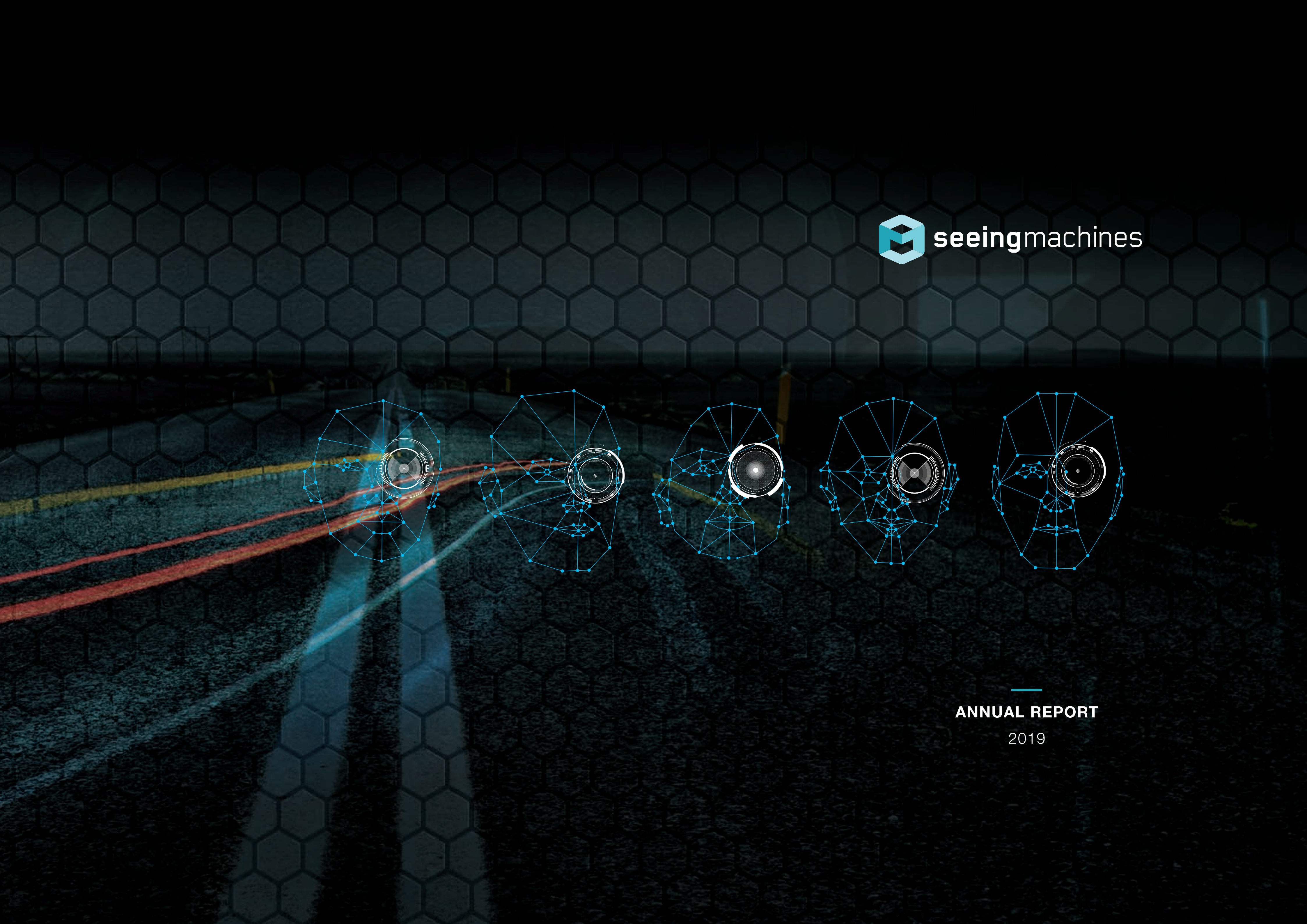


ANNUAL REPORT

2019

CONTENTS

Seeing Machines, a global company headquartered in Australia and listed on London's Alternative Investment Market (AIM: SEE), is an industry leader in computer vision technologies that enable machines to see, understand and assist people.

The company's machine learning vision platform has the know-how to deliver real-time identification and understanding of drivers and operators through Artificial Intelligence (AI) analysis of heads, faces and eyes. This insight enables Driver (and Operator) Monitoring Systems (DMS), which monitor driver/operator identification and attention and can detect drowsiness and distraction across multiple transport sectors.

Seeing Machines develops DMS technology for the Automotive, Commercial Fleet, Aviation, Rail and Offroad markets. The company has offices and people in Australia, USA, Europe and Asia, and delivers multi-platform solutions to industry leaders in each vertical.

DMS is becoming a core safety technology integrated into ADAS offerings for the automotive industry, particularly with the development of semi-autonomous and self-driving cars. DMS is also increasingly seen to be an integral safety feature across the Commercial Transport & Logistics industry and is set to be become a regulatory requirement for all cars, vans, trucks and buses in Europe from 2022, with the rest of the world expected to follow soon after.

Further, as the number of commercial aircraft in operation continues to grow, pilot training systems have become an essential safety technology in the aviation industry. Monitoring gaze and scanning behaviour will help crew training teams further the development of best practices and safety measures.

“

(Guardian) technology has proved extremely reliable, accurate... and we have been able to revise operational practice as risk mitigation. It continues to be a very valuable tool in our day to day business.

DARREN WOOD
General Manager,
Ron Finemore Transport

A$31.9 million revenue

Revenue for FY2019 was in line with expectations and a moderate increase on FY2018.

6 Automotive customers

Seeing Machines now works with six major automotive OEMs in Europe, North America and China, to deliver Driver Monitoring technology.

9 ongoing Automotive programs

Expanded programs for future generation Driver Monitoring Technology has validated the world-leading technology developed by Seeing Machines.

Over 16,000 connected Guardian units

Operating in over 35 countries, Guardian enhances safety in over 16,000 commercial vehicles worldwide.

2 Aviation contracts signed

The Seeing Machines Crew Training System was launched this year and sold to Royal Australian Air Force and L3 Harris Training Solutions for a major Australian airline.

3 billion kms of naturalistic driving data

Unrivalled access to naturalistic driving data underpins the world-leading driver monitoring technology delivered by Seeing Machines.

Board and Management set

Kate Hill (Chair), Paul McGlone (CEO), Mike Lenné (SVP Fleet and Human Factors), Nick DiFiore (SVP Automotive), Patrick Nolan (GM Aviation) now driving the business forward.

CORPORATE INFORMATION

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

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 3. The directors' report is not part of the financial report.

Directors	Kate Hill Paul McGlone Les Carmichael Rudolph Burger Yong Kong (YK) Ng	Chair Executive Director and CEO Non-Executive Director Non-Executive Director Non-Executive Director	
Company Secretary	Susan Dalliston		
Registered office	80 Mildura Street Fyshwick ACT 2609		
Principal place of business	80 Mildura Street Fyshwick ACT 2609	Phone: + (61) 2 6103 4700 Email: info@seeingmachines.com	
Share Register	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Australia	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS99 6ZY United Kingdom	
	Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.		
Solicitors	DLA Piper Level 21, 140 William Street Melbourne VIC 3000 Australia	Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom
Bankers	HSBC Commercial Bank Sydney NSW 2000	Auditors	Ernst & Young 121 Marcus Clarke Street Canberra ACT 2600

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2019.

DIRECTORS

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

Jack Boyer	Non-Executive Director and Chairman	Appointed to Board 16 July 2018, Appointed Chairman 19 September 2018 Stepped down as Chairman 5 June 2019 – resumed NED role (resigned 22 July 2019 – post period)
Ken Kroeger	CEO and Executive Director	Appointed to Board 3 January 2012, Appointed interim CEO 29 January 2018; permanent CEO 16 July 2018 – previously Executive Chairman only (resigned 6 June 2019)
Luke Oxenham	CFO and Finance Director	Appointed 3 December 2018 (resigned 26 July 2019 – post period)
Rudolph Burger	Non-Executive Director	
Les Carmichael	Non-Executive Director	
Yong Kang (YK) Ng	Non-Executive Director	
Tim Crane	Non-Executive Director	Resigned 30 April 019
Kate Hill	Non-Executive Director	Appointed 13 December 2018 Appointed Chair 22 July 2019 (post-period)
James A Walker	Non-Executive Deputy Chairman	Resigned 13 December 2018

REVIEW OF OPERATIONS

FINANCIAL RESULTS

The Company's total sales revenue from continuing operations for the financial year (excluding foreign exchange gains and finance income) was A$31.9m compared to the 2018 revenue of A$30.7m.

Product	FY19 $'000	FY18 $'000	Variance %
Automotive	9,416	8,084	16
Offroad	7,067	3,725	90
Fleet	13,714	17,218	(20)
Aviation	304	189	61
Scientific Advances	1,387	1,500	(8)
Sales Revenue	**31,888**	**30,716**	**4**

Total sales revenue was A$31.9m, a moderate increase of 4% year-on-year (2018: A$30.7m) as projected by the Board at the end of the first half of FY2019. Given production and supply chain constraints with the Company's Fleet product, Guardian, this result is pleasing. Revenue momentum accelerated through the second half of the year with Fleet revenue in H2 increasing by over 300% on H1 results to A$13.7m (H1: A$4.2m). Gross profit increased from A$7.6m in FY2018 to A$18.7m this year, principally attributable to a greater proportion of total sales revenue being generated by the Automotive and Offroad business segments, which have lower cost of sales and therefore higher gross margins. Fleet margin also improved year-on-year due to the high-margin fleet monitoring Monthly Recurring Revenue ("MRR") from its growing connected customer base.

Automotive sales continue to increase moderately year on year, due to non-recurring engineering payments for newly awarded business and as pre-production technology samples are delivered to customers. Automotive revenue is expected to dramatically increase over the period between 2021 to 2026 where Original Equipment Manufacturers ("OEMs") will start mass production on vehicles under existing Driver Monitoring System ("DMS") awards. As we are now working with an increasing number of automotive Tier 1 customers globally and are actively engaged on programs with six OEMs in North America, Europe and China, we are considered the leader in DMS technology for automotive applications. We are also continuing to develop significant opportunities with global market leaders in the Aviation and Offroad segments.

Revenue from Scientific Advances in FY19 totalled A$1.4m (2018: A$1.5m) and represented revenue from research project grants funded by the Australian Government, including the Advanced Safe Truck Concept ("ASTC") program in collaboration with leading fleet operators and OEMs and the CAN-Drive semi-autonomous driving program. This amount has decreased as both programs are in their final stages and due for completion in the 2019 calendar year.

Finance income was A$0.8m in FY2019, up from A$0.5m in FY2018. This was due to increased interest revenue on financed Fleet Guardian sales.

Research and development expenses rose from A$20.2m to A$35.9m due to increased investment in our capability and resources to commercialise our technology in our global target industries: Automotive, Offroad, Fleet and Aviation. This resulted in increased R&D (mainly staff costs), marketing, facility and corporate services costs. Included in the R&D staff costs is an amount of A$9.1m which represents the non-cash amortisation of a one off grant of performance rights to certain founders and key engineering staff who have played a critical role in the development of the Group to its current position.

This investment meant the Company made a net loss from continuing operations of A$41.8m for the FY19 financial year, compared to A$36.0m for the previous year.

Cash and cash equivalents at 30 June 2019 totalled A$54.8m (2018: A$42.8m).

In April 2019, Seeing Machines completed a £27.77m (approx A$51.3m)(gross) fundraise to continue its investment into the Company's driver monitoring platform which will underpin successful execution on existing awarded programs as well as accelerate the development and scale its infrastructure and global footprint in order to meet sustained customer demand for its leading-edge Driver Monitoring Systems ("DMS") solutions and maintain its leadership position.

OPERATIONAL HIGHLIGHTS

The pleasing results, exceeding market expectations in the 2018-19 Financial Year, were underpinned by four program awards in the Automotive business, improved Fleet performance with a significant focus on strategy reset and cost minimisation, inaugural commercial deals for Aviation and a meaningful equity fundraising to underpin ongoing and strategic technology advancement for the Company.

Seeing Machines now boasts over 3 billion kilometres of naturalistic driving data, down to its extensive list of Guardian customers globally. This unrivalled data set is critical to the Human Factors research and development and provides the platform from which the Seeing Machines automotive grade driver monitoring technology has been developed and refined. This real world, on road data enables Seeing Machines to offer market leading driver monitoring technology based on highly comprehensive and meaningful information.

The Seeing Machines executive has evolved with confirmed CEO Paul McGlone and management team, a refreshed Board of Directors and Kate Hill recently confirmed as Chair – in place to steer the Company as it leverages the increasing momentum across its focused transportation sectors of Fleet, Automotive, Aviation and Offroad.

Under new leadership, the value of Seeing Machines' Intellectual Property (IP) has been closely examined and ways to better leverage this significant asset across transport sectors and with key customers is now a strategic focus for the Company.

AUTOMOTIVE

Seeing Machines' market position as leader in DMS technology has been further validated by two program awards confirmed with new automotive OEM customers as well as two expanded programs with existing OEM customers (one of the latter awarded post period end) throughout the year. These awards signify the growing adoption of camera-based DMS as trends continue and global regulatory bodies point to mandated technology within the coming years, starting from 2022.

The Company announced its fifth Automotive program award in July 2018, working with a major Tier 1 partner to deliver its FOVIO DMS technology, via its FOVIO Chip, to a Chinese OEM, with mass production scheduled from late 2019. Its sixth OEM program for DMS technology was awarded in February 2019, again via FOVIO Chip for a North American OEM, with production expected to begin in late 2020.

Two expansion programs with existing OEMs were subsequently confirmed, one with a North American customer for additional models to be manufactured from 2020, and one, post period, with an existing German OEM customer for a new generation of DMS technology, targeting requirements yet to be set by Euro NCAP, the European New Car Assessment Program, further indicating OEM acknowledgement of regulatory pressure.

Seeing Machines now boasts eight ongoing programs across six OEM customers and remains in the perfect position to support the technology evolution across the automotive industry with safety technology that forms a key part of the Advanced Driver Assistance System (ADAS), leveraging its FOVIO driver monitoring platform.

Projected automotive revenue from this booked business to be recognised from 2019 to 2026 is in the range of US$170m based on initial models included in the corresponding agreements.

Finally, the Automotive division launched its Guardian Backup-driver Monitoring System (Guardian BdMS) during the year and signed a A$2.2 million contract with one of the world's leading self-driving car companies, based in North America. Guardian BdMS leverages Seeing Machines' automotive-grade FOVIO driver monitoring technology in a retrofit system for semi- and fully- automated vehicles. It is designed to help the backup driver in autonomous driving stay alert, aware and ready to take control of the driving task as necessary.

FLEET

The Company's Fleet product, Guardian, is now connected to over 16,000 vehicles globally with continued demand expanding across its direct, distributor and channel based networks.

A divisional review of Fleet has resulted in improved direct costs, hardware simplification and cost reduction, as well as efficiencies in monitoring services. Fleet is now on track to deliver scale benefits to the Company from 2020 onwards with renewed focus on installation rates and accelerated generation of recurring monthly revenues. Revenue from monthly services has, over the past 3 years, increased by more than 330% and is now generating over 50% gross margin, a great contributor to the overall Guardian result.

Seeing Machines has largely transitioned its business to distributor and channel sales, working closely with its partners across ten countries. A small number of flagship multi-national accounts are still managed directly. These accounts are mostly focused on passenger transportation, which is higher value and includes major international brands such as Coach USA, Toll Group, National Express, Total and First.

For the first time in its history, Seeing Machines has partnered with NTI, Australia's leading truck insurer, to advocate the use of Guardian in its insured fleets to enhance safety and improve risk management approaches. The NTI-Seeing Machines proposal has been launched to the Australian market and will be delivered through the large NTI broker network and via the Company's distribution partners. Mutual customers will enjoy significant insurance policy benefits and financial incentives.

AVIATION

FY2019 saw the Seeing Machines Aviation division sign two commercial deals for its Crew Training System using the Company's eye-tracking technology.

Working with the Royal Australian Air Force, the Aviation division marked its first commercial program agreement where the technology is currently being installed into two Pilatus PC-21 advanced flight training simulators. The second program was confirmed in December 2018 with L3 Commercial Aviation, now L3 Harris following a major merger, which will see the technology installed into a new Boeing 787 Full Flight Simulator, scheduled to be delivered to a major Australian airline this calendar year.

Further to these commercial programs, the global interest and collaboration in eye-tracking technology for efficiences and safety outcomes in the Aviation industry continues to increase. Seeing Machines is working closely with a number of key simulator manufacturers, airlines, aviation OEMs and air traffic organisations to shape solutions that will help the industry grapple with the growth and expansion expected across the industry.

OFFROAD

Seeing Machines continues to work closely with Caterpillar to grow the Offroad market for Guardian and the ruggedised mining product, Driver Safety System (DSS). The Company reports significant growth in revenue over the year and is pleased to see growing demand for fatigue and distraction management technology across the sector.

Both Caterpillar and Seeing Machines intend to extend the collaboration into the future and leverage Seeing Machines' Intellectual Property to co-develop next generation technology that will enhance customer experience, reduce cost of manufacture and leverage the Company's automotive grade Driver Monitoring Engine.

HUMAN FACTORS

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

Seeing Machines, in partnership with Monash University's Accident Research Centre and Ron Finemore Transport, was awarded an Australian Government CRC-Project Grant for A$2.25m over three years to work on a project that builds on the Company's Guardian technology platform. FY19 marked the project's final year. This project (Advanced Safe Truck Concept) will advance Seeing Machines' goal to deliver the next generation of fatigue prevention and driver monitoring technology for the commercial transport sector in Australia and around the world.

Seeing Machines is also leading the world's first automated vehicle trial with a primary focus on the driver - CANdrive. The Australian Capital Territory (ACT) Government has committed A$1.35m to the trial, which uses the Company's driver monitoring technology to build information on the connection between driver behaviour and automated vehicles. The final phase of the project is being undertaken in conjuction with the University of Canberra to assess behaviour of mature drivers and their interaction with semi-automated vehicle technology.

POSITION HOLDERS DURING THE PERIOD

CHIEF EXECUTIVE OFFICER

The Company's Chief Executive Officer (CEO) from 29 January 2018, until he resigned on 6 June 2019, was Ken Kroeger. Paul McGlone stepped in as interim CEO until he was appointed on a permanent basis on 4 July 2019.

COMPANY SECRETARY

The Company Secretary from 1 June 2018 to 31 December 2018 was James Palmer. James resigned from the Group effective 31 January 2019. Ryan Murphy, Chief Operating Officer, was Company Secretary until Susan Dalliston was appointed on 4 July 2019. Susan Dalliston is the Company Secretary at the date of this report.

EMPLOYEE NUMBERS

At 30 June 2019 the Group had 228 full-time employees (170 employees at 30 June 2018).

DIRECTORS

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

Name and qualifications	Experience and special responsibilities
Kate Hill	Chair of the Board and Chair of the Risk, Audit & Finance Committee Appointed Director 13 December 2018. Appointed Chairman 22 July 2019 (post period). Kate is a non-executive director of CountPlus Limited (ASX: CUP), where she is the Chair of the Audit and Risk Committee and a member of the Acquisitions Committee. She is also a non-executive director of Elmo Software Limited (ASX: ELO) where she serves as Chair of the Audit and Risk Committee and is a member of the Remuneration and Nominations Committee. She is the Company Secretary of Kazia Therapeutics Limited (ASX: KZA, Nasdaq: KZIA). Kate had a distinguished 20+ year career with Deloitte Touche Tomatsu as an audit partner where she worked with Australian Securities Exchange (ASX) listed and privately owned clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment. She held a variety of leadership and executive roles in Deloitte and was the first woman appointed to the Board of Partners of the Australian firm.
Jack Boyer OBE	Non-Executive Chairman Appointed Director 16 July 2018. Appointed Chairman 19 September 2018. Stepped down as Chairman 5 June 2019, resigned from the board 22 July 2019 (post period). Jack Boyer, who is based in the UK and holds US and UK citizenship, is a highly experienced non-executive director with significant expertise in the advanced materials and technology sectors. Jack is currently non-executive director at Mitie plc, non-executive director of TT Electronics plc, a board member of the Sir Henry Royce Institute for Advanced Materials and Chairman of Academies Enterprise Trust. In his prior roles, Jack was Chairman of Ilika plc, non-executive director of Laird plc, Deputy Chairman of the Advanced Materials Leadership Council (BEIS), Council Member of the Engineering and Physical Sciences Research Council and the Innovate UK Energy Catalyst. Jack also previously founded and was Chief Executive Officer of several companies in the engineering, telecommunications and biotechnology sectors and prior to this, was an investment banker at Goldman Sachs and a strategy consultant at Bain & Co. In 2015, Jack was awarded an OBE in the Queen's Honours for his services to the fields of Science and Engineering.

Name and qualifications	Experience and special responsibilities
Ken Kroeger	CEO and Executive Director Appointed 29 January 2018 – previously Executive Chairman. Resigned 6 June 2019. 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.
Luke Oxenham	Appointed Finance Director 3 December 2018. Resigned 26 July 2019 (post period). Luke is a senior financial executive with over 25 years of accounting and finance experience. He has previously held CFO roles at several ASX listed companies including Genworth Mortgage Insurance Australia Limited and infrastructure business Intoll Group. He also held senior positions with responsibility for investor relations and risk management at Macquarie Infrastructure Group, one of the largest developers and owners of toll roads globally, and Deutsche Bank, as well as key commercial positions at National Australia Bank and insurance and financial services group Promina. Luke has substantial experience of integrating business planning, business performance and capital modelling and of accessing various sources of capital from the debt and equity markets. He also has substantial experience in developing and implementing business strategies across organisations and over multiple jurisdictions.
Dr Rudolph (Rudy) Burger	Non-Executive Director and Chair 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. Rudy has a BSc and MSc from Yale University and a PhD from Cambridge University. Rudy joined the Board of Seeing Machines Limited in 2014.

Name and qualifications	Experience and special responsibilities
Les Carmichael	Non-Executive Director and member of the People, Culture & Remuneration Committee Mr Carmichael, based in Dallas, is a veteran of the North American transportation and logistics sectors, where he has spent over 40 years of his professional career. Holding numerous senior management and operational positions, he has experience in all aspects of fleet logistics; sales, marketing, operations, business development, and turnaround management. After a proven track record as Vice-President and General Manager of Dedicated Services at Swift Transportation Corporation, Les became CEO of Taylor Companies, the largest independent crude oil transportation company in the US. After retiring as an executive in 2015, Mr Carmichael served on the board of directors of GlobalTranz, Inc., a venture capital funded, technology focussed, freight forwarding company operating in the US. Les resigned from that board on 29 June 2018 following the successful sale of the company. Les has been on the Board of Seeing Machines Limited since February 2016.
Yong Kang (YK) Ng	Non-Executive Director and member of the Risk, Audit & Finance Committee Mr Ng has extensive engineering and operations experience in the manufacturing sector with multinational corporations. Based in Johor, Malaysia, Mr Ng has been managing the manufacturing operations of V S Industry Berhad (VSI) since 2002 and was appointed as executive director in 2005. VSI is a leading integrated electronics manufacturing services provider and a strategic investor in Seeing Machines Limited. Mr Ng has a Bachelor of Science in Mechanical Engineering from the National Taiwan University and a MBA from Heriot-Watt University in Edinburgh, UK. YK joined the Board of Seeing Machines Limited in March 2016.

Name and qualifications	Experience and special responsibilities
Tim Crane	Non-Executive Director and member of the People, Culture & Remuneration Committee Resigned 30 April 2019. Mr Crane is General Manager - Cat Services, Marketing & Digital Division. Mr Crane joined the Board to further strengthen the relationship between Seeing Machines and Caterpillar Inc. and to help drive safety related revenues for both companies under the existing global agreement for product development, licensing and distribution. Mr Crane, based in Peoria, USA, joined Caterpillar in 2011 when his safety culture consulting company was acquired. Under his leadership, Caterpillar Safety Services has achieved global expansion, significant annual growth and has become an enterprise model for commercialising solutions. In 2017 he assumed leadership of the Cat Services group and three additional customer-focused solutions businesses – Drone Services, Equipment Management (EM) Services and Cat Analytics. Mr Crane has a Bachelor of Business Administration and Marketing from Baylor University.
James (Jim) Allan Walker GAICD	Non-Executive Deputy Chairman and Chair of the People, Culture & Remuneration Committee Resigned 13 December 2018. 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), Austin Engineering Limited (ASX:ANG), Australian Potash Limited and State Training Board (WA) and Deputy Chairman of RAC WA Holdings Pty Ltd. Jim joined the Board of Seeing Machines Limited in 2014 as Non-Executive Director and in May 2017 assumed the position of Deputy Chairman.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were:

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

CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Jack Boyer OBE stepped down as Chairman of the Board on 5 June 2019, at which point Kate Hill was appointed as Interim Chair. Kate Hill was confirmed as Chair on a permanent basis on 22 July 2019 when Jack Boyer OBE resigned his position from the Board as non-executive director. Kate has a distinguished 20+ year career with Deloitte Touché Tomatsu as an audit partner where she worked with ASX listed and privately-owned companies. Kate is a non-executive director of Countplus Limited (ASX: CUP) and Elmo Software Limited (ASX: ELO).

Paul McGlone, interim CEO and GM of Fleet division was appointed as CEO and executive director on a permanent basis on 4 July 2019. Paul has been GM of Fleet at Seeing Machines since 16 November 2018. Paul has a proven commercial track record and has, in his short time at Seeing Machines, set the Fleet division on the path to strengthen the outlook of the business considerably. Succeeding him as GM of Fleet is Dr Mike Lenné who took up the role of SVP Fleet and Human Factors on the same date. In addition, on 4 July 2019, Luke Oxenham informed of his intention to resign his position as CFO and executive director on 28 July 2019. Michael Cameron was appointed interim CFO on 4 July 2019.

On 23 July 2019, Seeing Machines was selected by a major Tier 1 supplier to deliver its FOVIO driver monitoring platform into additional customers for an existing German OEM customer. The expanded deployment includes variants targeting European New Car Assessment Program (Euro NCAP) safety goals. This expanded engagement, scheduled for production from 2021, is expected to deliver incremental revenue between A$11 million and A$30 million.

Seeing Machines signed an extended exclusive Agreement with long-standing mining customer, Caterpillar Inc. on 19 August 2019. The Agreement is extended for a further five years and outlines proposal for further development of the Company's IP into the Guardian and mining product (Driver Safety System) to co-develop next generation technology to enhance customer experience. The Agreement has also redefined exclusive Fields of Use for Caterpillar and has opened up a range of Fields now accessible directly by Seeing Machines and its channel and distribution partners.

ENVIRONMENTAL REGULATIONS

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

DIVIDENDS

No dividends or distributions have been made to members during the year ended 30 June 2019 (2018: nil) and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2019 (2018: nil).

SHARE OPTIONS

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

During the year, 19,936,023 (2018: 96,399,341) options were granted by the Company under the performance rights scheme. The terms and conditions of these options are disclosed in note 33 to the financial report.

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

During the year 28,441,325 (2018: 613,620) options vested and ordinary shares were transferred to the participant from the Group trust (the "Trust"). During the year the Company issued 70,070,209 ordinary shares to the Trust following the vesting of certain performance rights and options. The New Ordinary Shares will be held in the existing trust until such time as the beneficiaries of the award exercise the performance rights and options. On the exercise of such performance rights and / or options, the Trust will transfer the shares to the relevant beneficiary.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

DIRECTORS' MEETINGS

During the 2019 financial year, 5 Board meetings were held (not counting circular resolutions passed outside regular meetings). The following table sets out the number of Board and Committee meetings each Director attended and the number they were eligible to attend.

Meetings Attended / Meetings Eligible to Attend

Director	Board	Risk, Audit & Finance Committee	People, Culture & Remuneration Committee
Jack Boyer	5/5	*	2/2
Ken Kroeger	5/5	*	*
Luke Oxenham	3/3	*	*
Rudolph Burger	5/5	4/4	*
Les Carmichael	5/5	*	3/4
YK Ng	5/5	4/4	*
Tim Crane	1/1	*	*
Kate Hill	3/3	2/2	*
James A Walker	2/2	2/2	3/3

* Not a member of the committee

INDEMNIFICATION OF AUDITORS

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

AUDITOR'S INDEPENDENCE DECLARATION

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

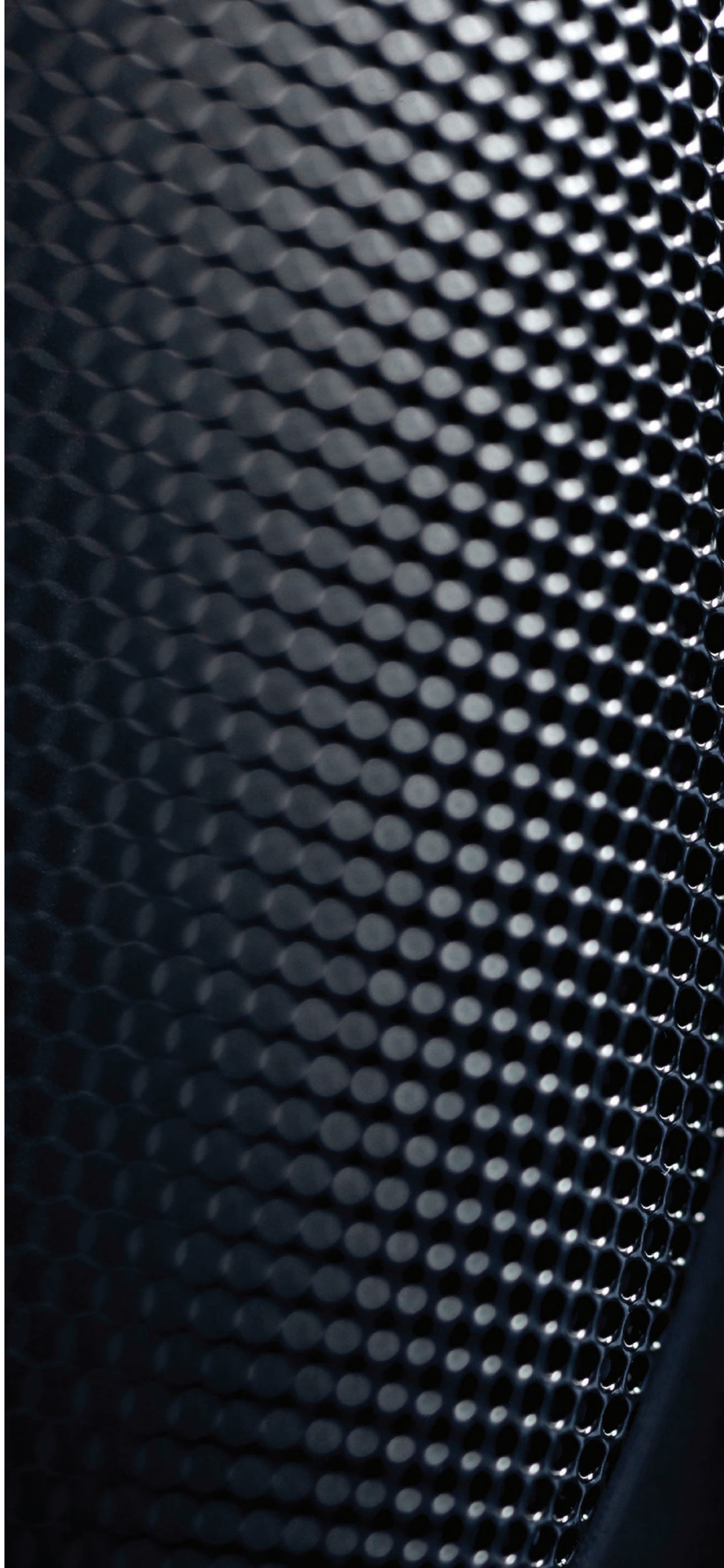
NON-AUDIT SERVICES

Ernst & Young rendered taxation services to Seeing Machines Limited as disclosed at note 37.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the external auditor's independence as the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Signed at Canberra this 20th day of September 2019 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

Paul McGlone
Executive Director



AUDITOR'S INDEPENDENCE DECLARATIONS

EY
Building a better working world

Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

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 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
20 September 2019

LETTER TO SHAREHOLDERS

Seeing Machines continues to enhance safety across multiple transport sectors. Our strategic direction has been refreshed and is now set to leverage the significant opportunities facing us across Automotive, Fleet, Aviation and Offroad.

Returning value to our shareholders remains a key focus for the company and our strategic shift reflects this commitment.

Road safety continues to dominate the agenda of government and regulatory bodies globally. With more than 1.3 million people reported as dying on roads each year, not to mention accidents that cause significant trauma, there is no question about this being a priority. Seeing Machines is working closely with these bodies to shape the way Driver Monitoring Systems can be optimised across all road going transport to assist with this objective and to ensure that any protocols developed will point to true safety outcomes.

Car manufacturers the world over are working closely with Seeing Machines and our technology to understand how they can leverage the significant momentum across their industry to enhance safety and add convenience features, in meeting the growing demands of their customers.

As technology continues to evolve across automotive, Seeing Machines is leading the world in driver monitoring technology that understands the state of the driver and is able to accurately detect when drivers need to be re-engaged in the task of driving. We are now working with six OEMs, in Europe, North America and China, on nine awarded programs (including those announced post period) and these premium brands work directly with Seeing Machines to develop their bespoke solutions. Having been appointed to follow-on programs with two of these prestigious brands is testament to the quality of our technology.

More than 16,000 commercial vehicles are now fitted with Guardian, the company's commercial fleet solution, to protect drivers, in real-time, from fatigue and distraction related driver events. The data collected by these vehicles is integral to the ongoing validation and development of the company's technology, studied and analysed, this data is constantly feeding edge cases into the algorithm that sets our HMI apart in being able to truly detect behaviour that demonstrates fatigue or distraction.

The pending increase in air travel and the ensuing shortage of pilots has brought Aviation's Crew Training System, using the Seeing Machines eye-tracking technology, into the limelight.

The aviation industry, while booming, is also facing significant challenges around pilot shortages. How will they meet the growing demand for pilots in a world that is increasingly mobile, and ensure that they are adequately trained to maintain the safety standards this industry, and the world, relies on to keep their passengers safe?

The Seeing Machines Crew Training System, now being deployed into full flight simulators for the Royal Australian Air Force and a major Australian airline, is one way of ensuring efficient training of pilots for both civil and military application and there is no true competitor in this developing market.

Our relationship with Caterpillar, one of the world's largest and best-known brands continues to flourish and we have committed to continue working with them on an exclusive basis for another five years, guaranteeing growth and ongoing annualised revenue in the Offroad markets.

Seeing Machines has been developing and refining its Intellectual Property for almost twenty years. In that time we have created 20 patents and registered over 40 trademarks. The IP moat developed by our team sets us apart from a growing number of competitors, working hard to catch up with technology that simply cannot be developed overnight.

With our management team set and the board of directors bolstered with some strong recent additions, Seeing Machines is now in a position to deliver on existing programs but also leverage its IP in order to enter new markets. This strategic shift will enable the company to enter into more exclusive licensing arrangements which will expedite mass market deployment and diversification opportunities in strategic markets through industry-leading partnerships.

We are proud of our team, now boasting more than 250 employees globally. Seeing Machines has certainly evolved over the past 19 years and we expect that the next few years will be truly exciting, where many years of hard and often thankless work, will start to pay off.

Kate Hill
Chair

Paul McGlone
CEO & Executive Director

RE-THINKING OUR WORKFORCE: AN INNOVATIVE PATHWAY TO DIVERSIFIED WORKFORCE

Seeing Machines' Guardian technology helps to prevent accidents and improve safety through real-time driver monitoring and reporting of high-risk behaviours such as fatigue and distraction. So far, the technology has helped detect over 5 million driver distraction events and, over the past year, intervened in more than 120,000 instances of fatigue.

Until recently 24-hour support to global logistical and transport enterprises was handled by our Guardian Centre in Tucson, Arizona in the United States. An operational review to adopt a 'follow the sun' approach saw Seeing Machines launch a new monitoring centre in Canberra to share services with Tucson.

With a view to encourage disability employment, Seeing Machines introduced Project Embrace – an initiative to create targeted opportunities in Canberra for the local community of neuro-diverse candidates, including people on the autism spectrum.

"

Our goal was to provide people with disability a pathway into meaningful employment and identify skills to fit with the role of an analyst

Analysts at the monitoring centre undertake repetitive tasks like observing drivers' facial expressions using videos or images and classifying their behaviours, such as being distracted or drowsy. Our team proposed to engage high-functioning neuro-diverse people who are comfortable performing repetitive tasks.

To facilitate training and employment, Seeing Machines secured funding support through the ACT Government's inaugural Future Skills for Future Job Grants Program. We also tapped into Australian Apprenticeships to attract skilled candidates for the role.

The grants co-development approach helped Seeing Machines foster partnerships with the Australian Government and other public and private stakeholders. Skills Canberra connected the company with the JobAccess Employer Engagement team (also known as the National Disability Recruitment Coordinator – NDRC).

Given the complexities involved in getting this project up and running, Skills Canberra helped us establish a collaborative network of specialist organisations. The NDRC became a vital partner in the disability employment space.

As part of the process, disability awareness training was provided to more than 50 employees across all departments and management levels in Canberra as well as some of the Tucson based employees. This training had a significant impact in the workplace.

Just under a year since concept inception, Project Embrace is already delivering benefits. The initiative has seen Seeing Machines diversify its workforce and broaden its talent pool.

So far we have employed 18 apprentices with neuro-diverse conditions as well as six managers to support the team. Operating out of Tucson and Canberra allows the staff to have reasonable working hours. Also, our engineering teams are now able to access data directly from analysts based here.

The overall benefit is to the individual. The experience adds to their qualifications and they gain nationally-accredited certifications that improve their employment prospects. Moreover, they feel valued in being part of a role that helps save people's lives. For us, as an employer, it means working with dedicated employees who are committed, go above and beyond, and love doing their job.

ADVANCED SAFE TRUCK CONCEPT

A federally funded program to better understand the real-world risks faced by trucking operations and their drivers.

Road safety and road transport sectors acknowledge the need to address heavy vehicle safety, both in terms of reducing the number of crashes and the flow-on impacts on productivity. Advances in technology now enable transport operators to strengthen their ability to measure and monitor in-cab driver performance in real-time as a way of complementing existing company safety policies and further ensuring they meet OHS requirements. The Advanced Safe Truck Concept project is a Commonwealth-funded program led by Seeing Machines in collaboration with the Monash University Accident Research Centre, Ron Finemore Transport and Volvo Group Australia. Over three years, the program aimed to better understand the real-world risks faced by trucking operations and their drivers, and then through this high quality research to generate new technological solutions.

The three-year program utilised new data analysis methods to understand the behavioural risks in ways not previously possible. This was enabled by bringing together 'big data' analytics, simulation and computer vision expertise across Seeing Machines and Monash University and the operational and industry expertise of Ron Finemore Transport and Volvo Group Australia.

Extensive data were collected using car and truck driving simulators at Monash University. These represent one of the largest and in-depth drowsiness and distraction datasets available. The third phase was launched in April 2018, representing Australia's first naturalistic truck study, and the first worldwide to our knowledge to use driver monitoring technology. Ten trucks were instrumented with the sensing platform described later for up to six months, generating twelve thousand hours of real-world data that is critical for technology development.

The data collection platform included Seeing Machines' automotive grade Driver Monitoring System, cabin-view webcam, time-of-flight camera, thermal imaging, electroencephalography, and pulse oximetry, with the addition of ADAS signals generated from Seeing Machines' aftermarket system in the Phase 3 study. The fourth phase involved a mixed-method approach to develop new Human Machine Interface concepts for driver distraction, drowsiness and workload and subsequent iterative design and evaluation of these concepts.

The heavy vehicle industry is a core pillar of transportation systems worldwide and is critical to local economies. Keeping drivers and other road users safe not only reduces accidents and road trauma but also keeps freight moving.

This program represents a whole of industry approach to tackle driver drowsiness and distractions with involvement from a truck manufacturer, a truck operator, a driver monitoring technology provider and supported by strong university research partners.

While the scientific findings provide significant new insights to characterise drowsiness and distraction and links to safety events, the real value from the program is in how this information is used to generate enhanced algorithms that measure driver drowsiness and distraction in real-time. The Advanced Safe Truck Concept program produced algorithmic improvements that are now incorporated into Seeing Machines product development programs.

SEEING MACHINES REMUNERATION PHILOSOPHY

Remuneration for Directors and Senior Executives is based on attracting and retaining people of high quality who will make a significant contribution to the company in the short, medium and long term, and thereby contribute to long term shareholder value. The Board, guided by its People, Culture and Remuneration Committee take a balanced position between the need to pay market rates to attract talent, and the financial resources of the company, in determining remuneration.

NON-EXECUTIVE DIRECTORS REMUNERATION

The Constitution of Seeing Machines specifies that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by General Meeting. The last determination for the consolidated entity was at the Annual General Meeting held on 4 November 2018 when the shareholders approved an aggregate remuneration of A$700,000.

Non-Executive Directors' fees are reviewed periodically by the Board and are regularly compared with those of companies of comparable market capitalisation and stage of development. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Non-Executive Directors fee structure is based on a cash component, which includes superannuation, and a share component, where there is an option to take between A$15,000 and A$30,000 in shares.

EXECUTIVE DIRECTORS AND OTHER KEY PERSONNEL

The People, Culture and Remuneration Committee, in consultation with the CEO, have put in place a remuneration structure which provides incentive for employees to drive the activities of the company forward.

The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, as well as the proportion of performance-based remuneration.

The executive remuneration and reward framework comprises three components:

- fixed remuneration
- short-term incentive award - cash or share based bonus
- long-term incentive award – equity based payment scheme

The fixed remuneration amounts awarded under the remuneration framework are set annually by the People, Culture and Remuneration Committee based on individual performance, the overall performance of the consolidated company and comparable market remuneration.

The short-term incentives program is designed to align the targets of the consolidated entity with the performance hurdles of executives and key personnel. Short-term incentive payments are granted to executives and key personnel based on specific annual performance objectives, metrics and performance appraisals. Annual performance reviews are conducted at the end of each fiscal year and bonuses are paid shortly after the performance reviews are completed.

The People, Culture and Remuneration Committee approved the payment of cash and share based bonuses to the CEO and employees in respect of the financial year ended 30 June 2019.

Seeing Machines aims to attract and retain high calibre executives and key personnel, and align their interests with those of the shareholders, by granting equity-based payments. The long-term incentive comprises grants of equity which vest equally over the subsequent three years.

SHARE IN SEEING MACHINES' SUCCESS INCENTIVE – OTHER EMPLOYEES

Employees who are not part of the executive or key personnel incentive scheme are eligible to participate in an annual variable scheme that hinges on the achievement of individual and company objectives. This award is paid in cash or equity and the amount is determined at the end of the fiscal year once results have been audited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Consolidated 2019 A$	2018 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	54,808,736	42,786,447
Trade and other receivables	15	15,670,344	19,757,648
Inventories	16	8,212,229	4,300,895
Current financial assets	20	9,560,716	578,575
Other current assets	17	4,759,997	876,131
TOTAL CURRENT ASSETS		93,012,022	68,299,696
NON-CURRENT ASSETS			
Property, plant and equipment	18	3,176,348	3,659,310
Intangible assets	19	2,539,357	3,529,297
TOTAL NON-CURRENT ASSETS		5,715,705	7,188,607
TOTAL ASSETS		98,727,727	75,488,303
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	3,620,382	6,300,402
Provisions	22	2,832,018	2,644,173
Contract liabilities	24	672,590	873,735
Current financial liabilities	25	1,427,335	387,590
Other liabilities	26	289,361	152,830
TOTAL CURRENT LIABILITIES		8,841,686	10,358,730
NON-CURRENT LIABILITIES			
Provisions	22	153,028	29,864
Non-current financial liabilities	25	609,039	575,964
Other liabilities	26	1,044,340	1,197,170
TOTAL CURRENT LIABILITIES		1,806,407	1,802,998
TOTAL LIABILITIES		10,648,093	12,161,728
NET ASSETS		88,079,634	63,326,575
EQUITY			
Contributed equity	27	217,203,578	158,031,370
Treasury shares	27	(1,108,511)	(1,108,511)
Accumulated losses		(137,327,728)	(95,439,981)
Other reserves		9,312,295	1,843,697
Equity attributable to the owners of the parent		88,079,634	63,326,575
TOTAL EQUITY		88,079,634	63,326,575

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 A$	Consolidated 2018 A$
Sale of goods and licence fees		15,840,057	19,428,991
Rendering of services		14,440,872	9,787,378
Research revenue		1,607,417	1,500,000
Revenue	7	31,888,346	30,716,369
Cost of sales		(13,155,301)	(23,089,204)
Gross profit		18,733,045	7,627,165
Net gain/(loss) in foreign exchange	8	178,040	2,477,518
Net gain/(loss) on disposal of investment	8	39,487	(140,191)
Other income	8	262,793	242,986
Finance income		777,622	456,051
Expenses			
Research and development expenses		(35,894,954)	(20,220,605)
Customer support and marketing expenses		(9,007,213)	(9,851,247)
Occupancy and facilities expenses		(2,964,594)	(6,438,393)
Corporate services expenses		(13,604,633)	(10,024,977)
Finance costs		(264,861)	(109,339)
Other expenses	9	(3,712)	(4,425)
Loss before income tax		(41,748,980)	(35,985,457)
Income tax expense	10	(45,960)	(28,404)
Loss after income tax		(41,794,940)	(36,013,861)
Loss for the period attributable to:			
Equity holders of parent		(41,794,940)	(36,013,861)
		(41,794,940)	(36,013,861)
Other comprehensive loss – to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations			
Other comprehensive loss net of tax		(592,015)	(381,147)
Total comprehensive loss		(592,015)	(381,147)
Total comprehensive loss attributable to:		(42,386,955)	(36,395,008)
Equity holders of parent			
Total comprehensive loss for the year		(42,386,955)	(36,395,008)
		(42,386,955)	(36,395,008)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
· Basic earnings per share	12	(0.0169)	(0.0221)
· Diluted earnings per share	12	(0.0169)	(0.0221)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Contributed Equity A$	Treasury Shares A$	Accumulated Losses A$	Foreign Currency Translation Reserve A$	Employee Equity Benefits Reserve A$	Total Equity A$
AT 1 JULY 2017	96,482,665	(1,191,078)	(59,426,120)	(765,054)	2,472,471	37,572,884
(Loss) for the half year	-	-	(36,013,861)	-	-	(36,013,861)
Other comprehensive income	-	-	-	(381,147)	-	(381,147)
Total comprehensive income	-	-	(36,013,861)	(381,147)	-	(36,395,008)
Transactions with owners in their capacity as owners:						
Shares issued	64,627,100	-	-	-	-	64,627,100
Capital raising costs	(3,078,395)	-	-	-	-	(3,078,395)
Treasury shares	-	82,567	-	-	-	82,567
Share based payments	-	-	-	-	517,427	517,427
At 30 June 18	158,031,370	(1,108,511)	(95,439,981)	(1,146,201)	2,989,898	63,326,575
At 1 July 18	158,031,370	(1,108,511)	(95,439,981)	(1,146,201)	2,989,898	63,326,575
Effect of adoption of new accounting standard (AASB 9)	-	-	(92,807)	-	-	(92,807)
At 1 July 2018 (restated)	158,031,370	(1,108,511)	(95,532,788)	(1,146,201)	2,989,898	63,233,768
(Loss) for the year	-	-	(41,794,940)	-	-	(41,794,940)
Other comprehensive income	-	-	-	(592,015)	-	(592,015)
Total comprehensive income	-	-	(41,794,940)	(592,015)	-	(42,386,955)
Transactions with owners in their capacity as owners:						
Shares issued	61,737,060	-	-	-	-	61,737,060
Capital raising costs	(2,564,852)	-	-	-	-	(2,564,852)
Treasury shares	-	-	-	-	-	-
Share based payments	-	-	-	-	8,060,613	8,060,613
At 30 June 19	217,203,578	(1,108,511)	(137,327,728)	(1,738,216)	11,050,511	88,079,634

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 A$	2018 A$
Operating activities			
Receipts from customers (inclusive of GST)		33,090,862	24,388,913
Payments to suppliers and employees (inclusive of GST)		(67,068,843)	(66,733,811)
Interest received		230,559	148,597
Interest paid		(264,861)	(109,339)
Income tax paid		(45,960)	(28,404)
Payments received for research and development tax incentive		-	4,700,825
Net cash flows used in operating activities		(34,058,243)	(37,633,219)
Investing activities			
Purchase of plant and equipment		(389,742)	(3,864,280)
Payments for intangible assets		(454,506)	(299,253)
Purchase of term deposits		(8,982,141)	(3,782)
Proceeds on sale of investments		39,487	-
Net cash flows used in investing activities		(9,786,902)	(4,167,315)
Financing activities			
Proceeds from issue of new shares		58,780,558	64,627,100
Cost of capital raising		(2,564,852)	(3,078,395)
Proceeds from borrowings		3,333,194	3,208,348
Repayment of borrowings		(3,015,125)	(2,272,561)
Net cash flows from financing activities		56,533,775	62,484,492
Net decrease in cash and cash equivalents		12,688,630	20,683,958
Net foreign exchange differences		(666,341)	664,464
Cash and cash equivalents at beginning of period		42,786,447	21,438,025
Cash and cash equivalents at end of period	14	54,808,736	42,786,447

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The consolidated financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 20 September 2019.

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$41,794,940 (2018: Loss of A$36,013,861). The Group has Accumulated Losses of A$137,327,728 (2018: Accumulated Losses of A$95,439,981). The balance of cash and cash equivalents at 30 June 2019 is A$54,808,736 (2018: A$42,786,447). 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 a number of amendments to existing accounting standards that were applicable to the Group for the first time this year.

During the current period, the Group initially applied AASB 9 *Financial Instruments and AASB 15 Revenue from Contracts with Customers*. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(i) AASB 9 *Financial instruments*

In the current half year, the Group has applied AASB 9: *Financial Instruments* and the related consequential amendments to other AASBs. AASB 9 replaces the provisions of AASB 139 in relation to financial instruments and hedge accounting. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets. The key change to the Group's accounting policies arising from this standard is in relation to the impairment of financial assets (mainly receivables). AASB 9 effectively moves from an 'incurred losses' model to an 'expected losses' model, which requires a forward-looking assessment of potential default events and losses over the life of these assets.

Details of these new requirements as well as their impact on the Group's financial statements are described below.

Classification and measurement of financial assets

The date of initial application is 1 July 2018. The adoption of AASB 9 has resulted in an increase of A$92,807 in the impairment allowance against the Group's trade receivables. The increase in the allowance was debited to closing retained earnings at 30 June 2018. The comparative figures have not been restated. The Group currently does not have any hedge contracts and does not have any financial assets carried at fair value through profit or loss.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Refer to the accounting policies in note 3 (p) Financial instruments – initial recognition and subsequent measurement.

The following are the changes in the classification of the Group's financial assets as at 1 July 2018 as a result of the adoption of AASB 9:

- Trade and other receivables were previously classified as loans and receivables. These are now classified as debt instruments at amortised cost.
- Term deposits with original maturity greater than three months, were previously classified as held to maturity investments. These are now classified as debt instruments at amortised cost.

On adoption of AASB 9, the Group had the following required or elected reclassifications:

As at 30 June 2019 AASB 9 measurement category	Debt instruments at amortised cost A$
AASB 139 measurement category	
Trade receivables	15,670,344
Term Deposits	9,560,716
	25,231,060

As at 1 July 2018 AASB 9 measurement category	Debt instruments at amortised cost A$
AASB 139 measurement category	
Trade receivables	19,757,648
Term Deposits	578,575
	20,336,223

Classification and measurement of financial liabilities

The application of AASB 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Impact of Adoption of AASB15

In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

The adoption of AASB 15 has not had a material impact on the Group's financial position or performance and there has been no adjustment to the opening balance of retained earnings at 1 July 2018 as a consequence of the adoption of this standard.

In accordance with AASB 15 the Group has provided disaggregated revenue information in addition to segment information at Note 7 to better enable users of the financial statements to understand how revenue is generated.

d. Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2019. The Standards and Interpretations that might be relevant to the Group are outlined below:

(i) AASB 16 *Leases*

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under AASB 117.

Transition to AASB 16

The Group plans to adopt AASB 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying AASB 117 and AASB Interpretation 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has undertaken a preliminary impact assessment of AASB 16. It is expected that the only material implications will be the recognition of a right-of-use asset and a lease liability. Lease expense will reduce, and depreciation and finance costs will increase by an amount that approximates the previous lease expense.

(ii) AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

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

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

The amendments clarify certain requirements in:

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

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

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

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

a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

b) add guidance to help entities assess whether a substantive process has been acquired;

c) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and

d) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

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

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

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

e. Basis of consolidation

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

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

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

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

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

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

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

f. 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.

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 equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Comprehensive Income in accordance with AASB 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

g. Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the 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.

h. Segment Information – refer note 7

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

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

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

i. Foreign currency translation

(vii) 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.

(viii) 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. 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.

(ix) Group Companies

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

j. Cash and cash equivalents – refer note 14

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

k. Inventories – refer note 16

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

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

Raw materials, work in progress and finished goods – 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.

l. Property, plant and equipment – refer note 18

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

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

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

- Office furniture, fittings and equipment - 11.25% to 66.67%
- Developed 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.

m. 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.

(x) 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.

n. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's 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 write-down of inventories to net realisable value, are recognised in the statement of profit or loss in expense categories consistent with the functions of the impaired asset.

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

o. Intangibles – refer note 19

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

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

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

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

Patents, Trademarks and Licenses

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

Research and development costs

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

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

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

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

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

p. Financial instruments – initial recognition and subsequent measurement

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

(xi) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, receivables subject to financial guarantee and term deposits.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Comprehensive Income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group holds no debt instruments at fair value through OCI at 30 June 2019 (30 June 2018: none).

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Comprehensive Income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group holds no equity investments under this category at 30 June 2019 (30 June 2018: none).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets

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

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

The Group holds no financial assets at fair value through profit or loss at 30 June 2019 (30 June 2018: none).

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

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

(xii) 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, financial guarantee contracts, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Financial Guarantee contracts

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

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

Derecognition

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

(xiii) Offsetting of financial instruments

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

q. Provisions – refer notes 22 and 23

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

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

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

(xiv) Short-term employee benefits

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

(xv) Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Long service leave is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. Annual leave is recognised in current liabilities.

(xvi) 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.

r. Share-based payment transactions – refer note 33

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

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

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

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

a) The grant date fair value of the award.

b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

c) The expired portion of the vesting period.

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

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

s. Contributed equity – refer note 27

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

t. 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.

u. Revenue recognition

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

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

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

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

(xvii) Sale of goods

Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, usually at the time of delivery of the goods to customer, even if the terms include a right of return or other price protection features.

(xviii) Licence fees

Licences granted to customers are perpetual licences for use of intellectual property ("IP") (usually in the form of software). Where the software is provided on a hardware kit this is treated as one deliverable of a license due to the fact that the hardware provided is of no value to the customer without the inclusion of the software and that the software cannot be delivered through any other acceptable mechanism to the customer.

Recognition of revenue from licence fees is dependent on the nature of the license and whether it is a right to access or a right to use license.

Licenses that provide a right to use IP are performance obligations satisfied at a point in time, generally recognised upon provision of access to the software.

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

(xix) Rendering of services

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

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

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

(xx) 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.

(xxi) Agreements with multiple deliverables

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

(xxii) Paid Research

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

(xxiii) Timing of Revenue Recognition

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

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

v. Income taxes and other taxes – refer note 10

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

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

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

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

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

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

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

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

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

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

Tax consolidation legislation

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

Goods and service tax

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

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

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

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

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

w. Government grants

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

x. Earnings per share – refer note 12

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

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

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

y. Fair value measurements

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

z. Comparatives

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

4. Financial Risk Management Objectives and Policies

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

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

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

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 2019 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:

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
Financial Assets		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	48,747,042	39,844,608
Exposed to United States of America variable interest rate risk	3,866,886	1,957,641
Exposed to United Kingdom variable interest rate risk	2,177,040	984,198
Exposed to Japanese variable interest rate risk	17,768	-
Total cash and cash equivalents	54,808,736	42,786,447

In addition to the above, the group had term deposits classified as financial assets at amortised cost totalling A$9,560,716 (2017: A$578,575) 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 2019, 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)	
	2019 A$	2018 A$
Consolidated		
+ 1% (100 basis points)	548,087	427,864
- .5% (50 basis points)	(274,044)	(213,932)

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

Interest rates on the lease and financing arrangements outstanding at year end are fixed and range from 8.05% to 12.29%. The interest rate on the unused revolving loan facility which expires 31 October 2019 is variable and based on BBSY plus a margin of 6.5%.

Foreign currency risk

As a result of significant sales in North America, New Zealand and Europe (denominated in those currencies), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's Statement of Financial Position can be affected by movement in exchange rates generally and the US$/A$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating US Dollar bank accounts. Approximately 70% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 47% of costs are denominated in the functional currency.

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

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 2019 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 2019 the Group had the following exposure to foreign currency:

	Consolidated	
	2019 A$	2018 A$
Financial Assets		
Cash and cash equivalents (US$)	3,866,886	1,957,641
Cash and cash equivalents (GB£)	2,177,040	984,198
Cash and cash equivalents (JP¥)	17,768	-
Term deposits (GB£)	9,049,100	-
Trade and other receivables (US$)	6,984,776	12,400,185
Trade and other receivables (GB£)	1,138,481	323,662
Trade and other receivables (NZD)	1,270,679	370,140
Trade and other receivables (ZAR)	3,217	82,113
Total	24,507,947	16,117,939
Financial Liabilities		
Trade and other payables (US$)	(470,819)	(794,513)
Trade and other payables (GBP)	(162,784)	(431,488)
Trade and other payables (EUR)	-	(31,030)
Trade and other payables (JP¥)	(21,992)	-
Trade and other payables (ZAR)	(7,362)	-
Total	(662,957)	(1,257,031)
Net exposure	23,844,990	14,860,908

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:

FOR THE YEAR ENDED 30 June 2019	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2019 A$	2018 A$	2019 A$	2018 A$
Consolidated				
Change in USD rate				
AUD / foreign currency +10%	(943,713)	(1,233,028)	(943,713)	(1,233,028)
AUD / foreign currency -5%	546,360	713,859	546,360	713,859
Change in GBP rate				
AUD / foreign currency +10%	(286,612)	(79,670)	(286,612)	(79,670)
AUD / foreign currency -5%	165,934	46,125	165,934	46,125
Change in EUR rate				
AUD / foreign currency +10%	–	2,821	–	2,821
AUD / foreign currency -5%	–	(1,633)	–	(1,633)
Change in NZD rate				
AUD / foreign currency +10%	(115,516)	(33,649)	(115,516)	(33,649)
AUD / foreign currency -5%	66,878	19,481	66,878	19,481
Change in ZAR rate				
AUD / foreign currency +10%	377	(7,465)	377	(7,465)
AUD / foreign currency -5%	(218)	4,322	(218)	4,322
Change in JPY rate				
AUD / foreign currency +10%	384	–	384	–
AUD / foreign currency -5%	(222)	–	(222)	–

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

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Exposure at reporting date is addressed in each particular note. The Group accounts for expected credit losses in accordance with its policy on impairment of financial assets detailed in note 3.p (i).

The Group does not hold any credit derivatives to offset its credit exposure.

Trade receivables

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

Customer credit risk is managed in line with the Group's established policy, procedures and control relating to customer credit risk management. The assessment of each customer is done on the payment history and the reputation and size of the customer. Outstanding customer receivables are regularly monitored and followed up.

Capital management and liquidity risk

The Group's objective is to raise finance as and when needed by share placement or through debt funding where necessary. Since the significant capital raise in April 2019, 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 2019 and 2018.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities as of 30 June 2019. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

Maturity analysis of liabilities based on management's expectation.

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

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

FOR THE YEAR ENDED 30 June 2019	<=6 months $	6-12 months $	>1 year $	Total
Consolidated				
Trade and other payables	3,620,382	-	-	3,620,382
Borrowings	376,786	147,462	609,039	1,133,287
Financial guarantee	209,238	214,178	479,671	903,087
	4,206,406	361,640	1,088,710	5,656,756

FOR THE YEAR ENDED 30 June 2018				
Consolidated				
Trade and other payables	6,300,402	-	-	6,300,402
Borrowings	188,621	198,969	575,964	963,554
	6,489,023	198,969	575,964	7,263,956

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

Fair values

As at 30 June 2019, the carrying values of the financial instruments approximate their fair value.

5. Significant Accounting Judgements, Estimates and Assumptions

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

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

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

a. Significant accounting judgements

Capitalised development costs

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

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Assumptions about the generation of future taxable profits 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).

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 Black Scholes method, with the assumptions detailed in note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

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

Research and Development Refundable Tax Offset

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

Revenue Recognition - Agreements with multiple deliverables

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

Revenue Recognition – Non-recurring engineering

The Group recognises revenue from pre-production engineering services over time, using the completion of specific performance obligations to measure progress towards the complete satisfaction of the service.

6. Business combinations and acquisition of non-controlling interests

No new business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2019.

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 operational decision makers to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available. Management also considers 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 Operating Segments are reported separately. However, an operating segment that does not meet the qualitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

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

a. Segment Revenue based on operating segment

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

FOR THE YEAR ENDED 30 June 2019	Segment Revenue		Segment Profit/ (Loss)	
	2019 A$	2018 A$	2019 A$	2018 A$
Revenue				
Automotive	9,416,091	8,083,780	5,537,083	(6,330,369)
Offroad	7,066,582	3,725,013	5,728,190	2,993,715
Fleet	13,714,623	17,218,180	(8,733,428)	(18,825,421)
Aviation	304,183	189,396	(1,137,589)	(839,598)
Scientific Advances	1,386,867	1,500,000	206,161	998,255
Research & Development	–	–	(26,022,482)	(950,409)
Other	–	–	(17,372,875)	(13,060,034)
Total	31,888,346	30,716,369	(41,794,940)	(36,013,861)

b. Revenue from contracts with customers

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

FOR THE YEAR ENDED 30 June 2019	Automotive A$	Offroad A$	Fleet A$	Aviation A$	Scientific Advances A$	Total A$
Revenue Types						
Sales at a point in time						
Paid Research	–	749,592	52,628	220,550	1,386,867	2,409,637
Sales over time						
Driver Monitoring	–	–	5,662,433	–	–	5,662,433
Hardware and Installations	2,483,352	430,089	7,916,474	83,633	–	10,913,548
Non-recurring Engineering	6,932,739	–	–	–	–	6,932,739
Licensing	–	5,886,901	83,089	–	–	5,969,990
Total Revenue	9,416,091	7,066,582	13,714,623	304,183	1,386,867	31,888,346

FOR THE YEAR ENDED 30 June 2018	Automotive A$	Offroad A$	Fleet A$	Aviation A$	Scientific Advances A$	Total A$
Revenue Types						
Sales at a point in time						
Hardware and Installations	2,593,104	77,300	14,209,108	184,896	-	17,064,408
Sales over time						
Driver Monitoring	-	-	3,001,612	4,500	-	3,006,112
Non-recurring Engineering	5,490,676	-	-	-	-	5,490,676
Paid Research	-	442,010	7,460	-	1,500,000	1,949,470
Licensing	-	3,205,703	-	-	-	3,205,703
Total Revenue	8,083,780	3,725,013	17,218,180	189,396	1,500,000	30,716,369

c. Geographic Information

FOR THE YEAR ENDED 30 June 2019	2019 A$	2018 A$
Revenue from external customers		
Australia	9,427,836	9,683,513
North America	13,834,051	6,194,652
Asia-Pacific (excluding Australia)	1,440,636	8,471,210
Europe	5,590,767	1,663,830
Other	1,595,056	4,703,164
Total revenue from external customers	31,888,346	30,716,369

8. Other Income

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
a. Net gain/(loss) on foreign exchange		
Unrealised gain/(loss)	(65,302)	1,017,844
Realised gain/(loss)	243,342	1,459,674
Total gain on foreign exchange	178,040	2,477,518
b. Net gain on disposal of investment		
Net gain on disposal of investment	39,487	-
Total gain on disposal of investment	39,487	-
c. Other income		
Research and Development refundable tax incentives	242,986	242,986
Other income	19,807	-
Total other income	262,793	242,986

A total of A$242,986 relating to Research and Development refundable tax incentives from the Australian Taxation Office were recognised during the year (2018: A$242,986). These are included in Other Income and result from Research and Development expenditure incurred in previous financial years.

9. Expenses

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
a. Depreciation, impairment and amortisation expense		
Depreciation expense	(65,302)	1,017,844
Amortisation expense	243,342	1,459,674
Total depreciation, impairment and amortisation expense	178,040	2,477,518
b. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	35,154,157	30,323,859
Superannuation expense	2,169,794	1,664,158
Share-based payment expense	11,017,115	607,592
Wages and salaries reported as cost of sales	(2,193,709)	(788,603)
Total employee benefits expense	46,147,357	31,807,006
c. Other expenses		
Other income	3,712	4,425
Total other expenses	3,712	4,425
d. Impairment of investment		
Impairment of investment	–	(140,191)
Total impairment of investment	–	(140,191)

10. Income Tax

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	(8,347,528)	(10,924,794)
Adjustments in respect of current income tax of previous years	4,281,957	25,374
Taxation loss not recognised	4,111,531	10,927,824
Tax loss utilized – not previously recognised	–	–
Deferred income tax:		
Relating to the origination and reversal of temporary differences	(4,650,312)	(294,205)
Temporary differences not recognised	4,650,312	294,205
Income tax expense reported in the statement of comprehensive income	45,960	28,404

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:

Loss before income tax	(41,748,980)	(35,985,457)
At the parent entity's statutory income tax rate of 27.5% (2018: 30%)	(11,480,969)	(10,795,637)
Share based payments (equity settled)	3,029,707	169,019
Entertainment	8,451	2,520
Research and development costs claimed	–	–
Legal fees	–	2,218
Research and development – R&D tax credit	(66,821)	(72,896)
Equity raising costs	(705,334)	(184,704)
Other		29,247
Origination and reversal of temporary differences		
Other temporary differences	(3,921,511)	(397,170)
Temporary differences not recognised	4,650,312	294,205
Adjustments in respect of current income tax of previous years	4,281,956	25,374
Taxation loss not recognised	4,111,531	10,927,824
Foreign tax	45,960	28,404
Impact of tax rate change on deferred tax balances not recognised	92,678	–
Total	45,960	28,404

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

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	Statement of Financial Position	
	2019 A$	2018 A$
(i) Deferred tax liabilities		
Intangible assets	(268,184)	(624,806)
Unrealised FX gain	-	(305,354)
Gross deferred tax liabilities	(268,184)	(930,160)
Set-off deferred tax assets	(268,184)	(930,160)
Net deferred tax liabilities	-	-
(ii) Deferred tax assets		
R&D offset	3,243,718	-
Provision for expected credit loss	68,878	-
Accrued expenses	11,198	190,795
Annual leave	565,591	571,413
Long service leave	190,172	154,298
Warranties	65,125	76,500
S. 40-880 Deduction	1,286,479	389,728
Lease incentive	329,222	405,000
Rental straightline	37,546	-
Unrealised FX loss	19,865	-
Depreciation of plant and equipment	-	12,305
OPEX interest	212,842	242,278
Gross deferred tax assets	6,030,636	2,042,317
Set-off deferred tax liability	(268,184)	(930,160)
Net deferred tax balance not brought to account	5,762,452	1,112,157
Tax losses	27,573,868	23,462,337
Losses not recognised	(27,573,868)	(23,462,337)
Net deferred tax asset	-	-

c. Unrecognised temporary differences

At 30 June 2019, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of A$100,268,611 (DTA of A$27,573,868) for which no deferred tax asset has been recognised on the Statement of Financial Position (2018: Unrecognised tax losses of A$78,207,790 and DTA of A$23,462,337). These losses are available for recoupment subject to satisfaction of relevant statutory tests. As at 30 June 2019 there are net unrecognised deductible temporary differences of A$20,954,371 (DTA of A$5,762,452) for which no deferred tax asset has been recognised on the Statement of Financial Position (2018: net unrecognised deductible temporary differences of A$3,707,190 and DTA of A$1,112,157).

d. Tax consolidation

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

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

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

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

11. Dividends Paid and Proposed

No dividends or distributions have been made to members during the year ended 30 June 2019 (2018: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2019 (2018: nil).

12. Earnings Per Share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent 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:

Earnings used in calculating earnings per share

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
For basic and diluted earnings per share:		
Net loss	(41,794,940)	(36,013,861)
Net loss attributable to ordinary equity holders of the company	(41,794,940)	(36,013,861)

Weighted average number of shares

FOR THE YEAR ENDED 30 June 2019	Consolidated	
	2019 A$	2018 A$
Weighted average number of ordinary shares for basic earnings per share	1,842,482,166	1,626,982,393
Weighted average number of ordinary shares adjusted for effect of dilution	1,842,482,166	1,626,982,393

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

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

Information on the classification of securities

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

13. Parent Entity Information

Information relating to Seeing Machines Limited	2019 A$	2018 A$
Current assets	94,760,420	72,119,445
Total assets	100,327,230	79,063,710
Current liabilities	8,197,695	10,862,718
Total liabilities	10,004,102	12,665,717
Issued capital	217,203,578	156,922,859
Accumulated losses	(136,651,905)	(93,361,832)
Reserves	9,771,455	2,836,966
Total shareholders' equity	90,323,128	66,397,993
Loss of the parent entity	(43,197,266)	(35,071,252)
Total comprehensive income of the parent entity	(43,197,266)	(35,071,252)

Significant accounting policies

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

14. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2019 A$	2018 A$
Reconciliation to Statement of Cash Flows		
For the purpose of the Statement of Cash Flows, cash and cash comprise the following equivalents at 30 June:		
Cash at bank	54,808,592	42,785,825
Cash on hand	144	622
Total Cash and cash equivalents	54,808,736	42,786,447

15. Current Assets – Trade and Other Receivables

Current	Consolidated	
	2019 A$	2018 A$
Trade receivables	15,353,449	20,272,066
Provision for expected credit losses	(250,467)	-
Deferred finance income	(773,969)	(937,864)
	14,329,013	19,334,202
Receivables subject to financial guarantee (refer Note 25)	903,087	-
Other receivables	438,244	423,446
Total trade and other receivables - current	15,670,344	19,757,648

a. Allowance for expected credit loss

Trade receivables are non-interest bearing and are generally 30-60 days terms. The Group applies a simplified approach in calculatng ECLs and recongises a loss allowance based on lifetime ECL's at reporting date (see note 3 p (i)). The provision for impairment loss recognised by the Group at 30 June 2019 was A$250,467 (2018: nil). See below for the movement in the allowance for expected credit losses:

	Individually Impaired A$
As at 1 July 2017	95,531
Provision for expected credit losses	-
Write-off	(95,531)
As at 30 June 2018	-
Provision recognised on adoption of AASB9	92,807
Provision for expected credit losses	157,660
Write-off	-
As at 30 June 2019	(250,467)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Trade receivables					
	Days past due					
2019	**Current**	**0-30 days**	**31-60 days**	**61-90 days**	**91+ days**	**Total**
Expected credit loss rate	0.30%	1.60%	3.60%	6.60%	10.60%	
Estimated total gross carrying amount at default	12,774,553	472,904	130,500	238,165	1,737,359	15,353,481
Expected credit loss	38,324	7,566	4,698	15,719	184,160	250,467
2018						
Expected credit loss rate	0.30%	1.20%	1.80%	2.18%	2.65%	
Estimated total gross carrying amount at default	17,770,817	1,645,872	245,972	176,383	433,023	20,272,067
Expected credit loss	53,312	19,750	4,428	3,842	11,475	92,807

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has entered into discussion with the customer to agree varied payment terms. Receivables past due but not considered in default are: A$1,737,359 (2018: A$433,023). During the year manufacturing issues temporarily affected the performance of the FOVIO platform technology resulting in a small number of debtors temporarily renegotiating payment terms. The impact of this is reflected at 30 June 2019. Payment terms on these amounts have been re-negotiated, and satisfaction has been gained that payment will be received in full. It is expected that all other balances will be received when due.

b. Fair value and credit risk

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

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

c. Foreign exchange risk

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

16. Current Assets – Inventories

	Consolidated	
	2019 A$	**2018 A$**
Finished goods	7,932,394	4,300,895
Work in progress	304,455	-
Write-down of inventories for the period	(24,620)	-
Total inventories	8,212,229	4,300,895

17. Other Current Assets

	Consolidated	
	2019 A$	**2018 A$**
Pre-payments	24,595	155,936
Rental bonds	84,252	94,885
Contract assets	4,515,575	343,500
Other	135,575	281,810
Write-down of inventories for the period	(24,620)	-
Total other current assets	**4,759,997**	**876,131**

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

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

Consolidated	Office Furniture, Fittings and Equipment A$	Research and Development Software and Equipment A$	Total A$
At 1 July 2018 net of accumulated depreciation and impairment	3,490,264	169,046	3,659,310
Additions	382,371	7,371	389,742
Disposals	-	-	-
Depreciation charge for the year	(834,945)	(37,759)	(872,704)
At 30 June 2019 net of accumulated depreciation and impairment	3,037,690	138,658	3,176,348
At 30 June 2019			
Cost	6,496,087	726,015	7,222,102
Accumulated depreciation and impairment	(3,458,397)	(587,357)	(4,045,754)
Net carrying amount	3,037,690	138,658	**3,176,348**
At 1 July 2017 net of accumulated depreciation and impairment	862,797	96,243	959,040
Additions	3,728,929	135,351	3,864,280
Disposals	-	-	-
Depreciation charge for the year	(1,101,462)	(62,548)	(1,164,010)
At 30 June 2018 net of accumulated depreciation and impairment	3,490,264	169,046	3,659,310
At 30 June 2018			
Cost	6,113,717	718,644	6,832,361
Accumulated depreciation and impairment	(2,623,453)	(549,598)	(3,173,051)
Net carrying amount	3,490,264	169,046	**3,659,310**

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

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

Consolidated	Development Costs A$	Patents, Licences and Trademarks A$	Total A$
At 1 July 2018 net of accumulated amortisation	2,763,810	765,488	3,529,298
Additions	109,039	345,466	454,505
Amortisation	(1,416,857)	(27,589)	(1,444,446)
At 30 June 2019 net of accumulated amortisation	1,455,992	1,083,365	2,539,357
At 30 June 2019			
Cost	4,643,921	1,595,335	6,239,256
Accumulated amortisation	(3,187,929)	(511,970)	(3,699,899)
Net carrying amount	1,455,992	1,083,365	**2,539,357**
At 1 July 2017 net of accumulated amortisation	4,222,897	995,692	5,218,589
Additions	112,063	187,190	299,253
Amortisation	(1,571,150)	(417,395)	(1,988,545)
At 30 June 2018 net of accumulated amortisation	2,763,810	765,487	3,529,297
At 30 June 2018			
Cost	4,981,272	1,249,869	6,231,141
Accumulated amortisation	(2,217,462)	(484,382)	(2,701,844)
Net carrying amount	2,763,810	765,487	**3,529,297**

b. 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.

c. Impairment losses recognised

No impairment loss on intangible assets has been recognised in the year to 30 June 2019 (2018: nil).

20. Other Financial Assets

	Consolidated	
	2019 A$	2018 A$
Financial assets at amortised cost		
Term deposits	9,560,716	578,575
Total Financial assets	**9,560,716**	**578,575**

21. Current Liabilities – Trade and Other Payables

	Consolidated	
	2019 A$	2018 A$
Trade payables	2,313,162	2,900,903
Accrued Expenses	658,591	1,553,137
GST, Payroll Tax and Payroll Liabilities	572,489	1,036,361
Other Current Liabilities	76,140	810,001
Total trade and other payables	**3,620,382**	**6,300,402**

a. Fair value

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

b. Foreign exchange, interest rate and liquidity risk

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

22. Provisions

		Consolidated	
Current	**Note**	**2019 A$**	**2018 A$**
Annual leave		2,056,693	1,904,709
Long service leave		538,507	484,464
Warranties provision	23	236,818	255,000
Total provisions - current		**2,832,018**	**2,644,173**
Non-Current			
Long service leave		153,028	29,864
Total provisions - non-current		**153,028**	**29,864**

a. Nature and timing of provisions

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

23. Warranties – Provisions

	Maintenance Warranties
	A$
As at 1 July 2017	149,282
Arising during the year	255,000
Utilised	(109,895)
Unused amounts reversed	(39,387)
As at 30 June 2018	255,000
Arising during the year	388,231
Utilised	(406,413)
Unused amounts reversed	-
As at 30 June 2019	236,818

24. Contract liabilities

	Consolidated	
	2019 A$	2018 A$
Deferred R&D grant relating to capitalised labour	182,240	425,226
Contract liabilities	490,350	448,509
Total contract liabilities	**672,590**	**873,735**

25. Financial Liabilities

	Consolidated	
Current	2019 A$	2018 A$
Financial liabilities at amortised cost		
Lease liability	159,652	248,306
Loans and borrowings	364,596	139,284
Total financial liabilities at amortised cost	524,248	387,590
Financial guarantee contracts		
Financial guarantor	903,087	-
Total financial guarantee contracts	903,087	-
Total financial liabilities – current	**1,427,335**	**387,590**
Non-Current		
Financial liabilities at amortised cost		
Lease liability	206,077	22,089
Loans and borrowings	402,962	553,875
Total financial liabilities at amortised cost	609,039	575,964
Total financial liabilities - non-current	609,039	575,964

The lease liability relates to the lease of IT equipment. A new lease for IT equipment was entered into in November 2018. The term of the new lease is from November 2018 to October 2021. The previous lease expires in July 2019. Both leases are secured by the leased equipment.

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

Inventory finance is an Export Line of Credit Agreement with the Export Finance and Insurance Corporation which was signed on 31 January 2019. The Agreement provides a revolving loan facility to the Company up to the value of US$2m for funding inventory purchases for sales to approved overseas customers.

For commitments relating to finance leases see note 34.

Loan facilities

	Consolidated	
	2019 A$	2018 A$
Loan facilities	2,849,104	-
Amount utilised	(213,683)	-
Unused facilities	**2,635,421**	**-**

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

26. Other Liabilities

	Consolidated	
Current	2019 A$	2018 A$
Lease incentives on operating leases	289,361	152,830
Total other liabilities - current	**289,361**	**152,830**
Non-Current		
Lease incentives on operating leases	1,044,340	1,197,170
Total other liabilities - non-current	**1,044,340**	**1,197,170**

The lease liability relates to the lease of IT equipment. A new lease for IT equipment was entered into in November 2018. The term of the new lease is from November 2018 to October 2021. The previous lease expires in July 2019. Both leases are secured by the leased equipment.

27. Contributed Equity

	Consolidated	
	2019 A$	2018 A$
Ordinary shares	217,203,578	158,031,370
Treasury shares	(1,108,511)	(1,108,511)
Total contributed equity	216,095,067	156,922,859
Number of ordinary shares		
Issued and fully paid	3,365,214,374	2,240,954,587

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

The Company has no set authorised share capital and shares have no par value.

Movement in ordinary shares	Shares	A$
At 1 July 2017	**1,486,455,161**	**95,291,587**
Shares issued	753,410,284	64,709,667
Treasury shares issued	1,089,142	82,567
Transaction costs	-	(3,078,395)
At 30 June 2018	**2,240,954,587**	**157,005,426**
Shares issued	1,124,259,787	61,737,060
Treasury shares issued	-	-
Transaction costs	-	(2,564,852)
At 30 June 2019	**3,365,214,374**	**216,177,634**

No treasury shares were issued during the year ended 30 June 2019 (2018: 1,089,142). There are no treasury shares remaining as at 30 June 2019.

28. Accumulated Losses and Reserves

a. Movements in accumulated losses and reserves

Refer to the Statement of Changes in Equity for movements in accumulated losses and other reserves.

b. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 33 for further details of the plan.

29. Statement of Cash Flow Information

	Consolidated	
FOR THE YEAR ENDED 30 June 2019	2019 A$	2018 A$
a. Reconciliation of net loss after tax to net cash flows from operations		
Loss after tax	(41,794,940)	(36,013,861)
Depreciation	872,704	1,164,010
Amortisation	1,444,446	1,988,545
Net gain on foreign exchange (unrealised)	(65,302)	(1,017,844)
Foreign exchange movement relating to financing activities	(8,707)	-
Financial guarantor	903,087	-
(Profit)/Loss on disposal of investment	(39,487)	140,191
Share-based payments	11,017,115	599,994
Changes in assets / liabilities net of the effect of purchases		
(Increase) / decrease in inventories	(3,911,334)	(3,598,683)
(Increase) / decrease in trade and other receivables	4,087,304	(10,347,654)
Decrease / (increase) in other assets	(3,883,866)	7,389,727
Increase / (decrease) in provisions	218,202	617,282
Increase / (decrease) in trade and other payables	(2,680,020)	689,306
Increase / (decrease) in other liabilities	(16,299)	1,350,000
Increase / (decrease) in contract liabilities	(201,145)	(594,232)
Net Cash used in operating activities	**(34,058,243)**	**(37,633,219)**

b. Changes in liabilities arising from financing activities

	1 July 2018	Cash in flows	Cash out flows	Non-cash changes		30 June 2019
Consolidated	A$	A$	A$	New lease A$	Other A$	A$
Securitisation finance	693,159	-	(139,284)	-	-	553,875
Lease liabilities	270,395	428,027	(332,693)	-	-	365,729
Inventory financing	-	2,905,167	(2,543,148)	-	(148,336)	213,683
	963,554	3,333,194	(3,015,125)	-	(148,336)	1,133,287

c. Non-cash financing and investing activities

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

30. Related Party Disclosure

a. Information about subsidiaries

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

Name	Country of Incorporation	% Equity Interest 2019	% Equity Interest 2018	Investment (A$) 2019	Investment (A$) 2018
Seeing Machines Incorporated	United States	100%	100%	770,307	770,307
Seeing Machines Executive Share Plan Pty Ltd	Australia	100%	100%	100	100
Seeing Machines Share Plans Trust	Australia	100%	100%	10	10
Seeing Machines (Sales) Pty Ltd	Australia	100%	100%	12	12
Fovio Pty Limited (formerly Fovionix Pty Limited)	Australia	100%	100%	100	100
Fovio Incorporated	United States	100%	100%	50	50
Seeing Machines (UK) Ltd	United Kingdom	100%	100%	169	169
Seeing Machines Japan Ltd	Japan	100%	0%	12,132	-

b. Materially owned subsidiaries

There are no subsidiaries held at 30 June 2019 that have non-controlling interests.

c. Key management personnel

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

d. Transactions with related parties

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

		Sales to related parties A$	Purchases from related parties A$	Amounts owed by related parties A$	Amounts owed to related parties A$
Guardian South East Asia Pte Ltd[1]	2018	501,087	-	479,364	-
	2019	127,408	-	318,387	-

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

e. Director-related transactions

(i) Shareholdings of Directors

Shares in Seeing Machines Limited

30 June 2019	Balance 1 July 2018	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2019
Directors					
K Kroeger[1] (resigned 6/6/2019)	8,331,393	410,377	400,000	-	9,141,770
T Crane (resigned 30/04/2019)	156,753	102,585	384,615	-	643,953
R Burger	503,798	102,585		-	606,383
J A Walker (resigned 13/12/2018)	604,558	123,102		-	727,660
L Carmichael	327,402	102,585	1,266,667	-	1,696,654
Y K Ng[2]	308,605	102,585	1,000,000	-	1,411,190
J Boyer (appointed 16/07/2018)	-		666,667	-	666,667
K Hill (appointed 13/12/2018)	-		550,000	-	550,000
L Oxenham (appointed 3/12/2018)	-		100,000	-	100,000
	10,232,509	943,819	4,367,949	-	15,544,277

30 June 2018	Balance 1 July 2017	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2018
Directors					
K Kroeger	5,528,268	2,803,125	-	-	8,331,393
M McAuliffe (resigned 29/01/2018)	-	4,382,720	-	-	4,382,720
T Crane	-	156,753	-	-	156,753
R Burger	267,374	236,424	-	-	503,798
J A Walker	320,849	283,709	-	-	604,558
P Housden (resigned 25/07/2017)	82,557	230,854	-	-	313,411
L Carmichael	90,978	236,424	-	-	327,402
Y K Ng[2]	72,181	236,424	-	-	308,605
J Boyer (appointed 16/07/2018)	-	-	-	-	-
K Hill (appointed 13/12/2018)	-	-	-	-	-
	6,362,207	8,566,433	-	-	14,928,640

Notes:
1. Ken Kroeger holds 38.7% of these shares through Cook Kroeger Superannuation Fund.
2. Yong Kang NG has an additional indirect interest in the Company by virtue of his direct and deemed (by virtue of his spouse) ownership of shares in V S Industry Berhad (VSI), being 0.1606% of VSI's current issued share capital.

(ii) Other Director related transactions

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

31. Key management personnel

a. Details of Key Management Personnel

(i) Directors		(ii) Executives (Other Key Management Personnel)	
Ken Kroeger	CEO and Executive Director	Paul McGlone	SVP and General Manager, Fleet, Rail & Offroad Applications (appointed CEO 4 July 2019)
Luke Oxenham	CFO and Executive Director	Nicolas Difiore	Senior Vice President (SVP) and General Manager, Automotive
Jack Boyer	Non-Executive Director	Paul Angelatos	SVP and General Manager, Fleet, Rail & Offroad Applications (resigned 14/09/2018)
James A Walker	Non-Executive Director	Tim Edwards	Chief Technology Officer
Rudolph Burger	Non-Executive Director	Sebastian Rougeaux	Chief Scientist, Machine Intelligence
Les Carmichael	Non-Executive Director	Mike Lenne	Chief Scientist, Human Factors
Yong Kang NG	Non-Executive Director	Nicole Makin	SVP People & Culture
Tim Crane	Non-Executive Director	Patrick Nolan	General Manager, Aviation
Kate Hill	Non-Executive Director	James Palmer	Chief Financial Officer (resigned 31/01/2019)
		Ryan Murphy	Chief Operating Officer
		Daniel Edmunds	SVP Engineering

32. Compensation for Key Management Personnel

For the year ended 30 June 2019	Short-Term Salary/Fees/ Bonus/Leave A$	Post-Employment Superannuation A$	Share-Based Payments Options/Rights A$	Total A$
Chairman				
Jack Boyer	170,079	-	-	170,079
CEO and Executive Director				
K Kroeger (resigned 6/6/2019)	456,621	43,379	154,524	654,524
CFO and Executive Director				
L Oxenham (appointed 3/12/2018)	200,625	12,841	-	213,466
Non-Executive Directors				
R Burger	63,255		12,205	75,460
J A Walker (resigned 13/12/2018)	21,790	2,138	14,646	38,574
T Crane (resigned 30/04/2019)	50,895		12,205	63,100
L Carmichael	49,940		12,205	62,145
Y K Ng	43,031		12,205	55,236
K Hill (appointed 13/12/2018)	37,109		-	37,109
Other Key Management Personnel[1]	3,503,877	207,280	6,322,532	10,033,689
Total	4,597,222	265,638	6,540,522	11,403,382

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

32. Compensation for Key Management Personnel (continue)

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

In addition there was a A$20,157 (2018: A$11,870) long service leave expense for Ken Kroeger, the only director entitled to it.

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

33. Share-based payment plans

a. Recognised share-based payment expenses

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

	Consolidated	
Current	**2019 A$**	**2018 A$**
Expense arising from share-based payment transactions under Employee Share Loan	-	412,370
Expense arising from the performance rights long term incentive	10,740,573	(125,177)
Expense arising from options under long term incentive	60,313	230,233
Expense arising from the shares issued to employees	152,762	-
Directors' shares	63,467	90,166
Total expense arising from share-based payment transactions	11,017,115	607,592

Included in the total share-based payment expense this year is an amount of A$9.1m which represents the non-cash amortisation of a one off grant of performance rights. See note 33(b) (iii) below.

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; executives as a short-term incentive; and non-executive Directors as part of their remuneration. A total of 1,787,162 shares were issued under this arrangement during the year. The issue price for these Shares was 6.75 pence being the volume weighted average closing share price on the AIM taken over the 5 trading days from 19 to 25 September 2018 (then converted using the current foreign exchange rate, of 1 GBP = 1.80591 AUD). There are no loans for these shares and they vest on issue.

(ii) Long Term Incentive – Performance rights or share options offers

From 1 July 2015, senior staff and other key staff are offered long term performance rights or share options. Under this structure, the staff are only able to exercise the rights, and have new ordinary shares issued to them, if any performance, market and vesting conditions are met. These conditions typically include a performance condition requiring the staff member to achieve a minimum "meets expectations" rating and some rights have included a market condition in the form of a minimum target share price. The vesting period ranges from 9 months to 4 years from the end of the relevant financial year or grant date. Performance rights or options are often offered as part of the annual remuneration review and may be offered at other times. Any offer of performance rights or options requires Board approval and, when granted, is announced to the market.

For all options standard valuation methodologies are used (binomial, trinomial and Black Scholes) using historic volatility as a proxy for implied volatility, long term UK gilt prices for the risk free rate and AIM share price information. All options expire after 10 years. At 30 June 2019 the weighted average remaining life for the outstanding share options was 9.18 year (2018: 9.61 years) and the exercise price for all outstanding options was £0.0561. No new options were granted during the year.

The Company issues new shares periodically as options and performance rights vest, the shares are held by a trustee until such time as the employee exercises their options or performance rights.

As part of the long term incentive program performance rights were issued during the year to a number of staff. The rights have performance and service conditions and vest over three years. The rights have been valued based on the spot rate of the shares at grant date.

(iii) One-off – Performance Rights Offers

On 15 June 2018 one-off performance rights offers were made to certain founders and key engineering staff who have played a critical role in the development of the Group to its current position. The rights were valued at the spot rate at grant date. The rights granted to the founders vested entirely in the FY2019 year and the rights are now fully amortised. The rights granted to key engineering staff vest in equal tranches over three years with the first vesting date being 1 October 2018. These rights were 74% vested and amortised by 30 June 2019, the remaining 26% will be amortised over the following two financial years.

c. Summaries of shares issued and held in Trust:

	2019	2019	2018	2018
	No.	WAEP (pence)	No	WAEP (pence)
Shares held in Trust at 1 July 2018	17,926,625	5.78	19,015,765	5.78
Issued during the year	70,070,209	6.60	-	-
Vested and transferred during the year	(28,441,325)	5.13	(1,089,140)	8.16
Shares held in Trust at 30 June 2019	59,555,509	7.06	17,926,625	5.78

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

	2019	2019	2018	2018
	No.	WAEP (pence)	No	WAEP (pence)
Outstanding at 1 July 2018	111,920,976	8.25	36,030,735	8.62
Granted during the year	19,936,023	6.75	97,432,399	15.47
Forfeited during the year	(13,975,165)	10.25	(20,735,740)	4.03
Exercised during the year	(30,164,305)	8.79	(806,418)	5.04
Expired during the year	-	-	-	-
Outstanding at 30 June 2019	87,717,529	7.41	111,920,976	8.25
Exercisable at 30 June 2019	39,099,094	7.75	772,886	4.50

34. Commitments

a. Leasing commitments

Operating lease commitments – Group as lessee

During the year the Group had two operating leases, one in the US and one in Australia. The US lease expires in December 2021 and the remaining Australian lease is due to finish in May 2027.

The total lease payments recognised as expenses during the year were A$1,031,795 (2018: A$1,188,091).

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

	Consolidated	
	2019 A$	2018 A$
Within one year	1,144,804	1,221,469
After one year but not more than five years	4,365,116	4,657,654
More than five years	3,525,435	4,054,250
Total	9,035,355	9,933,373

Finance leases and hire purchase commitments – Group as lessee

During the year the Group entered into a new lease/financing arrangement in relation to IT equipment which expires in October 2021. The Group already had a second arrangement also relating to the lease of IT equipment which expires in July 2019. The other financing arrangement relates to the financing of hardware and support and expires in October 2022.

Payments required under these arrangements are as follows:

	Consolidated	
	2019 A$	2018 A$
Within one year	378,061	458,055
After one year but not more than five years	664,289	655,645
More than five years	-	-
Minimum payments	1,042,350	1,113,700
Less: Future finance changes	(122,746)	(150,146)
Present value of minimum payments	919,604	963,554

35. Contingent Assets and Contingent Liabilities

During the year, the Company made a sale of its Fleet product to a customer in New Zealand. The customer subsequently entered into a sale and leaseback agreement with HP Financial Services (New Zealand) for the total amount of the sale being A$1.2m. The proceeds from the sale and leaseback agreement were used by the customer to pay the Company in full for the sale. The Company has agreed to act as 'step in guarantor' to HP Financial Services New Zealand such that – in the event of a default by the customer on the repayments of the loan – the Company will 'step in' and assume responsibility for the loan repayments. In the event that the customer defaults on the loan agreement, the maximum exposure to the Company would be A$0.9m. There is currently no reason to expect that such a circumstance should arise.

36. Events After the Reporting Date

Jack Boyer OBE stepped down as Chairman of the Board on 5 June 2019, at which point Kate Hill was appointed as Interim Chair. Kate Hill was confirmed as Chair on a permanent basis on 22 July 2019 when Jack Boyer OBE resigned his position from the Board as non-executive director. Kate has a distinguished 20+ year career with Deloitte Touche Tomatsu as an audit partner where she worked with ASX listed and privately-owned companies. Kate is a non-executive director of Countplus Limited (ASX: CUP) and Elmo Software Limited (ASX: ELO).

Paul McGlone, interim CEO and GM of Fleet division was appointed as CEO and executive director on a permanent basis on 4 July 2019. Paul has been GM of Fleet at Seeing Machines since 16 November 2018. Paul has a proven commercial track record and has, in his short time at Seeing Machines, set the Fleet division on the path to strengthen the outlook of the business considerably. Succeeding him as GM of Fleet is Dr Mike Lenné who took up the role of SVP Fleet and Human Factors on the same date. In addition, on 4 July 2019, Luke Oxenham informed of his intention to resign his position as CFO and executive director on 28 July 2019. Michael Cameron was appointed interim CFO on 4 July 2019.

On 23 July 2019, Seeing Machines was selected by a major Tier 1 supplier to deliver its FOVIO driver monitoring platform into additional customers for an existing German OEM customer. The expanded deployment includes variants targeting European New Car Assessment Program (Euro NCAP) safety goals. This expanded engagement, scheduled for production from 2021, is expected to deliver incremental revenue between A$11 million and A$30 million.

Seeing Machines signed an extended exclusive Agreement with long-standing mining customer, Caterpillar Inc. on 19 August 2019. The Agreement is extended for a further five years and outlines proposal for further development of the Company's IP into the Guardian and mining product (Driver Safety System) to co-develop next generation technology to enhance customer experience. The Agreement has also redefined exclusive Fields of Use for Caterpillar and has opened up a range of Fields now accessible directly by Seeing Machines and its channel and distribution partners.

37. Auditor's Remuneration

The auditor of Seeing Machines Limited is Ernst & Young.

	Consolidated	
	2019 A$	2018 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	163,386	100,810
Other services in relation to the entity and any other entity in the consolidated group:		
– Tax compliance and advisory	34,105	56,800
	197,491	157,610

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Seeing Machines Limited, I state that:

1. In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 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 2019.

On behalf of the Board

Paul McGlone
Canberra, 20 September 2019

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Seeing Machines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

Revenue recognition for multiple element contracts and non-recurring engineering arrangements

Why significant	How our audit addressed the key audit matter
The Group has contracts with customers that contain multiple element arrangements. Under these arrangements the Group will sell both fleet hardware products to customers as well as ongoing monitoring services. In the year ending 30 June 2019 multiple element contracts accounted for $2.6m of total revenues of $31.8m. Under these contracts the customer pays a fixed monthly fee for a contract term which covers both the cost of supplying and installing hardware along with monthly monitoring services. Given there are multiple elements to the sales contract, it is necessary for the Group to determine the value of the total sale assigned to each element and to determine when revenue should be recognised. As a result, revenue recognition is considered to be a key audit matter due to its complexity and the significant judgment involved. The Group also has contractual arrangements with certain customers for non-recurring engineering services. The services are typically provided over period of several months for a fixed price. In the year ending 30 June 2019 non-recurring engineering services accounted for $7.0m of total revenues of $31.8m. There is significant judgement associated with determining when performance obligations have been satisfied in order to recognise revenue. The Group has included disclosures for revenue recognition in Note 3 and related significant judgments in Note 5 of the financial report.	Our procedures included the following: ► The Group adopted AASB 15 *Revenue from Contracts with Customers* for the year ended 30 June 2019. We assessed the appropriateness of the Group's revenue recognition accounting policies in line with Australian Accounting Standards. ► We assessed, through testing a sample, the operating effectiveness of key controls over the hardware sales, cost of sales and cash receipts processes. ► For a sample of multiple element contracts whereby a fixed monthly fee is charged to cover the hardware sale and monitoring services, we verified the transaction price for each performance obligation with reference to evidence of stand-alone selling prices at contract inception. We assessed the appropriateness of the interest rate used to calculate the deferred finance component. ► For multiple element contracts we checked the arithmetical accuracy of the unwinding of the deferred finance component. ► We selected a sample of non-recurring engineering services sales, assessed management's analysis of the engineering services delivered with reference to the performance obligations and obtained evidence of service delivery and customer acceptance in order to determine whether revenue had been recorded in accordance with the Group's revenue recognition policies. We agreed inputs into the revenue recognition calculation to sales documentation.

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Why significant	How our audit addressed the key audit matter
	► We considered the appropriateness of the associated financial statement disclosures.

Share based payments

Why significant	How our audit addressed the key audit matter
The Group provides benefits to employees, including key management personnel and directors, in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The total expense arising from share-based payments transactions for the year ended 30 June 2019 is $11.1m. The accounting for share based payments is complex, including the valuation of options on grant date and assessing the impact of modifications or cancellations of awards. As a result, share based payments are considered to be a key audit matter due to the complexity and significant judgment involved. The Group has included disclosures for share based payments in Note 33 of the financial report.	Our procedures included the following: ► We obtained the share based payment arrangements, agreed the terms to the valuation calculations, and engaged with EY specialists to assist with assessing the appropriateness of assumptions and inputs to each valuation in line with the requirements of Australian Accounting Standards. ► We checked the mathematical accuracy of each valuation model. ► We assessed the accounting position paper prepared by management to confirm the treatment of the share based arrangements is in accordance with the requirements of Australian Accounting Standards.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
Canberra
20 September 2019

HEAD OFFICE
80 Mildura Street Fyshwick, ACT 2609 Australia
T: +61 2 6103 4700

U.S. OFFICE
6875 N Oracle Rd Tucson, Arizona 85704 USA
T: +1 855 377 4636

SEEINGMACHINES.COM