



ABN 34 093 877 331

Interim Financial Report for the
six-month period ended 31 December 2023

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Directors' Report

The Directors submit their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Seeing Machines Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the six-month period ended 31 December 2023 ("half-year"). The Group's functional and presentation currency is US dollars (\$).

Directors

The names of the Directors of Seeing Machines Limited in office during the half-year and until the date of this report are listed below. All Directors were in office for the entire period covered by the report unless otherwise stated.

Kate Hill	Non-Executive Director and Chair
Paul McGlone	Executive Director and Chief Executive Officer (CEO)
Yong Kang (YK) Ng	Non-Executive Director (resigned 29/11/2023)
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director
Stephane Védie	Non-Executive Director (appointed 25/10/2023)

Review of Operations

Overview

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

Financial Results

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

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

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

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

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

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

Directors' Report (continued)

Review of Operations (continued)

Financial Results (continued)

Operating expenses increased compared to the comparative period, these included additional amortisation for development costs, investment in infrastructure and people to scale the Aftermarket operations, development resources for customer projects and an expanded global Aftermarket sales team. During the period several customer projects were completed resulting in a reduction in outsourced development resource capacity. This will contribute to a reduction in development expenditure for the 6-month period to 30 June 2024.

Net operating cashflows have improved to a net outflow of \$1,109,000 (H1 FY2023: \$6,832,000 outflow) when compared to the same period last year. This can be credited to an improvement in the management of working capital balances for the period, with reductions in both receivables and inventory balances.

Cash and cash equivalents at 31 December 2023 totalled \$22,215,000 (FY2023: \$36,139,000).

We highlight this report is unaudited. There is no requirement for the interim financial statements to be subject to review by the external auditor.

Operational Highlights

Regulatory momentum has continued to extend across the globe, which promises increased demand for the Company's Driver Monitoring System (DMS) technology. In Europe, the General Safety Regulation (GSR) comes into effect in July 2024 presenting significant additional opportunities for installations of Seeing Machines' technology across existing and new automotive opportunities and for commercial vehicles.

Guardian Generation 3, the Company's Aftermarket DMS for the commercial transport and logistics sector, launched at CES 2024 in January, was independently tested by IDIADA Automotive Technology, S.A. at their state of the art test and development facilities and assessed to meet requirements for drowsiness detection for GSR. This has opened additional Aftermarket opportunities as the Company is now working with a number of European and UK based commercial vehicle OEMs to deliver the technology as 'factory-fit', enabling them to sell compliant vehicles to their end customers. Seeing Machines will continue to serve operators globally with Guardian as an Aftermarket solution, and Europe is seeing increased demand in response to the regulatory requirements. Guardian is now installed in almost 57,000 commercial vehicles globally, contributing to the growing Annualised Recurring Revenues of \$14.5 million.

Seeing Machines was appointed by an existing European Tier 1 customer to deliver its FOVIO DMS technology for a new European OEM, initially targeting enhanced regulatory focused DMS features, and evolving into a generational opportunity featuring driver and occupant monitoring system functionality, with an initial lifetime value of \$30 million. The Company was also appointed by another existing Tier 1 customer to deliver FOVIO DMS technology on an additional program for an existing European OEM, targeting safety regulation expectations, with an initial lifetime value of \$15 million. This brings the program count for Automotive to 17 across 11 individual OEM customers and the cumulative initial lifetime value of all Automotive programs to \$366 million.

Seeing Machines' DMS technology is now installed into over 1.5 million passenger vehicles (representing growth of 116% on the previous year). Given the fast-approaching regulatory deadlines in Europe, it is expected that Automotive royalties will see a meaningful uptick this calendar year to reflect OEMs installing the technology across more vehicle lines to achieve compliance and to meet the imminent European New Car Assessment Protocol (Euro NCAP) safety ratings.

Collins Aerospace, exclusively working with the Company to target the aviation sector, has begun joint development of the world's first aviation fatigue detection solution, the first component of a potential multi-modal Pilot Support System, which will be jointly marketed by Seeing Machines and Collins across the aviation industry.

Chief Executive Officer

The Group's Chief Executive Officer as at the date of this report is Paul McGlone.

Company Secretary

As at the date of this report the Company Secretary is Susan Dalliston.

Directors' Report (continued)

Employee Numbers

At 31 December 2023 the Group had 457 full-time employees (399 employees at 30 June 2023).

Principal Activities

The Group's principal activities during the half-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;
- Entering commercial agreements with partners for the design, development and sale of products into key target markets; and
- 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 half-year there was no significant change in the state of affairs of the Group other than those referred to elsewhere in this report and in the financial statements or notes thereto.

Environmental Regulations

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

Directors and Officers Insurance

During the half-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.

Non-Audit Services

PwC have not rendered any non-audit services during the half-year.

Rounding of amounts

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

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

On behalf of the Board



Paul McGlone
Executive Director & Chief Executive Officer
Canberra
15 March 2024

Interim Consolidated Statement of Financial Position – Unaudited

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

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

Interim Consolidated Statement of Comprehensive Income – Unaudited

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

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

Interim Consolidated Statement of Changes in Equity – Unaudited

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

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

Interim Consolidated Statement of Cash Flows – Unaudited

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

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

Notes to the Interim Consolidated Financial Statements – Unaudited

1 Corporate information

Seeing Machines Limited (the “Company” or the “Group”) is a limited liability company incorporated and domiciled in Australia and listed on the AIM market of the London Stock Exchange. The address of the Company’s registered office is 80 Mildura Street, Fyshwick, Australian Capital Territory, Australia.

Seeing Machines Limited and its subsidiaries (the “Group”) provide operator monitoring and intervention sensing technologies and services for the automotive, mining, transport and aviation industries.

The interim consolidated financial report of the Group (the “interim financial report”) for the six-month period ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 15 March 2024.

2 Basis of preparation

(a) Basis of preparation

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

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

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

(b) Accounting policies

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Correction for accounting for convertible notes

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

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

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

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

Notes to the Interim Consolidated Financial Statements – Unaudited

3 Segment information

a. Segment revenue based on operating segment

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

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

b. Revenue from contracts with customers

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

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

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

c. Geographic information

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

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

Notes to the Interim Consolidated Financial Statements – Unaudited

4 Expenses

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

5 Cash and cash equivalents

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

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

Notes to the Interim Consolidated Financial Statements – Unaudited

6 Trade and other receivables

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

7 Inventories

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

8 Property, plant and equipment

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

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

9 Intangible assets

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

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

10 Trade payables

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

Notes to the Interim Consolidated Financial Statements – Unaudited

11 Lease liabilities

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

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

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

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

12 Borrowings

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

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

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

On 4 October 2022, Seeing Machines received funding of \$47,500,000 from Magna International (“Magna”) in the form of a non-transferable 4-year convertible note maturing in October 2026 (the “Convertible Note”). The Convertible Note can be drawn down in two tranches across the 4-year term. The Convertible Note has an all-in yield of 8%, inclusive of fees. The Convertible Note contains standard covenants, and anti-dilution provisions. The interest due at the end of the facility can be paid in cash or converted into equity at Seeing Machines' election.

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

Magna may elect to convert the principal and at Seeing Machines' election, interest outstanding under the Convertible Note at any time during its term, up to a maximum of 349,650,350 shares which, when added to Magna's existing shareholding in the Company, will represent approximately 9.9% of the fully diluted share capital of the Company. The conversion will be at a price of 11 British pence per share. The option provided to Magna is deemed to be an embedded derivative and is classified as other equity (see Note 13).

Notes to the Interim Consolidated Financial Statements – Unaudited

13 Other equity

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

(i) *Conversion right of convertible notes*

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

14 Dividends paid

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

15 Earnings per share

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

Earnings used in calculating earnings per share

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

Weighted average number of shares

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

16 Contributed equity

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

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

Fully paid shares carry one vote per share and carry the right to dividends. The Company has no set authorised share capital and shares have no par value.

Notes to the Interim Consolidated Financial Statements – Unaudited

17 Share-based payments

Long Term Incentive – 2020 Performance rights or share options offers - Executive and key staff

From 1 July 2015, senior staff and other key staff are offered long term incentive (LTI) performance rights or share options. Under this structure, the staff are only able to exercise the rights, and have new ordinary shares issued to them, if any performance, market and vesting conditions are met. These conditions typically include a performance condition requiring the staff member to achieve a minimum "meets expectations" rating and some rights have included a market condition in the form of a minimum Target Share Price (TSP). The vesting period ranges from 9 months to 5 years from the end of the relevant financial year or grant date. Performance rights or options are often offered as part of the annual remuneration review and may be offered at other times. Any offer of performance rights or options requires Board approval and, when granted, is announced to the market.

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

8,004,838 of the performance rights under the LTI have been awarded in recognition of the past achievement of the Company's objectives in FY2022. The rights were valued at the spot rate of the shares at grant date, and the value is amortised over the vesting period. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2022 and require the employee to remain continuously employed by the Company until each relevant vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

The remaining 4,415,394 performance rights have been granted under a Key Person Agreement in respect of one nominated person. This person has been identified as having a key role directly related to the Company's long-term success and the allocation of accelerated performance rights has been implemented by the Board to successfully retain this employee and affirm successful delivery on a range of projects and customer commitments. These awards have an accelerated grant with delayed vesting taking place on 1 July 2024 and require the employee to remain continuously employed by the Company until the vesting date. If the employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

In some cases, for 'good leavers', determined on a discretionary basis by management, options are prorated for service in the current period and that portion is vested on termination, the remaining rights are cancelled.

There is no cash settlement of the rights. The Group accounts for the Executive Share Plan as an equity-settled plan.

18 Related party disclosures

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

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

19 Commitments

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

20 Events after the reporting period

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

Directors' Declaration

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

In the opinion of the Directors:

- (a) The financial statements and notes of Seeing Machines Limited for the six-month period ended 31 December 2023 present fairly, in all material aspects, the consolidated entity's financial position as at 31 December 2023 and of its performance for the six-month period ended on that date, in accordance with the Australian Accounting Standards.
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Paul McGlone
Executive Director & Chief Executive Officer
Canberra
15 March 2024