Seeing Machines Limited

Half Year Results to 31 December 2017

12 March 2018

Seeing Machines Limited (AIM: SEE) ("Seeing Machines" or the "Company"), an industry leader in computer vision technologies which enable machines to see, understand and assist people, is pleased to announce financial results for the six months to 31 December 2017 and the publication of the H1 2018 Directors' Report.

The half-year financial report is available for download from the Company's website: www.seeingmachines.com/announcements

Financial Highlights:

- Revenues for the half-year ended 31 December 2017 of A$14.6m – a record for the Company.[1]
- Total revenue from operations was A$14,646,538 – compared to A$3,995,748 for the same period last year – an increase of 267%.
- Revenue from the Automotive segment of A$6,882,223 (2017: A$992,934) represents an almost seven-fold increase compared to the same period last year. This was a record half-year revenue for the Automotive segment mainly as a result of milestone payments arising from the program win, as announced on 30 October 2017, with a premium German Automotive OEM in conjunction with a major Tier 1 automotive partner, to provide our FOVIO Driver Monitoring System (DMS) technology into new automobile models.
- Revenue from the Fleet segment of A$5,868,572 (2017: A$1,637,875) represents a 258% increase on the same period last year. Total value of contracts signed with Guardian customers in the first half was A$21m. This takes Fleet total contract value ("TCV") signed with customers, but not yet delivered nor recognised as revenue from A$21.5 million at 30 June 2017 to A$36.4 million at 31 December 2017. It is expected that this value will be brought to revenue as product and services are delivered approximately one third in H2FY18, and then progressively over the life of the contracts which typically range from 3 to 5 years. The FY18 full year result is expected to be weighted to H2 due to Generation 2.0 of Guardian hardware being released.
- Revenue from the Off-Road segment totalled A$1,324,732 (2017: A$789,939) representing an increase of 68% on the same period last year. This revenue mainly comprises royalties from Caterpillar on sales of DSS mining products and services.
- Revenue from the Scientific Advances segment represents mainly revenue from customers for paid research.
- Other income totalled A$328,469 (2017: A$787,838) and consisted of interest income and the R&D tax incentive grant.
- The Company made a net loss before tax of A$16,683,056 for the period, compared with a net loss of A$14,138,699 for the period to 31 December 2016.

Operational Highlights:

- Automotive production debut of Seeing Machines' FOVIO driver monitoring technology in General Motors' 2018 Cadillac CT6.

[1] Excluding H1FY16 when the one-off license fee from Caterpillar occurred.

- Significant program award from a premium German Automotive OEM in conjunction with a major Tier 1 Automotive partner, to provide the Company's FOVIO Driver Monitoring System (DMS) technology into new automobile models.
- Formal collaboration with Autoliv, a leader in Automotive Safety Systems, to deliver next generation DMS for autonomous vehicles.
- Euro NCAP proposed DMS as a primary safety system from 2020 in their "Road Map 2025" generating a significant tailwind of opportunities for Seeing Machines, complemented by US National Transportation Safety Board strong recommendation of DMS for Semi-Autonomous Vehicles following Tesla crash investigation.
- Continued strong automotive demand for paid leases of PC-DMS (technology evaluation/demonstration systems) including new Tier 1 and OEM customers, as well as customer delivery of first FOVIO OEM and Tier 1 evaluation and development kits based on FOVIO chip technology.
- Expanding footprint of Guardian Distributors performing strongly as evidenced by Technologica wins in Russia and Middle East, as well as ongoing solid performance in Asia Pacific.
- Telematics partner engagement continues to develop with first joint deal signed in Q2 with Chevron company.
- Robust sales pipeline in Fleet business which will be further bolstered by Generation 2 product launch, which is imminent.
- Announcement of Aviation collaboration with Emirates Airlines, following joint presentation at Global Aviation conference highlighting current and potential future engagements supporting training and assessment of pilots and crew in their Dubai training facilities; work which is intended to be leveraged across the aviation industry.
- Signed a new extended Partnership Agreement with Progress Rail Services Corporation ("Progress Rail") which will see the Off-Road product tailored for rail applications and sold by Progress Rail exclusively around the world on a royalty basis incorporating minimum royalty revenue growth commitments.
- Following successful discussions with potential investors during late 2017, on 3 January 2018 the Company held a General meeting at which the shareholders approved the issue of 700,000,000 ordinary shares (comprising placement shares and subscription shares) at an issue price of 5 pence. This resulted in proceeds from the issue of shares of £35m and a further £2.4m through an offer to existing shareholders.

Outlook:

The Board expects results for the current financial year to June 2018 will be very much second half weighted. The Board's revenue expectations for the second half are based on 1) a 1/3 of the Fleet TCV being delivered, equating to approximately A$12m, 2) new business in the Fleet segment, 3) new business in the Automotive segment, and 4) new business in the company's Off-Road and Aviation segments. The second half has started well, including continued progress on a new potential Automotive OEM opportunity as announced on 9 March 2018. The Board therefore remains confident in the prospects for the second half and expects the Company's results for the full year to June 2018 to be in line with expectations.

Ken Kroeger, Executive Chairman and Interim CEO commented: "*We have had a busy first half with very pleasing revenue results achieved across the business. Some of our highlights – such as the debut of the FOVIO driver monitoring platform in GM's Cadillac CT6 Super Cruise which is being touted as a "semi-autonomous industry game-changer", the program design win with a premium German OEM as well as our collaboration with Emirates and continued strength in the Fleet business – reaffirms our commitment to the Company's multi-transport sector strategy. We continue to focus on delivering significant value to shareholders but have not lost sight of our commitment to safety as fundamental to Seeing Machines'* *foundations."*

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

About Seeing Machines

Seeing Machines (LSE: SEE) is an industry leader in computer vision technologies which enable machines to see, understand and assist people. The Company deploys its FOVIO machine learning vision platform to deliver real-time understanding of drivers through AI analysis of heads, faces and eyes for Driver Monitoring Systems (DMS), which monitor driver attention state including drowsiness and distraction. DMS is increasingly considered a core automotive safety technology as well as an enabling technology for ADAS/Autonomous Driving. The Company's pioneering commercial fleet solution (Guardian) delivers an after-market, in-cabin safety intervention system with 24/7 monitoring and cloud analytics services delivered on a telematics SaaS basis. The Company also serves Aviation, Rail and Off-Road markets, and they are seeking to innovate in new markets. Based in Canberra, Australia with the intention to grow in the USA and Europe, the Company delivers multi-platform solutions from embedded software and processors to aftermarket system and service solutions to industry leaders globally. www.seeingmachines.com.

Directors Report

Revenue for the half year for the Automotive, Off Road, Fleet, Aviation and Scientific Advances divisions, and Other Income compared to the same period last year is shown in the following table:

FOR THE HALF YEAR ENDED 31 DECEMBER	Segment Revenue Dec-17 A$	Segment Revenue Dec-16 A$	Segment Profit Dec-17 A$	Segment Profit Dec-16 A$
Revenue				
Automotive	6,882,223	992,934	(2,293,977)	(2,672,072)
Off-Road	1,324,732	789,939	531,784	(1,043,951)
Fleet	5,868,572	1,637,875	(14,637,450)	(10,870,924)
Aviation	121,011	200,000	(614,689)	(714,590)
Scientific Advances	450,000	375,000	(25,598)	375,000
Total	14,646,538	3,995,748	(17,039,930)	(14,926,537)
Total other income	328,470	787,838	328,470	787,838
Total consolidated revenue - (Loss)/Profit	14,975,008	4,783,586	(16,711,460)	(14,138,699)

Cash as at 31 December 2017 has decreased compared to 30 June 2017 due to the half year loss and investments in property, plant and equipment and intangibles offset in part by proceeds from share subscription monies and proceeds from borrowing. This cash balance does not include the majority of the proceeds from the recent capital raise totalling £35m (A$62m) which was received in January 2018. Refer to Note 18: Events after balance date. Trade and other receivables have increased due to increased sales activity. Inventories have increased due to Fleet hardware stock purchases to meet customer demand and shipped in Q3. Liabilities have increased mainly due to the company entering into finance arrangements to finance inventory purchases, IT asset purchases and to securitise some Fleet customer debt.

Operational Highlights – Automotive

- Significant program award from a premium German Automotive OEM in conjunction with a major Tier 1 Automotive partner, to provide Seeing Machines' FOVIO Driver Monitoring System (DMS) technology into new automobile models. The awarded models are scheduled for mass production launch starting in 2020, and represent a Medium value program (from A$10M to A$25M revenue) based on initial included models and lifetime volume projections, with potential to become a Large value program in time.
- Established collaboration with Autoliv, a leader in Automotive Safety Systems, to deliver next generation Driver Monitoring Systems (DMS) for autonomous vehicles. The Company is immensely proud of this collaboration given Autoliv's expertise, resources and reach and believe this endorsement is evidence that Seeing Machines has world-leading DMS available for the automotive industry globally.
- Automotive production debut of Seeing Machines' FOVIO driver monitoring technology in the General Motors (GM) 2018 Cadillac CT6. The FOVIO based driver monitoring system (DMS) forms an integral part of the GM industry leading Super Cruise hands-free driving system for the highway, ensuring safe and confident vehicle operation.
- Strong customer demand for our newly released 4th generation PC-DMS (DMS technology evaluation) platform which now includes a fully automotive grade reference camera design. The Company has seen increased orders from additional Tier 1 and OEM customers, further expanding our base so that most automotive OEMs globally are current Seeing Machines customers.
- First (Beta phase) customer shipments of the Seeing Machines' FOVIO Driver Monitor Evaluation

Kit (FDM-EVK) which are small fully embedded automotive grade electronic modules based on the Company's FOVIO chip technology. This allows customers to easily scale application development and validation of the Seeing Machines DMS technology across larger development teams from engineering labs to vehicle test fleets.

- Euro NCAP proposed DMS as a primary safety system from 2020 in their "Road Map 2025" and the NTSB now recommends DMS for Semi-Autonomous Vehicles. The NTSB recommendation stemmed from the investigation of a fatal Level-2 automated driving accident and is an indicator of the importance of monitoring driver state to ensure sufficient driver engagement is maintained for safe semi-autonomous driving systems. The Euro NCAP Road Map 2025 proposes DMS as a primary safety feature in safety rating scores starting in 2020, targeting a reduction of accidents related to driver distraction and drowsiness. We view this as a compelling indicator for DMS adoption and expect significant tailwind opportunities as DMS technology is now being accepted as an important stand-alone driver safety feature, as well as a critical technology, for safe semi-autonomous vehicles.

Operational Highlights – Fleet

- Total value of contracts signed with Guardian customers in the first half was A$21m. This takes Fleet total contract value ("TCV") signed with customers, but not yet delivered nor recognised as revenue from A$21.5 million at 30 June 2017 to A$36.4 million at 31 December 2017. It is expected that this value will be brought to revenue as product and services are delivered approximately one third in H2FY18, and then progressively over the life of the contracts which typically range from 3 to 5 years. The FY18 full year result is expected to be weighted to H2 due to Generation 2.0 of Guardian hardware being released.
- Geotab, a worldwide leader in Fleet telematics solutions, added the Company's Fleet Guardian Solution, to the Geotab Marketplace. Seeing Machines' Guardian is a recent Add-In application in the Geotab Marketplace, which serves more than 14,000 Geotab customers. Geotab has 1,000,000 fleet connections to date and Seeing Machines has collaborated with Geotab to become a Geotab Marketplace partner.
- Dubai based Technologica Information Technology LLC ("Technologica") won two major Guardian deals in 2017 in the Middle East and Russia, with the combined opportunity expected by Seeing Machines to total 5,620 Guardian units. The Guardian units are expected to be ordered from Seeing Machines and installed over a one to two-year timeframe and one of these would represent the Company's largest single Fleet customer deal to date.
- Guardian sales pipeline continues to grow with A$250m in qualified opportunities now being pursued.
- Guardian 2.0 (Generation 2 hardware) to be released in H2FY18 representing lower cost base, improved performance as well as being a suitable platform on which to deliver the Company's Driver Monitoring Engine technology in future generation software releases.

Operational Highlights – Mining

- Caterpillar Inc., (CAT) launched the first CAT branded version of the Seeing Machines Driver Safety System (DSS) Off-Road (Mining) product. Delays to the launch slowed sales for CAT during the H1FY18 period. Despite this, the Off-Road business segment delivered close to plan.
- Increased inventory availability for CAT during the H2FY18 coupled with renewed strength in the mining sector should see Off-Road deliver on full year expectations.

Operational Highlights – Rail

- Seeing Machines signed a new extended Partnership Agreement with Progress Rail Services Corporation (Progress Rail). Progress Rail, a Caterpillar company, is one of the largest integrated and diversified suppliers of railroad and transit system products and services worldwide. Since its acquisition of Electro-Motive Diesel (EMD), Progress Rail is the world's largest builder of dieselelectric locomotives for all commercial railroad applications including freight, intercity passenger, commuter, switching, industrial and mining.

- The Agreement provides exclusive worldwide license rights to Progress Rail, for core rail applications under specific conditions, on a royalty basis incorporating minimum royalty revenue growth commitments.
- Progress Rail are building a pipeline of opportunities with significant rail operators in the heavy freight market across North America, UK/Europe and Asia Pacific.
- Seeing Machines is building on strong momentum in the UK Tram Market (light rail) with Croydon Trams having recently been the first UK Tram operation to roll out Guardian across its network.

Operational Highlights – Aviation

- Seeing Machines Aviation collaborated with Emirates Airlines using the Company's advanced gaze tracking technology to better understand how pilots interact and monitor instruments during certain identified real-time procedures / scenarios that could pose potential safety risks. The findings from the initial study were presented at the 70th annual International Air Safety Summit (IASS) in Dublin, and have led to additional collaborative data collection in the Emirates A380 Full Flight Simulator with 26 line pilots flying multiple critical scenarios. These activities have paved a clear pathway to product installation of the Seeing Machines technology into Emirates pilot / crew training facilities.
- Significant interest being generated from multiple carriers and operators across US and Asia Pacific has led to a Simulator OEM evaluation of Seeing Machines technology and a joint pathway to product installation for our early adopter clients and partners.

Operational Highlights – Scientific Advances

Advanced Safe Truck Concept

- Major aftermarket concept development program well underway, funded primarily through the Australian Government Cooperative Research Centre Projects program. Total project value A$6.5m, with A$2.25M payable to Seeing Machines over 3 years).
- First stage of the advanced concept development, in-depth driver state data collection, commenced at the Monash University Accident Research Centre simulator laboratory.
- Volvo Trucks Australia joined as program partner, alongside existing partners Ron Finemore Transport and Monash University Accident Research Centre. OEM input is a significant advantage in fine tuning the driver state sensing future concept.
- 2018 will see Seeing Machines conduct a world-first naturalistic truck study which provides the Company with unparalleled opportunities to develop market-leading solutions based on significant data collection using driver monitoring technology.

CAN Drive (Canberra's Automated Vehicle Trial) aims to:

- Accelerate the development of Company DMS for semi-autonomous OEM applications.
- Provide opportunities for the local community in the Australian Capital Territory (ACT) to experience Autonomous Vehicles first hand and to stimulate their uptake.
- Inform government policy in the areas of autonomous vehicles, transport planning and policy and road safety policy.
- The program will enable Seeing Machines to acquire a Tesla vehicle, equip it with the Company's DMS technology to study how drivers interact with these technologies, thus providing valuable data to inform our future technology.
- A contract was signed with the local ACT Government in December 2017 to the value of $1.2m. Planning for program commencement and launch with ACT Ministers is taking place and planned for 2018.

University of Leeds

- Collaborative R&D engagement with the Institute of Transport Studies at the University of Leeds to examine how driver attention and behaviour changes when operating a Level 2/3 vehicle. This is very complementary to the Seeing Machines CAN Drive program.

Summary

- Fleet business performed strongly with a record H1FY18 and showing enormous potential. A A$250m sales pipeline, significant product cost reductions when Generation 2 product launches in H2FY18, and new distribution channels set the foundations for rapid growth in revenue and most importantly high margin recurring revenues from monitoring.
- Automotive business gaining momentum in H1FY18 based on:
  - Production model design win with a premium German OEM and Tier 1.
  - Strong demand for the Company's technology evaluation and development platforms over a widening customer base.
  - Shipment of the first (beta) development systems (FDM-EVK) featuring Seeing Machines' FOVIO Chip technology.
  - Collaboration established with Autoliv who have world class expertise, resources, and reach in the automotive safety market.
  - Further evidence of future market acceptance/demand based on Euro-NCAP and NTSB announcements targeting improved driver safety and safe semi-autonomous vehicles.

The Directors remain committed to delivering significant growth in shareholder value and we look forward to reporting on our continued progress during this year.

Events after Balance Date

Following successful discussions with potential investors during late 2017, on 3 January 2018 the company held a General meeting at which the shareholders approved the issue of 700,000,000 Ordinary shares (comprising Placement shares and Subscription shares) at an issue price of 5 pence. This resulted in proceeds from the issue of shares of £35m during January 2018. An offer was also made to existing eligible shareholders which closed on 12 January 2018 raising a further £2.4m during January 2018.

On 29 January 2018, Mike McAuliffe, CEO and Director left the Company. Executive Chairman Ken Kroeger was appointed as interim CEO by the Board until the recruitment of a new CEO is finalised.

Ken Kroeger
Chairman & Interim CEO
12 March 2018

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017	Note	31 DEC 2017 A$	30 JUN 2017 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	17,449,776	21,438,025
Trade and other receivables	6	8,462,515	7,581,367
Inventories	7	2,213,972	702,212
Current financial assets		576,706	574,793
R&D refundable tax offset receivable		-	4,700,825
Other current assets		4,427,480	3,565,033
TOTAL CURRENT ASSETS		33,130,449	38,562,255
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,106,141	959,040
Intangible assets	9	4,521,663	5,218,589
Non-current financial assets		140,191	140,191
Trade and other receivables	6	1,890,830	1,828,627
TOTAL NON-CURRENT ASSETS		7,658,825	8,146,447
TOTAL ASSETS		40,789,274	46,708,702
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,749,456	5,611,096
Provisions		2,116,719	2,012,383
Deferred revenue		921,900	1,467,967
Current financial liabilities	10	2,289,940	-
TOTAL CURRENT LIABILITIES		11,078,015	9,091,446
NON-CURRENT LIABILITIES			
Provisions		24,536	44,372
Non-current financial liabilities	10	774,933	-
TOTAL NON-CURRENT LIABILITIES		799,469	44,372
TOTAL LIABILITIES		11,877,484	9,135,818
NET ASSETS		28,911,790	37,572,884
EQUITY			
Contributed equity		103,682,993	96,482,665
Treasury shares		(1,191,078)	(1,191,078)
Accumulated losses		(76,137,580)	(59,426,120)
Other reserves		2,557,455	1,707,417
Equity attributable to the owners of the parent		28,911,790	37,572,884
TOTAL EQUITY		28,911,790	37,572,884

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

Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017	Note	2017 A$	2016 A$
Sale of goods and license fees		6,767,437	1,669,995
Rendering of services		7,429,101	1,950,753
Research revenue		450,000	375,000
Revenue		14,646,538	3,995,748
Cost of sales		(8,049,101)	(4,093,322)
Gross profit/(loss)		6,597,437	(97,574)
Net (loss)/gain in foreign exchange		(604,262)	391,324
Finance income		206,976	386,285
Other Income	4	121,493	10,195
Expenses			
Research and development expenses		(10,528,066)	(6,275,599)
Customer support and marketing expenses		(5,500,839)	(4,355,506)
Occupancy and facilities expenses		(3,493,569)	(1,094,867)
Corporate services expenses		(3,440,535)	(3,102,957)
Finance Costs		(41,691)	-
Loss before income tax		(16,683,056)	(14,138,699)
Income tax expense		(28,404)	-
Loss after income tax		(16,711,460)	(14,138,699)
Loss for the period		(16,711,460)	(14,138,699)
Attributable to:			
Equity holders of parent		(16,711,460)	(14,138,699)
Non-controlling interests		-	-
		(16,711,460)	(14,138,699)
Other comprehensive income/(loss) to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		265,372	(55,470)
Other comprehensive income/(loss) net of tax		265,372	(55,470)
Total comprehensive loss		(16,446,088)	(14,194,169)
Total comprehensive loss attributable to:			
Equity holders of parent		(16,446,088)	(14,194,169)
Non-controlling interests			-
Total comprehensive loss for the year		(16,446,088)	(14,194,169)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.01320)	(0.01316)
· Diluted earnings per share		(0.01320)	(0.01316)

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

Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017	Contributed Equity A$	Treasury Shares A$	Accumulated Losses A$	Foreign Currency Translation Reserve A$	Employee Equity Benefits & Other Reserve A$	Total Equity A$
At 1 July 2016	70,592,134	(1,226,938)	(29,737,234)	(764,810)	1,561,165	40,424,317
Loss for the half-year	-	-	(14,138,699)	-	-	(14,138,699)
Other comprehensive income	-	-	-	(55,470)	-	(55,470)
Total comprehensive income	-	-	(14,138,699)	(55,470)	-	(14,194,169)
Transaction with owners in their capacity as owners						
Shares issued	214,490	-	-	-	-	214,490
Treasury Shares	-	35,860	-	-	-	35,860
Employee Share Option Scheme	-	-	-	-	45,310	45,310
At 31 December 2016	70,806,624	(1,191,078)	(43,875,933)	(820,280)	1,606,475	26,525,808
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	-	-	(16,711,460)	-	-	(16,711,460)
other comprehensive income	-	-	-	265,372	-	265,372
Total comprehensive income	-	-	(16,711,460)	265,372	-	(16,446,088)
Transaction with owner in their capacity as owner						
Shares issued	111,974	-	-	-	-	111,974
Shares to be issued (note a)	7,184,081					7,184,081
Treasury Shares	-	-	-	-	-	-
Capital raising costs	(95,727)	-	-	-	-	(95,727)
Employee Share Option Scheme	-	-	-	-	584,666	584,666
At 31 December 2017	103,682,993	(1,191,078)	(76,137,580)	(499,682)	3,057,137	28,911,790

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

Note a: Subscription monies are funds received from subscribers in advance of the shareholder meeting on 3 January 2018. At this meeting shareholders approved the Placing and shares were subsequently issued. Refer note 18: Events after Balance Date

Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017	Note	Consolidated 2017 A$	Consolidated 2016 A$
Operating activities			
Receipts from customers (inclusive of GST)		11,132,150	13,470,938
Payments to suppliers and employees (inclusive of GST)		(29,147,129)	(17,835,288)
Government Grants		-	103,125
Interest received		2,309	1,087
Interest paid		(41,691)	-
Income tax paid		(28,404)	-
Payments received for research and development costs		4,700,825	-
Net cash flows used in operating activities		(13,381,940)	(4,260,138)
Investing activities			
Purchase of plant and equipment		(740,154)	(141,724)
Payments for intangible assets		(182,378)	(889,105)
Purchase of held to maturity financial assets		(1,913)	-
Net cash flows used in investing activities		(924,445)	(1,030,829)
Financing activities			
Proceeds from receipt of subscription monies		7,184,081	-
Cost of capital raising		(95,727)	-
Proceeds from borrowings		3,175,417	-
Repayment of borrowings		(110,544)	-
Net cash flows from financing activities		10,153,227	-
Net decrease in cash and cash equivalents		(4,153,158)	(5,290,967)
Net foreign exchange differences		164,909	(53,423)
Cash and cash equivalents at 1 July		21,438,025	16,948,300
Cash and cash equivalents at 31 December	5	17,449,776	11,603,910

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