
Segment profit/(loss)	3,223,900	(846,101)	(14,408,065)	(12,030,266)
Current assets as at 30 June 2015	17,336,710	-	14,684,987	32,021,697
Non-current assets as at 30 June 2015	-	-	4,181,454	4,181,454
Total Assets as at 30 June 2015	17,336,710	-	18,866,441	36,203,151
Total Liabilities as at 30 June 2015	(343,867)	-	(5,724,998)	(6,068,865)
Other Segment Information				
Capital expenditure	445,200	-	2,841,412	3,286,612

b) Geographic information

FOR THE YEAR ENDED 30 JUNE 2016	2016 A\$	2015 A\$
Revenue from external customers		
Australia	5,155,247	4,495,220
North America	27,660,571	4,783,004
South America	-	448,457
Other geographical regions	746,025	3,131,630
Total revenue from external customers	33,561,843	12,858,311
Non-current assets		
Australia	11,470,539	4,117,862
North America	50,349	63,592
South America	-	-
Other geographical regions	-	-
Total non-current assets	11,520,888	4,181,454

8. Discontinued Operations

a) Details of discontinued operations

During the year, the Board agreed to sell the shares in Seeing Machines Latin America SpA (SMLA), a majority owned subsidiary, engaged in DSS mining operations, with 55% holding, to the non-controlling shareholders of the subsidiary. The terms of the sale had been agreed at 31 December 2015, at which point the subsidiary was reclassified as an Asset Held for Sale. The sale was finalised on 13th of April. A loss on disposal was recorded. The decision was made after the Parent company entered into a licensing agreement with Caterpillar Inc. for the sale and distribution of all DSS mining products and services. Subsequent to the sale of the SMLA shares, the owners of the entity have been granted distribution rights for the Fleet business for designated countries/regions within South America.

b) Analysis of the profit for the year from discontinued operations

	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$
Revenue	2,546,749	6,183,231
Other Gains	164,524	-
Expenses	(2,397,320)	(4,319,200)
Net Profit	313,953	1,864,031
Attributable income tax expense	(78,698)	(427,282)
	235,255	1,436,749
Loss on disposal	(255,740)	-
(Loss)/profit from the discontinued operations	(20,485)	1,436,749

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8. Discontinued Operations (continued)

c) Assets and liabilities of discontinued operations

The assets and liabilities of the discontinued operations at the effective date of sale were as follows:	2016	2015
	A\$	A\$
Assets		
Cash	2,445,969	2,185,876
Inventories	479,331	454,165
Trade and other receivables	432,793	977,850
Property plant and equipment	109,440	411,734
Other assets	29,074	-
	3,496,607	4,029,625
Liabilities		
Trade payables	(542,317)	(1,382,671)
Current tax liabilities	(126,783)	(34,697)
	(669,100)	(1,417,368)
Net assets at date of sale	2,827,507	2,612,257
The loss on disposal of the discontinued operation is reconciled as follows:		
Net assets of SMLA at date of sale	2,827,507	
Non-controlling equity interests	(1,272,503)	
Net cash consideration received	(1,299,264)	
Net loss on disposal	255,740	

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8. Discontinued Operations (continued)

d) Cash Flow information of discontinued operations

The net cash flows of SMLA are as follows:		2016	2015
		A\$	A\$
Operating activities		260,095	1,990,565
Cash outflow on disposal			
Cash consideration received		1,299,264	
Cash and cash equivalents disposed of		(2,445,969)	
Aggregate details of the disposal are as follows:			
Disposal price		1,299,264	
Cash consideration		1,299,264	
Assets and liabilities held at disposal date:			
Cash		2,445,969	
Inventories		479,331	
Trade & Other Receivables		432,793	
Property Plant & Equipment		109,440	
Other Current Assets		29,074	
Trade Payables		(542,317)	
Current Tax Liabilities		(126,783)	
Non-controlling equity interests		(1,272,503)	
Net Loss on disposal		(255,740)	
Net cash received		1,299,264	

9. Other Income

	Consolidated	
	2016	2015
	A\$	A\$
R&D grant recognised	2,294,986	2,206,117
Marketing Rebate	261,137	-
Other	(10,137)	11,827
	2,545,986	2,217,944

A total of \$2,294,986 relating to Research and Development refundable tax offsets received from the Australian Taxation Office were recognised during the year (2015: \$2,206,117). These are included in Other Income, and result from Research and Development expenditure in the previous financial year. There are no conditions attached to this income.

10. Expenses

	Consolidated	
	2016	2015
	A\$	A\$
a. Depreciation, impairment, and amortisation expense		
Depreciation expense	577,900	406,698
Amortisation expense	314,217	370,232
Total	892,117	776,930
b. Employee benefits expense		
Wages and salaries	20,976,068	17,997,587
Share-based payment expense	476,711	417,939
Wages and salaries capitalised to development costs	(1,589,204)	(1,792,331)
Total	19,863,575	16,623,195
c. Other expenses		
Inventory write down	5,242,981	-
Impairment of intangibles	-	146,555
Other	21	-
Total	5,243,002	146,555

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11. Income Tax

FOR THE YEAR ENDED 30 JUNE 2016	Consolidated	
	2016 A\$	2015 A\$
a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	169,066	(2,931,861)
Adjustments in respect of current income tax of previous years	4,975	-
Taxation loss not recognised	(80,480)	2,973,506
Tax loss utilised – not previously recognised	(69,751)	-
Deferred income tax		
Relating to the origination and reversal of timing differences	896,710	964,942
Temporary differences not recognised	(896,710)	(964,942)
Total	23,810	41,645
b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income		
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 profit / (loss) before income tax	(1,597,967)	(12,030,266)
At the parents entity's statutory income tax rate of 30% (2015: 30%)	(479,390)	(3,609,080)
Share based payments (equity settled)	76,865	91,469
Entertainment	4,343	4,309
Research and development costs claimed	-	1,820,859
Research and development – R&D Income	-	(171,584)
Controlled foreign company Australian tax attribution	-	436,719
Legal fees	5,778	29,637
Research and development – R&D tax credit	(688,496)	(661,835)
Origination and reversal of temporary differences		
Capitalised R&D costs	-	(435,792)
Capitalised patent costs	(94,588)	(144,614)
Temporary differences recognised	42,582	204,068
Temporary differences not recognised	896,710	(964,942)
Adjustments in respect of current income tax of previous years	4,975	-
Taxation loss not recognised	165,742	2,973,506
Tax loss utilised – not previously recognised	(69,751)	-
Tax payable on capital gain from sale of subsidiary	135,230	-
Effect of foreign tax rates	23,810	468,925
Total	23,810	41,645

11. Income Tax (continued)

	Consolidated	
	Statement of Financial Position	
	2016	2015
FOR THE YEAR ENDED 30 JUNE 2016	A\$	A\$
c) Deferred income tax at 30 June relates to the following:		
i) Deferred tax liabilities		
Accelerated depreciation: plant and equipment	-	-
Intangible assets	(816,208)	(838,250)
Unrealised FX	-	(822,783)
Interest receivable	-	-
Gross deferred tax liabilities	(816,208)	(1,661,033)
Set-off deferred tax assets	816,208	1,661,033
Net deferred tax liabilities	-	-
(ii) Deferred tax assets		
Provision for Doubtful Debts	21,428	96,754
Accrued expenses	112,316	268,903
Provisions:		
Annual leave	367,092	302,468
Long service leave	95,781	82,404
Warranties	24,721	44,231
S. 40-880 Deduction	298,424	438,399
Unrealised FX	424,211	-
Unearned revenue	-	58,929
Depreciation: plant and equipment	-	-
Gross deferred tax assets	1,343,973	1,292,088
Set-off deferred tax liabilities	(816,208)	(1,661,033)
Net deferred tax balance not brought to account	527,765	(368,945)
Tax losses	5,697,533	5,671,946
Losses not recognized	(5,611,952)	(5,671,946)
Net deferred tax asset	85,581	-

11. Income Tax (continued)

d) Unrecognised temporary differences

At 30 June 2016, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of \$18,706,506 (DTA of \$5,611,952) for which no deferred tax asset has been recognised on the statement of financial position (2015: Unrecognised tax losses of \$18,906,485 and DTA of \$5,671,946). These losses are available for recoupment subject to satisfaction of relevant statutory tests. As at 30 June 2016 there are net unrecognised deductible temporary differences of \$75,643 (DTA of \$22,693) for which no deferred tax liabilities has been recognised on the statement of financial position (2015: net unrecognised assessable temporary differences of \$1,229,816 and DTL of \$368,945).

e) 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 2015. 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.

12. Dividends Paid and Proposed

No dividends or distributions have been made to members during the year ended 30 June 2016 (2015: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2016 (2015: nil).

13. 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 the 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

	Consolidated	
	2016	2015
	A\$	A\$
For basic and diluted earnings per share:		
Net Profit / (loss)	(1,739,248)	(11,281,698)
Net Profit / (loss) attributable to ordinary equity holders of the company	(1,739,248)	(11,281,698)

b) Weighted average number of shares

	2016	2015
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	981,738,163	870,187,109
Weighted average number of ordinary shares adjusted for effect of dilution	981,738,163	870,187,109

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 31 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.

14. Parent Entity Information

INFORMATION RELATING TO SEEING MACHINES LIMITED	2016 A\$	2015 A\$
Current assets	33,804,979	27,809,062
Total assets	45,859,656	32,177,928
Current liabilities	4,377,363	4,410,158
Total liabilities	4,994,527	4,430,547
Issued capital	69,365,196	56,189,047
Accumulated losses	(30,061,230)	(29,753,815)
Share based payment reserve	1,561,163	1,312,149
Total shareholders' equity	40,865,129	27,747,381
Profit (Loss) of the parent entity	(1,097,631)	(12,948,806)
Total comprehensive income of the parent entity	(1,097,631)	(12,948,806)

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.

15. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2016 A\$	2015 A\$
Cash at bank and in hand	16,948,300	6,174,355
Short-term deposits	-	8,047,260
	<u>16,948,300</u>	<u>14,221,615</u>

Reconciliation to Cash Flow Statement

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

	Consolidated	
	2016 A\$	2015 A\$
Cash at bank and in hand	16,948,300	6,174,355
Short-term deposits	-	8,047,260
	<u>16,948,300</u>	<u>14,221,615</u>

16. Current Assets – Trade and Other Receivables

	Consolidated	
	2016 A\$	2015 A\$
Current		
Trade receivables	7,533,190	7,511,347
Provision for doubtful debts	(71,427)	(322,512)
Deferred finance income	(867,277)	(34,758)
	6,594,486	7,154,077
Other receivables	191,560	-
	6,786,046	7,154,077
Non-Current		
Trade receivables	6,868,308	166,489
Deferred finance income	(583,840)	-
	6,284,468	166,489
	13,070,514	7,320,566

The Non-current trade receivable amount of \$6,868,308 relates to the sale to Caterpillar of a licence to manufacture and distribute the DSS mining product. The agreement was made outside of our 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. A provision for impairment loss of \$71,427 (2015: \$322,512) has been recognised by the Group. See below for movement in the provision for impairment of receivables.

	Individually impaired A\$
At 1 July 2014	276,902
Charge for the year	126,200
Utilised	(19,904)
Unused amounts reversed	(60,686)
As at 30 June 2015	322,512
Charge for the year	71,427
Utilised	(315,224)
Unused amounts reversed	(7,288)
As at 30 June 2016	71,427

The ageing analysis of trade receivables is as follows:

	Total	0 - 30 days not due	0 - 30 days not due impaired	31 - 60 days not due	31 - 60 days PDNI	61 - 90 days PDNI*	91+ days PDNI*	91+ days PDNI
2016	14,401,499	13,794,941						
2015	7,677,836	6,766,839	-	-	494,191	83,490	18,092	315,224

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

a) Allowances for impairment loss (continued)

Receivables past due but not considered impaired are: Consolidated \$535,131 (2015: \$595,773). 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 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.

17. Current Assets – Inventories

	Consolidated	
	2016 A\$	2015 A\$
Raw materials	-	139,734
Finished goods	8,297,373	2,157,514
Stock in transit	-	115,750
Work in progress	122,977	7,769,635
Total inventories at the lower of cost and net realizable value	8,420,350	10,182,633

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2016 totalled \$4,647,393 (2015: \$4,465,423) for the Group. This expense has been included in cost of sales. The inventory of fleet units was written down to reflect the net realisable value. The total expense recognised for the write down totalled to A\$5,242,981 (2015: NIL). This expense is included in other expenses in the statement of profit or loss as shown in Note 10.

18. Other Current Assets

	Consolidated	
	2016 A\$	2015 A\$
Prepayments	432,766	205,305
Rental Bonds	20,057	19,605
Accrued income	210,792	-
Total	663,615	224,910

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

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

CONSOLIDATED	Office Furniture, Fittings & Equipment A\$	Research & Development Software and Equipment A\$	Total A\$
At 1 July 2015 net of accumulated depreciation and impairment	614,942	248,272	863,214
Additions	463,899	63,597	527,496
Additions through the incorporation of a subsidiary	(119,789)	-	(119,789)
Disposals	(1,060)	-	(1,060)
Depreciation charge for the year	(416,842)	(161,058)	(577,900)
At 30 June 2016 net of accumulated depreciation and impairment	541,150	150,811	691,961
At 30 June 2016			
Cost	1,556,594	548,318	2,104,912
Accumulated depreciation and impairment	(1,015,444)	(397,507)	(1,412,951)
Net carrying amount	541,150	150,811	691,961

CONSOLIDATED	Office Furniture, Fittings & Equipment A\$	Research & Development Software and Equipment A\$	Total A\$
At 1 July 2014 net of accumulated depreciation and impairment	188,917	267,391	456,308
Additions	597,757	187,402	785,159
Additions through the incorporation of a subsidiary	121,567	-	121,567
Disposals	-	(93,122)	(93,122)
Depreciation charge for the year	(293,299)	(113,399)	(406,698)
At 30 June 2015 net of accumulated depreciation and impairment	614,942	248,272	863,214
At 30 June 2015			
Cost	1,216,401	484,721	1,701,122
Accumulated depreciation and impairment	(601,459)	(236,449)	(837,908)
Net carrying amount	614,942	248,272	863,214

20. 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	Customer Contracts	Goodwill	Total
CONSOLIDATED	A\$	A\$	A\$	A\$	A\$
At 1 July 2015 net of accumulated amortisation	1,840,926	878,689	75,589	216,356	3,011,560
Additions	1,683,575	315,295	-	-	1,998,870
Disposal through sale of subsidiary	-	-	(75,589)	(216,356)	(291,945)
Amortisation	(148,796)	(165,421)	-	-	(314,217)
At 30 June 2016 net of accumulated amortisation	3,375,705	1,028,563	-	-	4,404,268
At 30 June 2016					
Cost	3,524,501	1,660,856	-	-	5,185,357
Accumulated amortisation	(148,796)	(632,293)	-	-	(781,089)
Net carrying amount	3,375,705	1,028,563	-	-	4,404,268

	Development Costs	Patents, Licences and Trademarks	Customer Contracts	Goodwill	Total
CONSOLIDATED	A\$	A\$	A\$	A\$	A\$
At 1 July 2014 net of accumulated amortisation	807,898	480,757	-	-	1,288,655
Additions	1,452,638	482,048	-	-	1,934,686
Additions through incorporation of the subsidiary	-	-	228,841	216,356	445,197
Disposal	-	-	-	-	-
Impaired	(146,535)	(20)	-	-	(146,555)
Amortisation	(132,884)	(84,096)	(153,252)	-	(370,232)
Transferred to non-current financial asset (Note 21)	(140,191)	-	-	-	(140,191)
At 30 June 2015 net of accumulated amortisation	1,840,926	878,689	75,589	216,356	3,011,560
At 30 June 2015					
Cost	1,840,926	1,345,561	228,841	216,356	3,631,684
Accumulated amortisation	-	(466,872)	(153,252)	-	(620,124)
Net carrying amount	1,840,926	878,689	75,589	216,356	3,011,560

20. Non-current Assets – Intangible Assets and Development Costs (continued)

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

i. Continuing operations

No impairment loss on intangible assets has been recognised in the year to 30 June 2016 (2015: \$146,555).

21. Financial Assets and Financial Liabilities

	Consolidated	
	2016	2015
	A\$	A\$
Available for sale financial assets at fair value through profit or loss		
Investment in NuCoria Pty Limited	140,191	140,191
Total available for sale financial assets at fair value through profit or loss	140,191	140,191
Held to maturity financial assets		
Term deposit	241,159	238,462
Total held to maturity financial assets	241,159	238,462
Total financial instruments at fair value	381,350	378,653
Total current	241,159	238,462
Total non-current	140,191	140,191

The Group transferred the development costs incurred on Truefield as an investment in NuCoria Pty Limited to commercialise the Truefield Analyser. NuCoria is currently not in operation and is in the process of raising further capital. Until the company has raised further capital the fair value of the investment cannot be reliably measured, therefore the carrying value approximates fair value.

22. Current Liabilities - Trade and Other Payables

	Consolidated	
	2016	2015
	A\$	A\$
Trade payables	635,154	1,500,941
Other payables	1,166,617	2,574,531
Total	1,801,771	4,075,472

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.

23. Current Liabilities – Provisions

	Consolidated	
	2016	2015
	A\$	A\$
Annual Leave	1,223,639	1,008,226
Long service leave	285,945	254,291
Warranties provision	82,403	147,438
Total	1,591,987	1,409,955

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.

24. Non-current Liabilities – Provisions

	Consolidated	
	2016	2015
	A\$	A\$
Long service leave	33,324	20,389
Total	33,324	20,389

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.

25. Warranties - Provisions

	Maintenance Warranties
	A\$
As at 01 June 2014	94,985
Arising during the year	52,453
Utilised	-
Unused Amounts Reversed	-
As at 30 June 2015	147,438
Arising during the year	82,404
Utilised	-
Unused Amounts Reversed	(147,438)
As at 30 June 2016	82,404

All returns for FY 2016 have been covered by the manufacturer's warranty. Due to a lack of historical data for the fleet product, a 2% failure rate for the fleet product has been provided for. This figure is based on historical data for the ruggedized mining product.

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26. Contributed Equity

	Consolidated	
	2016	2015
	A\$	A\$
Ordinary Shares	70,592,134	57,490,870
Treasury Shares	(1,226,938)	(1,301,823)
	69,365,196	56,189,047

a) Ordinary shares.

	Consolidated	
	2016	2015
Issued and fully paid	1,073,583,411	940,978,309

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

	Shares	A\$
At 1 July 2014	822,226,253	45,069,064
Share issue	114,364,703	12,301,678
Treasury Shares issued	4,387,353	(594,713)
Transaction costs	-	(586,982)
At 30 June 2015	940,978,309	56,189,047
Share issued	133,452,383	13,136,529
Treasury Shares issued	(847,281)	42,356
Transaction costs	-	(2,736)
At 30 June 2016	1,073,583,411	69,365,196

847,281 treasury shares were sold during the year ended 30 June 2016.

27. 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 31 for further details of the plan.

28. Statement Cash Flow Reconciliation

FOR THE YEAR ENDED 30 JUNE 2016	Consolidated	
	2016 A\$	2015 A\$
a) Reconciliation of net profit / (loss) after tax to net cash flows from operations		
Profit / (loss) after tax	(1,642,261)	(10,635,161)
Depreciation	577,900	406,698
Amortisation	314,217	216,980
Net loss on foreign exchange (unrealised)	1,414,040	(2,826,977)
Net (gain)/loss on disposal of the assets	8	(222)
Impairment loss recognised	5,242,981	146,555
Share-based payments	476,711	417,939
Net operating cash flows from discontinued operations	260,095	-
Amortisation of customer contracts	-	153,252
Loss from discontinued operations	20,485	-
Provision for income tax	(20,376)	381,790
Bad debts	256,998	19,904
Warranties expense	(65,034)	52,453
Doubtful debt expense	(251,085)	45,610
Foreign tax withholdings	-	(10,232)
Changes in assets / liabilities net of the effect of purchases and disposals of subsidiary		
(Increase) / decrease in inventories	(3,837,372)	(6,433,066)
(Increase) / decrease in trade and other receivables	(8,040,415)	(1,438,632)
Decrease / (increase) in other assets	(443,522)	(253,484)
Increase / (decrease) in provisions	260,002	438,035
Increase / (decrease) in trade and other payables	(1,546,781)	698,950
Increase / (decrease) in deferred revenue	1,948,889	-
Net Cash used in operating activities	(5,074,520)	(18,619,608)

29. 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\$)	
		2016	2015	2016	2015
Seeing Machines Incorporated	United States	100%	100%	770,307	770,307
Seeing Machines Latin America SpA	Chile	0%	55%	-	616,482
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

29. Related Party Disclosure (continued)

- Seeing Machines Incorporated was incorporated in Delaware, United States on 21 April 2008.
- Seeing Machines Latin America SpA was incorporated in Santiago, Chile on 8 August 2014.
- Seeing Machines Executive Share Plan Pty Limited was incorporated in the Australian Capital Territory, Australia on 20 May 2013.
- Seeing Machines Executive Share Plans Trust was settled in the Australian Capital Territory, Australia on 31 May 2013.
- Seeing Machines (Sales) Pty Limited formerly known as Truefield Ophthalmic Devices Pty Limited was incorporated in Victoria, Australia on 9 April 2013.

b) Materially owned subsidiaries

Ownership information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	2016	2015
Seeing Machines Latin America SpA	Chile	-	45%

Name	2016	2015
Accumulated balances of material non-controlling interest		
Seeing Machines Latin America SpA	-	1,175,516
Profit allocated to material non-controlling interest	-	646,537

The summarised financial information of this subsidiary is included in note 8 Discontinued Operations.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in note 30.

(d) Transactions with related parties

In 2011, Seeing Machines Limited (the parent entity) converted an intercompany loan in its subsidiary, Seeing Machines Inc. to equity as per note 29(a) above.

Seeing Machines Latin America(SMLA) buys hardware and software services from Seeing Machines Limited for the purpose of resale to its customers.

GTD services some customers on behalf of SMLA and recovers the cost of supplying these services from SMLA. 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	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		A\$	A\$	A\$	A\$
Seeing Machines Inc					
	2015	-	7,359,915	-	1,303,916
	2016	-	7,447,530	-	53,876
Seeing Machines Latin America SpA					
	2015	1,082,411	-	415,877	-
	2016	646,698	-	-	-
GTD Ingenieria de Sistemas SpA					
	2015	3,158,390	2,485,989	-	-
	2016	-	-	-	-

The intercompany balances are eliminated on consolidation.

29. Related Party Disclosure (continued)

e) Director-related transactions

i. Shareholdings of Directors

Shares in Seeing Machines Limited

30 JUNE 2016	Balance 01 July 2015	Granted as Remuneration	Acquired or sold for cash	Net chance other	Balance 30 June 2016
Directors					
T Winters	1,632,166	260,310	-	-	1,892,476
K Kroeger ^{1,5}	2,272,357	64,286	-	-	2,336,643
D Gaul ²	3,400,000	130,155	-	(3,530,155)	-
M Roberts	4,995,376	156,186	-	(5,151,562)	-
R Burger	-	130,155	-	-	130,155
J A Walker	-	156,186	-	-	156,186
J D Walker ³	600,000	69,796	-	(669,796)	-
Peter Housden	-	-	-	-	-
Les Carmichael	-	-	-	-	-
Yong Kang NG ⁴	-	-	-	-	-
Total	12,899,899	967,074	-	(9,351,513)	4,515,460

30 JUNE 2015	Balance 01 July 2014	Granted as Remuneration	Acquired or sold for cash	Net chance other	Balance 30 June 2015
Directors					
T Winters	1,632,166	-	-	-	1,632,166
K Kroeger ^{1,5}	2,272,357	-	-	-	2,272,357
D Gaul ²	3,300,000	-	100,000	-	3,400,000
M Roberts	13,495,376	-	(8,500,000)	-	4,995,376
R Burger	-	-	-	-	-
J A Walker	-	-	-	-	-
J D Walker ^{3,6}	320,000	-	280,000	-	600,000
Total	21,019,899	-	(8,120,000)	-	12,899,899

Notes

1. K Kroeger holds shares through Cook Kroeger Superannuation Fund.
2. D Gaul holds shares through Jaiclimb Pty Limited.
3. J D Walker holds shares through Kirri Cove Pty Limited ATF Kirri Cove Superannuation Fund.
4. 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.
5. K Kroeger has been issued with 1,286,503 share options (2015: 5,606,250) as part of executive remuneration
6. No closing balance shown for those directors that resigned during the period.

ii) Other Director related transactions

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

30. Key management personnel

a) Details of Key Management Personnel

i) Directors

Terry Winters	Non Executive Chairman
Ken Kroeger	Managing Director
David Gaul	Non-Executive Director – resigned 22 March 2016
Michael Roberts	Non-Executive Director – resigned 31 March 2016
Rudolph Burger	Non Executive Director
James A Walker	Non Executive Director
James D Walker	Executive Director - resigned 1 March 2016
Peter Housden	Non-Executive director – appointed 31 March 2016
Les Carmichael	Non-Executive director – appointed 1 February 2016
Yong Kang NG	Non-Executive director – appointed 22 March 2016

ii) Executives (Other Key Management Personnel)

Paul Angelatos	Chief Operating Officer
Tim Edwards	Chief Technology Officer
David Nagy	Senior Vice President Product Management – resigned on 31 May 2016
Sebastian Rougeaux	Principal Research Scientist

b) Compensation for Key Management Personnel

	A\$	A\$	A\$	A\$
	Short-term	Post-Employment	Share-Based Payments	Total
	Salary / Fees / Bonus / Leave	Superannuation	Options / Rights	
FOR THE YEAR ENDED 30 JUNE 2016				
Chairman				
T Winters	75,000	7,125	25,000	107,125
Executive Directors				
K Kroeger	349,158	35,841	112,763	497,762
J D Walker	283,857	25,818	14,250	323,925
Non-Executive Directors				
D Gaul	28,125	2,672	12,500	43,297
M Roberts	49,272	-	12,500	61,772
R Burger	35,113	-	15,000	50,113
J A Walker	45,000	4,275	15,000	64,275
Peter Housden	12,319	-	-	12,319
Les Carmichael	17,109	-	-	17,109
Yong Kang NG	7,631	-	-	7,631
Other Key Management Personnel	938,713	-	-	938,713
Total	1,841,297	75,731	207,013	2,124,041

30. Key management personnel (continued)

b) Compensation for Key Management Personnel (continued)

	A\$	A\$	A\$	A\$
	Short-term	Post-Employment	Share-Based Payments	Total
	Salary / Fees / Bonus	Superannuation	Options / Rights	
FOR THE YEAR ENDED 30 JUNE 2015				
Chairman				
T Winters	74,500	7,078	20,833	102,411
Executive Directors				
K Kroeger	466,058	38,279	140,131	644,468
J D Walker	319,311	27,627	38,929	385,867
Non-Executive Directors				
D Gaul	37,138	3,528	10,417	51,083
M Roberts	39,630	-	12,500	52,130
R Burger	43,136	-	10,417	53,553
J A Walker	43,447	-	12,500	55,947
Other Key Management Personnel	1,007,761	352,427	81,818	1,442,006
Total	2,030,981	428,939	327,545	2,787,465

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

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31. 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	
	2016	2015
	A\$	A\$
Expense arising from share-based payment transactions under Employee share Loan	183,470	304,897
Expense arising from the performance rights long term incentive	65,548	-
Expense arising from the shares issued to the employees	220,495	113,042
Total expense arising from share-based payment transactions	469,513	417,939

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 FY2014 and FY2015 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 over 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	Percentage of award that will vest
Below the 90th percentile	0%
At the 90th percentile	50%
At the 95th percentile	75%
At the 100th percentile	100%

31. Share-based Payment Plans (continued)

c) Summaries of shares issued:

Summary of shares held in trust	2016	2016	2015	2015
	No.	WAEP (cents)	No.	WAEP (cents)
Outstanding at the beginning of the year	20,604,252	6.04	18,920,020	5.56
Granted during the year	-	-	4,684,232	11.06
Forfeited during the year	(3,345,157)	7.43	-	-
Exercised during the year	(847,281)	5.56	-	-
Expired during the year	-	-	(3,000,000)	(5.56)
Outstanding at 30 June	16,411,814	5.78	20,604,252	6.04

Conditions have been met and rights to 2,803,125 shares have been granted. These shares were still held in trust at 30 June 2016.

In addition to the closing balance shown above, a further 6,345,157 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. Performance rights offers have been made to executives and other senior staff. Under these offers, the employees are only able to exercise the rights, and have new Shares issued to them, if, after a waiting period (typically three years), 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. 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	2016	2016	2015	2015
	No.	WAEP (cents)	No.	WAEP (cents)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	5,965,559	10.02	-	-
Forfeited during the year	(2,007,950)	10.02	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	3,957,609	10.02	-	-

32. Commitments

a) Leasing commitments

Operating lease commitments – Group as lessee

At 30 June 2016 the Group had seven operating leases, five in Australia and two in the US. Of these, four were month to month and the other three are due to finish by no later than 31st of October 2016.

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

	Consolidated	
	2016	2015
	A\$	A\$
Within one year	113,890	437,364
After one year but not more than five years	-	96,383
Total	113,890	533,747

Finance leases and hire purchase commitments – Group as lessee

The Group has no finance leases or hire purchase commitments for items of property, plant and equipment.

33. Events After the Reporting Date

There have been no events after the reporting date that materially affect the presentation of these financial statements.

34. Auditor's remuneration

The auditor of Seeing Machines Limited is Ernst & Young.

	Consolidated	
	2016	2015
	A\$	A\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	91,226	89,000
• Assurance services on transition to the new finance system	-	15,000
• Other services in relation to the entity and any other entity in the consolidated group:	129,500	19,170
• Tax compliance and advisory		
	220,726	123,170

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 is 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 2016 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 2016.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Terry Winters', is written over a light blue circular background.

Terry Winters
Chairman

Canberra, 30 September 2016

Independent auditor's report to the members of Seeing Machines Limited

Report on the financial report

We have audited the accompanying financial report of Seeing Machines Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

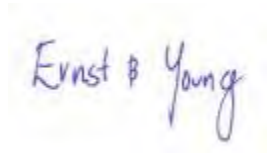
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Opinion

In our opinion:

- a. the financial report of Seeing Machines Limited is 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 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3 (b).



Ernst & Young



Anthony Ewan
Partner
Canberra
30 September 2016

