

Seeing Machines Limited

ABN 34 093 877 331

Annual report

For the year ended 30 June 2023



seeingmachines

Seeing Machines Limited

ABN 34 093 877 331

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Seeing Machines Limited
Corporate information

This annual report covers Seeing Machines Limited as a consolidated entity. The Group's functional and presentation currency is USD (US\$). 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 following information is current as at 30 June 2023.

Directors

Kate Hill
Non-Executive Director and Chair

Paul McGlone
Executive Director and Chief Executive Officer

Yong Kang (YK) Ng
Non-Executive Director

Gerhard Vorster
Non-Executive Director

John Murray
Non-Executive Director

Michael Brown
Non-Executive Director

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@seeingmachine.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.

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006 Australia

Solicitors

Herbert Smith Freehills
ANZ Tower 161
Castlereagh Street
Sydney NSW 2000 Australia

Fieldfisher LLP
Riverbank House 2 Swan Lane
London EC4R 3TT United Kingdom

Bankers

HSBC Commercial Bank
580 George Street
Sydney NSW 2000 Australia

Your Directors present their report on the consolidated entity consisting of Seeing Machines Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023. Throughout the report, the consolidated entity is referred to as the Group.

Directors and company secretary

The following persons were Directors of Seeing Machines Limited during the whole of the financial year and up to the date of this report:

Kate Hill, Non-Executive Director and Chair
 Paul McGlone, Executive Director and Chief Executive Officer
 Yong Kang (YK) Ng, Non-Executive Director
 Gerhard Vorster, Non-Executive Director
 John Murray, Non-Executive Director
 Michael Brown, Non-Executive Director

Principal activities

The Company's principal activities during the year were:

- (a) 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;
- (b) Entering commercial agreements with partners for the development, manufacturing and sale of products into key target markets; and
- (c) Research and development of the Company's core vision processing technologies to support the development and refinement of the Company's products.

Dividends - Seeing Machines Limited

No dividends or distributions have been made to members during the year ended 30 June 2023 (2022: nil) and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2023 (2022: nil).

Review of operations

The Company's total revenue for the financial year (excluding foreign exchange gains and finance income) was US\$57,771,000 compared to the 2022 revenue of US\$39,000,000, representing a 48% increase on prior year results.

Product	2023 US\$'000	2022 US\$'000	Variance %
OEM	26,707	10,518	154
Aftermarket	31,064	28,482	9
Sales Revenue	57,771	39,000	48

(continued)

Review of operations (continued)

OEM revenue more than doubled compared to the previous corresponding period in line with the early stage ramp up of vehicle production for a number of Automotive OEM programs. Royalty revenues, derived from installation of Seeing Machines' Driver Monitoring System (DMS) technology, increased by 91% to US\$7,580,000 from US\$3,960,000 in FY22. 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 FY23, the OEM operating segment entered into two key exclusive collaboration arrangements which earned licensing revenue of US\$11,332,000 (2022: nil). The remainder of the revenue in the OEM segment primarily represents NRE (Non-Recurring Engineering) revenue which is software development activities undertaken to embed DMS technologies into the specific OEM configuration prior to the commencement of production. NRE revenue increased by 16% to US\$6,766,000 (2022: US\$5,850,000), and is a lead indicator of future royalty revenue.

Aftermarket hardware and installation revenue decreased by 2% over the prior year to US\$14,495,000 (2022: US\$14,722,000) which was due to limited hardware supply in the first half of the financial year. Connected Guardian units increased to 51,975 units in June 2023 representing 30% growth from 39,832 in June 2022. As a result of this growth, monitoring services revenue increased by 17% to US\$11,117,000 (2022: US\$9,512,000), continuing the accumulation of recurring revenue from the Guardian connections.

Gross profit increased from US\$17,508,000 in FY22 to US\$28,898,000 in FY23. Operational gross profit margin improved 5% year on year from 45% in FY22 to 50% in FY23 primarily reflecting increased high-margin OEM royalty and exclusivity licence revenues.

The Company continued to invest in its core technology development to further strengthen its competitive moat, rapidly expand features and leverage its unique systems approach across global OEM and Aftermarket industries. As a result, Seeing Machines has reflected a portion of development expenditure which meets recognition criteria as an intangible asset. During FY23, such development expenditure amounting to US\$23,685,000 (2022: US\$18,611,000) was capitalised and US\$2,444,000 (2022: US\$829,000) was amortised. The remaining research and development costs have been expensed and amount to US\$11,264,000 (2022: US\$11,251,000). The total investment in research and development for the current year amounting to US\$34,949,000 (2022: US\$29,862,000).

The resultant loss for the period represented a decrease of US\$3,019,000 at US\$15,548,000 (2022 loss: US\$18,567,000).

Net cash and cash equivalents at 30 June 2023 totalled US\$36,139,000 (2022: US\$40,470,000).

On 4 October 2022, Seeing Machines received funding of US\$47,500,000 from Magna International in the form of a non-transferable 4-year convertible note maturing in October 2026 (the "Convertible Note"). Details of the Convertible Note can be found in Note 21 to the Financial Statements. The proceeds of the Convertible Note are being used to meet technology demands, for general working capital and corporate purposes, as well as to strengthen the Company's balance sheet so that it is fully funded to deliver on its current business plan.

Operational Highlights

Seeing Machines continues to grow across all segments, now a well-recognised leader in the delivery of proven driver and occupant monitoring system technology with accelerated momentum achieved throughout FY23.

Martin Ive, CFO, was appointed to the Company in November 2022. Martin is a highly experienced finance professional and chartered accountant. He was previously the CFO for leading ASX-listed Altium Limited and is responsible for overseeing the global finance function and providing financial insights and information to guide strategic and operational decisions.

Operational Highlights (continued)

Regulatory tailwinds have increased demand across all road transport segments as Europe's General Safety Regulation (GSR2) is now in effect, and Euro NCAP (New Car Assessment Program) five-star system imminent for all cars sold across Europe, delivering a positive global impact on DMS fitment. The USA is ramping up its path towards regulated requirement for driver assistance features, including DMS, to address distraction and impairment, in particular. Seeing Machines is working closely with rule-makers and other bodies in the USA to inform the protocols that underpin robust safety outcomes.

The introduction of quarterly Key Performance Indicators (KPIs) during the period has enabled the Company to demonstrate ongoing momentum as well as year on year growth for the Automotive and Aftermarket businesses. In Automotive, revenue has transitioned from low margin NRE to high margin royalty revenue as cars start production across a range of programs. Seeing Machines now has more than 1 million cars on the road (1,086,176) installed with DMS technology. This number is projected to grow substantially for the foreseeable future based on current programs and will further expand as more programs are awarded, currently under Request for Quote (RFQ). The value of current won business, based on initial minimum volumes stands at US\$321m with the majority of that revenue to be recognised over the period to 2028.

A highlight during the period was the agreement between Seeing Machines Limited and Magna to exclusively co-market DMS/OMS integrated into the rear-view mirror. This location is predicted to experience the biggest growth across all markets and represents a big step-change for the Company. Working with one of the world's largest automotive tier-one suppliers, with a focus on mirrors, will enable Seeing Machines to increase market share as OEMs work hard to meet regulatory requirements, deliver a reliable driver and occupant monitoring solution and respond to the integration challenge inside the cabin.

In Aftermarket, Guardian connections have increased by 30% over the year to almost 52,000 global installations, contributing to expanding Annual Recurring Revenue (ARR) performance. With a historically low churn rate across this business, ARR is a very important contributor to overall Company revenue. Regulation, specifically in Europe with the GSR, is positively impacting the potential for increased Guardian connections and there has been good momentum in Europe with commercial vehicle manufacturers seeking to 'factory-fit' the technology in order to sell compliant vehicles across the continent, and globally. Seeing Machines is engaged with these customers and this additional segment ("After Manufacture") is now a key focus for the Company. The regulatory momentum has also seen increased interest in large multinational organisations and Seeing Machines will refocus on the USA as it launches its third generation Guardian technology early in 2024.

Seeing Machines signed an exclusive licence with Collins Aerospace, a Raytheon Technologies business, to jointly develop pioneering eye-tracking solutions for the global Aviation industry. Collins Aerospace is the world's largest Tier 1 Avionics company and has been working successfully with Seeing Machines for some years. Building on this history, the collaboration will enable the two companies to access the significant opportunity across aircraft and simulators of over US\$700 million in the next 20 years, and to develop revolutionary fatigue management technology solutions to increase safety across this sector. The exclusivity will see Collins pay Seeing Machines US\$10 million over three years as well as NRE payments that will cover development of solutions, evolving into potential future royalty payments as shipsets are released to customers.

Seeing Machines exists to get people home safely and now boasts three revenue generating business units that are contributing to that mission every day.

Significant changes in the 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.

Events since the end of the financial year

No matters or circumstances have arisen since 30 June 2023 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

More information on the likely developments and expected results of the operations are included in the review of operations and operational highlights on pages 2 to 4.

Environmental regulation

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

Chief Executive Officer

The Company's Chief Executive Officer (CEO) is Paul McGlone (appointed 4 July 2019).

Company secretary

Susan Dalliston is the General Counsel & Company Secretary (appointed 4 July 2019) at the date of this report.

Prior to joining Seeing Machines, Susan was General Counsel & Company Secretary for an advanced biofuel company with a patented process converting biomass residues into biocrude.

She has several years' experience advising on financial transactions, mergers and acquisitions, capital raising, contract negotiation, commercialisation of intellectual property, governance and risk management.

Susan holds a Bachelor of Arts, Bachelor of Laws, Master of Laws and a Graduate Certificate in Intellectual Property. She has undertaken the Company Directors Course through the Australian Institute of Company Directors (MAICD), is a member of the Association of Corporate Counsel (ACC) and holds an unrestricted practicing certificate through the ACT Law Society.

Employee Numbers

At 30 June 2023 the Group had 399 full-time employees (266 employees at 30 June 2022).

(continued)

Information on 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.

Kate Hill Chair of the Board & Non-Executive Director		
Experience and expertise	<p>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 IPO's, 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.</p> <p>Kate holds a BSc (Honours) in Mathematics and Statistics from Bristol University, is a Member of Chartered Accountants in Australia and New Zealand, and a Graduate of the Australian Institute of Company Directors. Kate is an Independent Director.</p>	
Other current directorships	Kate is a Non-Executive Director of Count Limited (ASX: CUP), Artrya Limited (ASX: AYA), MedAdvisor Limited (ASX: MDR) and Hipages Group Limited (ASX: HPG).	
Special responsibilities	<p>Appointed as a Non-Executive Director on 13 December 2018, as interim Chair of the Board on 5 June 2019, as Chair of the Board on 22 July 2019.</p> <p>Member of the Risk, Audit and Finance Committee and of the People, Culture and Risk Committee.</p>	
Interests in shares and options	Ordinary shares	4,500,000
Paul McGlone CEO & Executive Director		
Experience and expertise	<p>Appointed on 4 July 2019. Paul has held the CEO position for 4 years, prior to which he held the position of head of Fleet, prior to its renaming as Aftermarket. Paul has extensive experience in public company leadership, supply chain and technology driven businesses.</p> <p>During his 10-year career at Australian listed company, Brambles, Paul held operational and corporate leadership roles including President of CHEP Asia Pacific and Group Vice President Strategy, Planning and Innovation. He was the architect of its global growth plan which resulted in a threefold increase in the company's market capitalisation.</p>	
Other current directorships	Paul was appointed as a Director of Canberra Institute of Technology (CIT) in July 2021.	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary shares	540,000
	Options in shares	12,000,000
	Rights in shares	15,000,000

Information on directors (continued)

Gerhard Vorster <i>Non-Executive Director</i>		
Experience and expertise	<p>Appointed on 1 December 2019. Gerhard is an accomplished senior executive and former Deloitte partner with a growing board portfolio and significant expertise in strategy and technology. Gerhard began his career at Deloitte in 1987 in the consulting business as a strategic management consultant and partner. Over a 28-year career with the firm, Gerhard was appointed to various executive roles, including Managing Partner for Consulting for the Australia and Asia Pacific region and his most recent role, Chief Strategy Officer for the region.</p> <p>Gerhard holds a BSc in Civil Engineering from the University of Pretoria and a Master of Business Administration (Cum Laude) from the University of Potchefstroom. He is a member of the Australian Institute of Company Directors. Gerhard is an Independent Director.</p>	
Other current directorships	Gerhard is currently an alternate director of the Brisbane Airport Corporation and Chairman of the Bio Capital Impact Fund	
Special responsibilities	Non-Executive Director and Chair of the People, Culture and Remuneration Committee	
Interests in shares and options	Ordinary shares	109,375

Information on directors (continued)

John Murray <i>Non-Executive Director</i>			
Experience and expertise	<p>Appointed on 1 December 2019. John is a highly experienced board director with significant expertise in the technology sector.</p> <p>John has been non-executive director and Chair of several ASX-listed and high growth companies throughout his career, which began in audit and investment banking, involved rising through various positions at large organisations, and eventually becoming Vice President and Head of Investment Banking at Bank of America Asia in 1989. From there, John joined the Australian Technology Group where he identified and managed investments into early-stage technology companies and went on to co-found the venture capital firm, Technology Venture Partners, in 1997, establishing a 20 year career of investing in, advising and directing technology companies.</p> <p>John holds an Honours Degree in Law from Edinburgh University and is a member of the Australian Institute of Company Directors. He is also a CA and a Member of the Institute of Chartered Accountants of Scotland. John is an Independent Director.</p>		
Other current directorships	He is currently Chairman of PainChek Limited, listed on the Australian Stock Exchange (ASX: PCK).		
Special responsibilities	Non-Executive Director and Chair of the Risk, Audit and Finance Committee		
Interests in shares and options	<table border="1"> <tr> <td>Ordinary shares</td> <td>832,291</td> </tr> </table>	Ordinary shares	832,291
Ordinary shares	832,291		

(continued)

Information on directors (continued)

Yong Kang (YK) Ng <i>Non-Executive Director</i>		
Experience and expertise	<p>Appointed on 22 March 2016. YK has extensive engineering and operations experience in the manufacturing sector with multinational corporations. Based in Johor, Malaysia, YK 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.</p> <p>YK has a BSc in Mechanical Engineering from the National Taiwan University and an MBA from Heriot-Watt University in Edinburgh, UK. YK is not considered an Independent Director on the basis of his association with VSI, a significant shareholder.</p>	
Other current directorships	Executive Director at VSI	
Special responsibilities	Non-Executive Director and member of the Risk, Audit and Finance Committee	
Interests in shares and options	Ordinary shares	2,160,349

Michael Brown <i>Non-Executive Director</i>		
Experience and expertise	<p>Appointed on 14 May 2020. Michael Brown is a highly experienced financial markets professional based in London and comes to the Seeing Machines board with a deep knowledge of the AIM market and small to mid-cap technology companies, as well as previous plc non-executive and observer board roles. He is currently a portfolio manager within the Volantis team at Lombard Odier Investment Managers.</p> <p>Michael has a BA (Economics and Politics) from Durham University, UK. Michael is not considered an Independent Director on the basis of his association with Lombard Odier, a significant shareholder.</p>	
Other current directorships	None	
Special responsibilities	Non-Executive Director and member of the People, Culture and Remuneration Committee	
Interests in shares and options	None	-

(continued)

Meetings of directors

During the 2023 financial year, eleven Board meetings were held. The following table sets out the number of Board and Committee meetings each Director attended and the number they were eligible to attend.

	Full meetings of directors		Meetings of committees			
			Risk, Audit & Finance		People, Culture & Remuneration	
	A	B	A	B	A	B
Kate Hill	11	11	5	5	4	4
Paul McGlone	11	11	*	*	*	*
Yong Kang (YK) Ng	11	11	5	5	*	*
Gerhard Vorster	11	11	*	*	4	4
John Murray	11	11	5	5	*	*
Michael Brown	11	11	*	*	4	4

A= Number of meetings attended

B= Number of meetings held during the time the Director held office or was a member of the committee during the year

*= Not a member of the relevant committee

Shares under option

(a) Unissued ordinary shares

Reference is made to Note 28 of the financial statements in respect of performance rights and options in relation to directors and staff members.

(i) Performance rights granted during or since the end of the year

During the year 12,420,232 (2022: 64,996,414) performance rights were granted by the Company under the performance rights scheme for employees. The terms and conditions of these rights are disclosed in Note 33 to the financial report.

(ii) Shares Issued as a result of the Vesting of Performance rights and options

During the year 34,607,969 (2022: 23,829,206) rights vested and ordinary shares were transferred to the employee participants from the Group Trust (the "Trust"). 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.

Indemnification of Directors and Officers (continued)

(a) Indemnity of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, 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 PricewaterhouseCoopers during or since the financial year.

Audit and non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services during the year are disclosed in Note 33 Remuneration of auditors.

The board of Directors, in accordance with advice provided by the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

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

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



Paul McGlone
Executive Director and Chief Executive Officer
Canberra
13 October 2023



Auditor's Independence Declaration

As lead auditor for the audit of Seeing Machines Limited for the year ended 30 June 2023, I declare that 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 period.

A handwritten signature in black ink, appearing to read 'J. Roberts' with a stylized flourish at the end.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
13 October 2023

Seeing Machines Limited
Consolidated statement of financial position
As at 30 June 2023

		Consolidated entity			
		At			
		30 June	30 June	1 July	
		2023	2022	2021	
Notes		US\$'000	US\$'000	US\$'000	
Assets					
Current assets					
	Cash and cash equivalents	10	36,139	40,470	35,541
	Trade and other receivables	11	27,039	18,588	14,887
	Contract assets	12	6,513	3,433	1,613
	Inventories	13	11,191	933	1,970
	Other financial assets	17	312	325	354
	Other current assets	14	1,116	2,244	2,465
	Total current assets		82,310	65,993	56,830
Non-current assets					
	Property, plant and equipment	15	3,861	3,033	2,520
	Right-of-use assets	26	1,853	2,376	7,154
	Intangible assets	16	45,064	23,609	3,189
	Total non-current assets		50,778	29,018	12,863
	Total assets		133,088	95,011	69,693
Liabilities					
Current liabilities					
	Trade and other payables	18	11,646	11,290	6,629
	Contract liabilities	20	4,634	2,495	579
	Lease liabilities	26	708	653	688
	Provisions	19	4,414	3,512	3,669
	Total current liabilities		21,402	17,950	11,565
Non-current liabilities					
	Borrowings	21	40,322	-	-
	Lease liabilities	26	2,195	3,000	3,954
	Deferred tax liabilities	7	2,464	-	-
	Provisions	19	174	245	144
	Total non-current liabilities		45,155	3,245	4,098
	Total liabilities		66,557	21,195	15,663
	Net assets		66,531	73,816	54,030

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

Seeing Machines Limited
Consolidated statement of financial position
As at 30 June 2023
(continued)

		Consolidated entity			
		At			
		30 June	30 June	1 July	
		2023	2022	2021	
Notes		US\$'000	US\$'000	US\$'000	
Equity					
	Contributed equity	22	240,948	240,948	201,093
	Other equity	23	5,749	-	-
	Accumulated losses	24	(185,520)	(169,972)	(151,405)
	Other reserves	24	5,354	2,840	4,342
	Total equity attributable to owners of Seeing Machines Limited		66,531	73,816	54,030

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

Seeing Machines Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

	Notes	Consolidated entity	
		Year ended 30 June 2023 US\$'000	30 June 2022 US\$'000
Sale of goods		14,596	15,911
Services revenue		21,489	15,491
Royalty and licence fees		21,686	7,598
Revenue	4	57,771	39,000
Cost of sales		(28,873)	(21,492)
Gross profit		28,898	17,508
Net foreign exchange gains	5	916	1,022
Other income	5	31	77
Expenses	6		
Research and development expenses		(11,264)	(11,251)
Customer support and marketing expenses		(6,477)	(6,525)
Operations expenses		(12,865)	(8,161)
General and administration expenses		(12,938)	(11,167)
Operating loss		(13,699)	(18,497)
Finance income		691	282
Finance costs		(2,571)	(328)
Finance costs - net		(1,880)	(46)
Loss before income tax		(15,579)	(18,543)
Income tax (expense)/benefit	7	31	(24)
Loss for the period		(15,548)	(18,567)
Loss is attributable to:			
Equity holders of Seeing Machines Limited		(15,548)	(18,567)

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

Seeing Machines Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023
(continued)

		Consolidated entity	
		Year ended	
		30 June	30 June
		2023	2022
Notes		US\$'000	US\$'000
	Loss for the period	(15,548)	(18,567)
	Other comprehensive income/(loss)		
	<i>Items that may be reclassified to profit or loss</i>		
	Exchange differences on translation of foreign operations	24 <u>310</u>	(5,137)
	Other comprehensive income/(loss) for the period, net of tax	<u>310</u>	(5,137)
	Total comprehensive income/(loss) for the period	<u>(15,238)</u>	(23,704)
	Total comprehensive income/(loss) for the period is attributable to:		
	Owners of Seeing Machines Limited	<u>(15,238)</u>	(23,704)
		Cents	Cents
	Loss per share for profit attributable to the ordinary equity holders of the Company:		
	Basic loss per share	9 (0.004)	(0.004)
	Diluted loss per share	9 (0.004)	(0.004)

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

Seeing Machines Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated entity	Notes	Contributed Equity US\$'000	Other equity US\$'000	Accumulated Losses US\$'000	Foreign Currency Translation Reserve US\$'000	Employee Equity Benefits & Other Reserve US\$'000	Total equity US\$'000
Balance at 1 July 2021		201,093	-	(151,405)	(8,991)	13,333	54,030
Loss for the period		-	-	(18,567)	-	-	(18,567)
Other comprehensive loss		-	-	-	(5,137)	-	(5,137)
Total comprehensive loss		-	-	(18,567)	(5,137)	-	(23,704)
Transactions with owners in their capacity as owners:							
Shares issued	22	40,864	-	-	-	-	40,864
Capital raising costs	22	(1,009)	-	-	-	-	(1,009)
Share-based payments	28	-	-	-	-	3,635	3,635
Balance at 30 June 2022		240,948	-	(169,972)	(14,128)	16,968	73,816
Balance at 1 July 2022							
		240,948	-	(169,972)	(14,128)	16,968	73,816
Loss for the year ended		-	-	(15,548)	-	-	(15,548)
Other comprehensive loss		-	-	-	310	-	310
Total comprehensive loss		-	-	(15,548)	310	-	(15,238)
Transactions with owners in their capacity as owners:							
Share-based payments	28	-	-	-	-	2,204	2,204
Value of conversion rights on convertible notes	23	-	5,749	-	-	-	5,749
Balance at 30 June 2023		240,948	5,749	(185,520)	(13,818)	19,172	66,531

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

Seeing Machines Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

		Consolidated entity	
		Year ended	
		30 June	30 June
		2023	2022
Notes		US\$'000	US\$'000
Cash flows from operating activities			
	Receipts from customers (inclusive of GST)	52,183	37,961
	Payments to suppliers and employees (inclusive of GST)	(77,412)	(49,543)
	Interest received	691	284
	Interest paid	(5)	-
	Income taxes paid	(496)	(192)
	Net cash (outflow) from operating activities	(25,039)	(11,490)
25			
Cash flows from investing activities			
	Purchase for plant and equipment	(1,703)	(1,344)
	Payments for intangible assets (patents, licences and trademarks)	(253)	(257)
	Payment of intangible assets (capitalised development costs)	(23,685)	(18,611)
	Interest received on financial assets held as investments	13	-
	Net cash (outflow) from investing activities	(25,628)	(20,212)
Cash flows from financing activities			
	Proceeds from issues of new shares	-	40,864
	Cost of capital raising	-	(1,009)
	Proceeds from borrowings	47,500	-
	Transaction costs in borrowings	(1,202)	-
	Principal repayment of lease liabilities	(1,005)	(922)
	Net cash inflow from financing activities	45,293	38,933
Net (decrease) increase in cash and cash equivalents		(5,374)	7,231
	Cash and cash equivalents at the beginning of the financial year	40,470	35,541
	Effects of exchange rate changes on cash and cash equivalents	1,043	(2,302)
	Cash and cash equivalents at end of financial year	36,139	40,470
10			

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

1 Corporate Information

Seeing Machines Limited (the "Company") 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 consolidated financial report of the Group (the "financial report") for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 13 October 2023.

2 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 report. 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.

Significant estimates and judgements

Capitalised development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Taxation

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets 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 depend on management's estimates of future cash flows. Given the recent history of tax losses, management's judgement is that there is not convincing evidence of future taxable profits, and therefore deferred tax assets are only recognised to the extent that there are taxable temporary differences against which these deferred tax assets can be recovered.

Determination of useful lives of development intangible assets

The determination of the useful lives of development intangible assets has been based on historical experience and expectations of future forecast economic benefits to be derived from the underlying intellectual property which was developed. Adjustments to useful lives are made when considered necessary. Management's conclusion regarding the useful lives of the development intangible assets is set out in note 35(k).

2 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates and judgements (continued)

Revenue recognition - Non-recurring engineering

The Group grants perpetual software licence to its customers for use of its Background Intellectual Property (“Background IP”) which includes DMS and OMS licences. The Group also renders non-recurring engineering services to make significant customisations to the Background IP to make it commercially viable for the customer.

Judgement is required to determine the nature of the performance obligation in these contracts. Management’s judgement is that the software licence and the non-recurring engineering services are inputs into a combined output, which is a promise to deliver customised software, and therefore that these services are not distinct from each other. Judgement is also required to determine whether the performance obligation is satisfied at a point in time or over time. Management’s judgement is that the performance obligation is satisfied over time, as the development services generate an asset without an alternative use to the group, and the group has an enforceable right to payment for work performed to date.

Accounting and valuation of convertible notes

Using the terms and conditions of the Convertible Note, entered into in the current financial year, and other available inputs and assumptions, the Group has valued the option component of the Convertible Note using the Binomial Tree Model with 16 steps to value the option. It is to be noted that this valuation technique is permissible as per paragraph B11 of AASB 13 *Fair Value Measurement*. Please refer to Note 21 for further details.

3 Business combinations and acquisition of non-controlling interests

No business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2023 (2022: none).

4 Segment information

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

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.

No segment assets and assets and liabilities are disclosed because there is no measure of segment assets and liabilities regularly reported to the entity’s chief operational decision makers.

(a) Segment Revenue and Profit/(Loss) based on operating segment

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

The OEM operating segment includes both the automotive and aviation business units, which generate largely licence-based royalty and non-recurring engineering services-based revenue, channelled through Tier 1 customers. The Aftermarket operating segment includes Fleet and Off-Road business units, which generate revenue from a mix of direct and indirect customers who retro-fit Seeing Machines technology into commercial vehicles.

4 Segment information (continued)

(a) Segment Revenue and Profit/(Loss) based on operating segment (continued)

	Year ended 30 June 2023		Year ended 30 June 2022	
	Segment revenue US\$'000	Segment profit/(loss) US\$'000	Segment revenue US\$'000	Segment profit/(loss) US\$'000
OEM	26,707	(178)	10,518	(9,642)
Aftermarket	31,064	(3,302)	28,482	2,293
Unallocated items	-	(12,068)	-	(11,218)
Total	57,771	(15,548)	39,000	(18,567)

(b) Disaggregation of 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.

**Consolidated entity
2023**

	OEM US\$'000	Aftermarket US\$'000	Total US\$'000
Sales at a point in time			
Consulting	-	3,065	3,065
Hardware and Installations	642	14,495	15,137
Royalties	-	2,387	2,387
Licensing	387	-	387
Sales over time			
Driver Monitoring	-	11,117	11,117
Non-recurring Engineering	6,766	-	6,766
Royalties	7,580	-	7,580
Licensing	11,332	-	11,332
Total revenue	26,707	31,064	57,771

Consolidated entity
2022

	OEM US\$'000	Aftermarket US\$'000	Total US\$'000
Sales at a point in time			
Consulting	-	619	619
Hardware and Installations	708	14,722	15,430
Royalties	-	3,629	3,629
Licensing	-	-	-
Sales over time			
Driver Monitoring	-	9,512	9,512
Non-recurring Engineering	5,850	-	5,850
Royalties	3,960	-	3,960
Licensing	-	-	-
Total revenue	10,518	28,482	39,000

4 Segment information (continued)

(c) Geographic information

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Revenues from external customers		
Australia	12,131	13,512
North America	31,015	15,716
Asia-Pacific (excluding Australia)	4,685	4,767
Europe	5,552	3,067
Other	4,388	1,938
Total revenue from external customers	57,771	39,000

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

5 Other income

	Consolidated entity	
	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Unrealised gains	644	702
Realised gains	272	320
Total gains on foreign exchange	916	1,022
Other income	31	77
Total other income	31	77

Seeing Machines Limited
Notes to the consolidated financial statements
30 June 2023
(continued)

6 Expenses

	30 June 2023 US\$'000	30 June 2022 US\$'000
a. Depreciation, impairment and amortisation expense		
Depreciation expense - owned assets	968	589
Depreciation expense - leased assets	522	591
Amortisation expense - development costs	2,444	829
Amortisation expense - others	39	41
Total depreciation, impairment and amortisation expense	3,973	2,050
b. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	40,195	34,850
Superannuation expense	3,182	2,368
Share-based payment expense	2,204	3,644
Wages and salaries reported as cost of sales	(12,268)	(7,879)
Wages and salaries capitalised to development costs	(19,388)	(14,205)
Total employee benefits expense	13,925	18,778
c. Other expenses		
Impairment of receivable	-	4
Non-recoverable foreign withholding taxes	443	174
	443	178

7 Income tax

(a) Income tax expense/(benefit)

	Consolidated entity	
	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
<i>Current income tax:</i>		
Current income tax charge	(4,702)	(4,500)
Adjustments in respect of current income tax of previous year	(31)	13
Taxation loss not recognised	4,702	4,511
<i>Deferred tax:</i>		
Relating to the origination and reversal of temporary differences	828	191
Temporary differences not recognised	(828)	(191)
Income tax expense/(benefit) reported in the statement of comprehensive income	(31)	24

(b) 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:

	Consolidated entity	
	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Loss before income tax	(15,579)	(18,543)
At the parent entity's statutory income tax rate of 30% (2022:30%)	(4,673)	(5,563)
Share based payments (equity settled)	661	1,122
Entertainment	4	13
Other permanent differences	134	114
<i>Origination and reversal of temporary differences:</i>		
Temporary differences not recognised	(828)	(191)
Taxation loss not recognised	4,702	4,503
Adjustments in respect of current income tax of previous years	(31)	13
Foreign tax-withholding not recoverable	-	13
Income tax expense/(benefit)	(31)	24

7 Income tax (continued)

(c) Amounts recognised directly in equity

		Consolidated entity	
		Year ended	
		30 June	30 June
		2023	2022
Notes		US\$'000	US\$'000

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Deferred tax: Convertible note

	2,464	-
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(d) Deferred income tax at 30 June relates to the following:

(i) *Deferred tax liabilities*

		Consolidated entity	
		At	
		30 June	30 June
		2023	2022
		US\$'000	US\$'000

The balance comprises temporary differences attributable to:

Fixed assets	-	(9)
Right-of-use assets	(556)	(750)
Intangible assets	(18)	(21)
Unrealised foreign exchange gain	(193)	(244)
	(767)	(1,024)

Other

Convertible notes	(2,464)	-
Total deferred tax liabilities	(3,231)	(1,024)

Set-off of deferred tax assets	767	1,024
Net deferred tax liabilities	(2,464)	-

7 Income tax (continued)

(d) Deferred income tax at 30 June relates to the following: (continued)

(ii) Deferred tax assets

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
The balance comprises temporary differences attributable to:		
R&D offset	-	2,353
Provision for expected credit loss	40	21
Accrued expense	96	112
Annual leave	798	738
Long service leave	309	257
Warranties	245	165
Makegood	15	15
S. 40-880 deduction	274	358
Finance lease liabilities	871	1,154
Accrued bonuses	587	648
OPEX interest	30	33
Others	4	7
Gross deferred tax assets	<u>3,269</u>	<u>5,861</u>
Set-off of deferred tax liabilities	<u>(767)</u>	<u>(1,024)</u>
Net deferred tax balance not brought to account	<u>2,502</u>	<u>4,837</u>
Tax losses	<u>(43,647)</u>	<u>(38,613)</u>
Losses not recognised	<u>43,647</u>	<u>38,613</u>
	<u>-</u>	<u>-</u>

(e) Unrecognised temporary differences

At 30 June 2023, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of US\$145,490,000 (DTA of US\$43,647,000) for which no deferred tax asset has been recognised on the statement of financial position (2022: unrecognised tax losses of US\$128,710,000 and DTA of US\$38,613,000). These losses are available for recoupment subject to satisfaction of relevant statutory tests in each jurisdiction.

As at 30 June 2023 there are net unrecognised deductible temporary differences of US\$8,340,000 (DTA of US\$2,502,000) for which no deferred tax asset has been recognised on the statement of financial position (2022: net unrecognised deductible temporary differences of US\$16,123,000 and DTA of US\$4,837,000).

7 Income tax (continued)

(f) Tax consolidation

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

Seeing Machines Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005. 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. Under the funding agreement, the funding of tax within the Group is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052. 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.

8 Dividends Paid and Proposed

No dividends or distributions have been made to members during the year ended 30 June 2023 (2022: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2023 (2022: nil).

9 Earnings per share

	Consolidated entity	
	Year ended	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
<i>Basic earnings per share</i>		
For basic and diluted earnings per share:		
Net loss	<u>(15,548)</u>	(18,567)
Net loss attributable to ordinary equity holders of the Company	<u>(15,548)</u>	(18,567)
	Consolidated entity	
	Year ended	
	2023	2022
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	<u>4,156,019</u>	4,042,854
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>4,156,019</u>	4,042,854

There are no instruments (e.g. share awards) 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

Awards granted to employees (including KMP) as well as in the form of capital raising cost as described in Note 28 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.

10 Cash and cash equivalents

	Consolidated entity	
	At	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
Current assets		
Bank balances	<u>36,139</u>	40,470

11 Trade and other receivables

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Current assets		
Trade receivables from contracts with customers	25,928	18,297
Provision for expected credit losses	(135)	(156)
Deferred finance income	(101)	(105)
	25,692	18,036
Net other receivables	1,347	552
Total trade and other receivables - current	27,039	18,588

(i) 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 calculating ECLs and recognises a loss allowance based on lifetime ECL's at reporting date (refer to Note Financial instruments). The provision for impairment loss recognised by the Group at 30 June 2023 was US\$135,000 (2022: US\$156,000).

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
At 1 July	156	82
Provision for expected credit losses increase/(decrease)	(21)	74
As at 30 June	135	156

Trade receivables

	Days past due					Total US\$'000
	Current	0-30 days	31-60 days	61-90 days	91+ days	
30 June 2023						
Expected loss rate	0.5%	0.6%	1.1%	1.7%	2.0%	
Gross carrying amount – trade receivables	17,248	3,974	1,159	1,178	2,461	26,020
Loss allowance	81	17	9	9	19	135
30 June 2022						
Expected loss rate	0.3%	1.2%	1.8%	2.2%	3.0%	
Gross carrying amount – trade receivables	14,269	1,838	394	230	1,566	18,297
Loss allowance	50	17	8	31	50	156

11 Trade and other receivables (continued)

(i) *Allowance for expected credit loss (continued)*

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. There was no impairment recognised and included in other expenses (2022: US\$4,000). Receivables 90 days past due but not considered in default are US\$2,545,000 (2022: US\$1,519,000). 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.

(ii) *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.

(iii) *Foreign exchange risk*

Detail regarding foreign exchange risk exposure is disclosed in Note 27.

12 Contract assets

	Consolidated entity	
	At	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
Unbilled revenue	6,513	3,433
Total contract assets	6,513	3,433

13 Inventories

	Consolidated entity	
	At	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
Finished goods – at cost	11,206	949
Write-down of inventories for the period	(15)	(16)
Total inventories	11,191	933

14 Other current assets

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Prepayments	1,032	2,145
Rental bonds	75	72
Other	9	27
	1,116	2,244

15 Property, plant and equipment

Consolidated entity	Office Furniture, Research and Fittings and Development Equipment Equipment	Assets under Construction	Total	
	US\$'000	US\$'000	US\$'000	
Year ended 30 June 2022				
Opening net book amount	2,303	94	123	2,520
Additions	950	394	-	1,344
Disposals	(2)	-	-	(2)
Depreciation charge	(513)	(76)	-	(589)
Foreign exchange differences	(207)	(23)	(10)	(240)
Closing net book amount	2,531	389	113	3,033
At 30 June 2022				
Cost or fair value	5,433	870	113	6,416
Accumulated depreciation	(2,902)	(481)	-	(3,383)
Net book amount	2,531	389	113	3,033
Consolidated entity				
Year ended 30 June 2023				
Opening net book value	2,531	389	113	3,033
Foreign exchange differences	-	-	(1)	(1)
Additions	1,280	492	-	1,772
Depreciation charge	(791)	(177)	-	(968)
Write offs	24	1	-	25
Closing net book amount	3,044	705	112	3,861
At 30 June 2023				
Cost or fair value	6,709	1,363	112	8,184
Accumulated depreciation and impairment	(3,665)	(658)	-	(4,323)
Net book amount	3,044	705	112	3,861

16 Intangible assets

Consolidated entity	Patents, Licences and Trademarks US\$'000	Development Costs US\$'000	Total US\$'000
Year ended 30 June 2022			
Opening net book amount	947	6,233	7,180
Additions	257	18,611	18,868
Exchange differences	(122)	(1,446)	(1,568)
Amortisation charge for the year	(41)	(829)	(870)
Disposal	(1)	-	(1)
Closing net book amount	1,040	22,569	23,609
At 30 June 2022			
Cost	1,253	23,398	24,651
Accumulated amortisation and impairment	(213)	(829)	(1,042)
Net book amount	1,040	22,569	23,609
Year ended 30 June 2023			
Opening net book value	1,040	22,569	23,609
Additions	253	23,685	23,938
Amortisation charge for the year	(39)	(2,444)	(2,483)
Closing net book value	1,254	43,810	45,064
At 30 June 2023			
Cost	1,507	47,082	48,589
Accumulated amortisation and impairment	(253)	(3,272)	(3,525)
Net book amount	1,254	43,810	45,064

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Refer to Note 35(k) for the relevant accounting policy related to intangible assets, including development costs.

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 30 June. Intangible assets are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period. At 30 June 2023, no impairment indicators were noted.

17 Other financial assets

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Financial assets at amortised cost		
Term deposits	312	325
Total other financial assets	312	325

At 30 June 2023, term deposits held are classified as short-term and consist of a term deposit of US\$219,000 maturing on 2 May 2024 with an interest rate of 3.42% and a term deposit of US\$93,000 maturing on 27 February 2024 with an interest rate of 3.89%.

The term deposits are short-term in nature and therefore, the carrying values approximate their fair value.

18 Trade and other payables

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Trade payables	3,616	2,708
Accrued expenses	4,909	3,777
GST, payroll tax and payroll liabilities	3,058	4,794
Other payables	63	11
Total trade and other payables	11,646	11,290

a) Fair value

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

Included in the GST, Payroll Tax and Payroll Liabilities is the accrual for the FY23 STI (short-term incentive) amounting to US\$986,000 (2022: US\$2,052,000).

b) Foreign exchange, interest rate and liquidity risk

Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 27.

19 Provisions

	Consolidated entity					
	At					
	Notes	30 June 2023			30 June 2022	
	Current US\$'000	Non- current US\$'000	Total US\$'000	Current US\$'000	Non- current US\$'000	Total US\$'000
Annual leave	2,663	-	2,663	2,335	-	2,335
Long service leave	905	125	1,030	616	198	814
Warranties provision	817	-	817	522	-	522
Volume discounts and returns	-	49	49	-	47	47
Provision for income tax	29	-	29	39	-	39
Total provisions	4,414	174	4,588	3,512	245	3,757

(a) Nature and timing of provisions

Refer to Note 35(p) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of the provisions.

(b) Movements in provisions

Consolidated entity 2022	Maintenance Warranties US\$'000
Carrying amount at start of year	481
Arising during the year	384
Utilised during the year	(343)
Carrying amount at end of period	<u>522</u>
Consolidated entity 2023	Maintenance Warranties US\$'000
Carrying amount at start of year	522
Arising during the year	531
Utilised during the year	(236)
Carrying amount at end of year	<u>817</u>

20 Contract liabilities

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Deferred revenue	4,634	2,495
Total contract liabilities	4,634	2,495

Contract liabilities totalling US\$2,424,000 included in the balance at 30 June 2022 were satisfied and recognised as revenue during the year ended 30 June 2023.

21 Borrowings

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Non-current		
Unsecured		
Convertible notes (i)	40,322	-
Total borrowings - non-current	40,322	-

(i) Convertible notes

On 4 October 2022, Seeing Machines received funding of US\$47,500,000 from Magna International 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 US\$30,000,000, was drawn on 5 October 2022 and the second tranche of US\$17,500,000 was drawn down on 27 June 2023. The liability portion of tranche 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.

21 Borrowings (continued)

(i) *Convertible notes (continued)*

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

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Face value of notes issued	47,500	-
Other equity securities - value of conversion rights (see note 23)	(8,213)	-
Transactions costs on Borrowings	(1,202)	-
Other costs on borrowings	(74)	-
	38,011	-
Interest expense	2,311	-
Non-current liability	40,322	-

22 Contributed equity

	30 June 2023 Shares Thousands	30 June 2022 Shares Thousands	30 June 2023 US\$'000	30 June 2022 US\$'000
Ordinary shares				
Issued and fully paid	4,156,019	4,156,019	240,948	240,948

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.

(i) *Movements in ordinary shares:*

Details	Notes	Shares Thousands	Total US\$'000
Opening balance 1 July 2021		3,875,618	201,093
Shares issued	28	280,401	40,864
Transaction costs		-	(1,009)
Balance 30 June 2022		<u>4,156,019</u>	<u>240,948</u>
Balance 30 June 2023		<u>4,156,019</u>	<u>240,948</u>

23 Other equity

	30 June 2023 US\$'000	30 June 2022 US\$'000
Value of conversion rights - convertible notes	8,213	-
Deferred tax liability component	(2,464)	-
Total other equity	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 21.

24 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 other reserves

Foreign currency translation

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 28 for further details of the plan.

25 Statement of Cash Flow Information

(a) Reconciliation of net loss after tax to net cash inflows

	Consolidated entity	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
Loss for the period	(15,530)	(18,567)
Adjustments for:		
Depreciation	1,490	1,180
Amortisation	2,483	870
Share-based payments	2,204	3,635
Accrued interest on convertible notes	2,311	-
Net gain on foreign exchange (unrealised)	(644)	(866)
<i>Change in assets / liabilities net of the effects of purchases:</i>		
(increase)/decrease in inventories	(10,258)	1,037
(Increase)/decrease in trade and other receivables	(8,451)	(3,701)
(Increase)/decrease in contract assets	(3,080)	(1,820)
(Increase)/decrease in other current assets	1,128	221
Increase/(decrease) in other provisions	813	(56)
Increase/(decrease) in trade and other payables	356	4,661
Increase/(decrease) in contract liabilities	2,139	1,916
Net cash outflow from operating activities	<u>(25,039)</u>	<u>(11,490)</u>

26 Leases

Group as a lessee

The Group has lease contracts for office space and other equipment used in its operations. Leases of office space and other equipment generally have lease terms between 3 and 15 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Consolidated entity	Office space	Total
	US\$'000	US\$'000
As at 1 July 2021	3,184	3,184
Additions	120	120
Lease termination	(123)	(123)
Amortisation expense	(591)	(591)
Foreign exchange differences	(214)	(214)
As at 30 June 2022	<u>2,376</u>	<u>2,376</u>

26 Leases (continued)

	Office space US\$'000	Total US\$'000
As at 1 July 2022	2,376	2,376
Amortisation expense	(522)	(522)
Foreign exchange differences	(1)	(1)
As at 30 June 2023	1,853	1,853

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Consolidated entity	
	At	
	30 June 2023 US\$'000	30 June 2022 US\$'000
As at 1 July	3,653	4,635
Additions	-	120
Accretion of interest	255	328
Lease termination	-	(170)
Payments	(1,005)	(922)
Foreign exchange differences	-	(338)
At 30 June	2,903	3,653
Lease liabilities		
Current	708	653
Non-current	2,195	3,000
	2,903	3,653

The maturity analysis of lease liabilities are disclosed in Note 27.

The following are the amounts recognised in profit or loss:

	30 June 2023 US\$'000	30 June 2022 US\$'000
Amortisation expense of right-of-use assets	522	591
Interest expense on lease liabilities (included in finance cost)	255	328
Expense relating to short-term leases (included in operation expense)	-	-
At 30 June	777	919

The incremental borrowing rate at 30 June 2023 is between 6 - 10% per annum (2022: between 6 - 10% per annum).

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

27 Financial risk management

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 lease liabilities.

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.

(a) Market risk

(i) 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 2023 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:

Consolidated entity	30 June 2023	30 June 2022
	US\$'000	US\$'000
Exposed to United States of America variable interest rate risk	20,384	2,984
Exposed to Australian variable interest rate risk	13,179	33,873
Exposed to United Kingdom variable interest rate risk	2,385	3,514
Exposed to European variable interest rate risk	121	61
Exposed to New Zealand variable interest rate risk	48	24
Exposed to Japanese variable interest rate risk	22	14
Total cash and cash equivalents	36,139	40,470

In addition to the above, the Group had term deposits classified as financial assets at amortised cost totalling US\$312,000 (2022: US\$325,000) that were subject to short-term fixed interest rates (refer to Note 17).

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 2023, 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:

Consolidated entity	Impact on post-tax profit	
	2023	2022
	US\$'000	US\$'000
+ 1% (100 basis points)	361	405
- 1% (100 basis points)	(361)	(405)

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

Interest rates on the lease arrangements outstanding at year end are fixed and range from 6% to 10%. Interest rates on the convertible note outstanding are fixed at 6%.

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity (continued)

(ii) Foreign exchange risk

Exposure

As a result of sales in Australia, New Zealand and Europe (denominated in those currencies) and contractors costs denominated in Australian dollars, the Group's statement of financial position can be affected by movement in exchange rates generally and the A\$/US\$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating Australian Dollar (AU\$), British Pound (GB£), Euro (EUR), New Zealand Dollar (NZD) and Japanese Yen (JP¥) bank accounts.

Approximately 25% of the Group's sales and approximately 43% of the Group's expenses are denominated in currencies other than the functional currency of the operating entity making the transaction. The Group evaluates the concentration of risk with respect to foreign currency as low, as the Group is naturally hedged by holding funds in multiple operating currency accounts, with revenues and expenses being closely aligned on an annual basis.

At 30 June 2023 the Group had the following exposure to foreign currency:

Consolidated entity	30 June 2023	30 June 2022
	US\$'000	US\$'000
Financial Assets		
Cash and cash equivalents (AU\$)	13,179	33,874
Cash and cash equivalents (GB£)	121	3,514
Cash and cash equivalents (EUR)	48	61
Cash and cash equivalents (NZD)	2,385	23
Cash and cash equivalents (JP¥)	21	14
Trade and other receivables (AU\$)	10,166	8,278
Trade and other receivables (EUR)	44	12
Trade and other receivables (GB£)	1,052	724
Trade and other receivables (NZD)	5	3
Trade and other receivables (ZAR)	14	9
Trade and other receivables (JP¥)	7	4
Other Current Assets (EUR)	27	27
Total	27,069	46,543
Financial Liabilities		
Trade and other payables (AU\$)	(8,860)	(9,785)
Trade and other payables (GBP)	(60)	(249)
Trade and other payables (EUR)	(342)	(93)
Trade and other payables (JP¥)	(23)	(48)
Trade and other payables (NZD)	(13)	(21)
Trade and other payables (ZAR)	-	(1)
Total	(9,298)	(10,197)
Net exposure	17,771	36,346

27 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Consolidated entity	Impact on post-tax profit		Impact on other components of equity	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Change in AUD rate				
USD/AUD exchange rate +5%	(690)	(1,541)	(690)	(1,541)
USD/AUD exchange rate -5%	762	1,703	762	1,703
Change in GBP rate				
USD/GBP exchange rate +5%	(53)	(190)	(53)	(190)
USD/GBP exchange rate -5%	59	210	59	210
Change in EUR rate				
USD/EUR exchange rate +5%	11	-	11	-
USD/EUR exchange rate -5%	(12)	-	(12)	-
Change in NZD rate				
USD/NZD exchange rate +5%	(113)	-	(113)	-
USD/NZD exchange rate -5%	125	-	125	-
Change in ZAR rate				
USD/ZAR exchange rate +5%	(1)	-	(1)	-
USD/ZAR exchange rate -5%	1	-	1	-
Change in JPY rate				
USD/JPY exchange rate +5%	-	1	-	1
USD/JPY exchange rate -5%	-	(2)	-	(2)

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

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, contract assets 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 35(n). The Group does not hold any credit derivatives to offset its credit exposure.

27 Financial risk management (continued)

(b) Credit risk (continued)

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 Group also engaged a Credit Assessment Provider for a list of recommendations and insurance policy limits and has insurance policies in place for the most significant customers. The internal assessment of each customer is based on the payment history and the reputation and size of the customer. Outstanding customer receivables are regularly monitored and followed up. Refer to Note 11 for credit risk disclosures on trade and other receivables.

(c) Capital management and liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by undertaking ongoing monitoring of actual and forecast cash flows and maturity profiles of financial assets and liabilities, in particular, the impact of differing sources of funds on cost and shareholder dilution are taken into consideration when contemplating any funding shortfalls.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2023. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2023.

(i) *Maturities of financial liabilities*

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

Contractual maturities of financial liabilities				Total contractual cash flows	Carrying Value
at 30 June 2023	Less than 6 months US\$'000	6 - 12 months US\$'000	> 1 year US\$'000	US\$'000	US\$'000
Trade payables	11,646	-	-	11,646	11,646
Borrowings	-	-	58,118	58,118	40,322
Lease liabilities	445	452	2,451	3,348	2,903
Total	12,091	452	60,569	73,112	54,871

27 Financial risk management (continued)

(c) Capital management and liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

	Less than 6 months US\$'000	6 - 12 months US\$'000	> 1 year US\$'000	Total contractual cash flows US\$'000	Carrying value US\$'000
30 June 2022					
Trade payables	11,290	-	-	11,290	11,290
Lease liabilities	446	452	3,478	4,376	3,653
Total	11,736	452	3,478	15,666	14,943

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

(ii) Fair values

As at 30 June 2023, the carrying values of the financial instruments approximate their fair value.

28 Share-based payments

(a) Recognised share-based payment expenses

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

	Consolidated entity	
	Year ended	
	30 June	30 June
	2023	2022
	US\$'000	US\$'000
Expense arising from the performance rights long term incentive	1,990	3,539
Expense arising from options under long term incentive	214	96
Total expense arising from share-based payment transactions	2,204	3,635

(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:

28 Share-based payments (continued)

(b) Type of share-based payment plan (continued)

(i) 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.

Options were issued to a key staff member in October 2016, the options were valued using a binomial model using volatility as a proxy for implied volatility, long term UK government bond prices for the risk free rate and AIM share price information. All options expire after 10 years. At 30 June 2023 the weighted average remaining life for the outstanding share options was 4.21 years (2022: 5.21 years) and the exercise price for all outstanding options was £0.0561. No new options were granted during the year.

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 FY22. 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 2023 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.

(ii) 2019 CEO Call Options Scheme

In September 2019 the Company awarded rights to acquire 12,000,000 ordinary shares as part of the Company's Call Option Scheme to the CEO. These rights vested on 1 July 2022, given the CEO remained with the Company and were exercisable at any point within one year at a price of £0.0441 per ordinary share, being the average daily volume weighted average price (VWAP) over the 5 trading days to 27 September 2020. There is no cash settlement of the options and the options were due to expire if they are not exercised by 1 July 2023. On the 30 June 2023, the Board approved the modification to these options by extending the life of these options until 30 June 2026.

Taking into account the terms and conditions upon which the options were granted, and the assumptions outlined below, the weighted average fair value of the options at grant date is £0.0182. The weighted average fair value uplift to extend the options until 30 June 2026 at modification date is £0.0142. At 30 June 2023 the weighted average remaining life for the outstanding share options was 3 years (2022: 1 year).

28 Share-based payments (continued)

(b) Type of share-based payment plan (continued)

(iii) 2019 CEO LTI Performance Rights

In September 2019 the Company awarded 25,000,000 rights in respect of ordinary shares to the CEO to be issued at nil cost. The rights vest annually over 5 years in equal tranches with the first vesting date being 1 July 2020, with each issue conditional on the satisfaction of key conditions including TSP performance and require the employee to remain continuously employed by the Company until each relevant vesting date. For the purposes of determining whether the TSP has been achieved at a particular vesting date the share price will be determined by the 30-day VWAP immediately prior to the particular vesting date. If the employee leaves before the rights vest and the service condition is therefore not met the rights lapse.

Achievement of the following TSP performance is required for each tranche to vest:

Tranche 1: £0.061 - 1 July 2020
Tranche 2: £0.076 - 1 July 2021
Tranche 3: £0.095 - 1 July 2022
Tranche 4: £0.119 - 1 July 2023
Tranche 5: £0.149 - 1 July 2024

If the TSP has been achieved at the particular vesting date, then 100% of the performance rights allocated to that tranche will vest. Where at least 90% of the TSP has been achieved at the particular vesting date the corresponding Performance Rights equal to the proportion of the TSP achieved for that year will vest.

Where less than 90% of the TSP is achieved 0% of the rights will vest. However, the performance rights issued under the tranche will have the opportunity to achieve 50% vesting two years later by way of re-test. The re-test feature is such that 50% will vest if the original TSP is achieved at the following two consecutive LTI vesting dates. The remaining 50% will lapse.

Due to the COVID-19 pandemic and geopolitical factors adversely influencing the share-price during FY22 the Board agreed to roll 100% of the Tranche 3 rights (5,000,000 rights) for retesting on 1 July 2023 and 1 July 2024.

In some cases, for 'good leavers', the Board, in its absolute discretion, may partially allow some of the rights to acquire Shares to be exercised or allocate cash on a pro rata basis, having regard to the group performance to that point and the likelihood that the group will achieve the KPIs by the performance date. Any remaining rights are cancelled.

Taking into account the terms and conditions upon which the options were granted, and the assumptions outlined below, the following fair values have been calculated:

Tranche 1: £0.0190
Tranche 2: £0.0193
Tranche 3: £0.0193
Tranche 4: £0.0192
Tranche 5: £0.0192

28 Share-based payments (continued)

(b) Type of share-based payment plan (continued)

(iii) 2019 CEO LTI Performance Rights (continued)

The fair values at grant date are estimated using a binomial pricing model using historic volatility as a proxy for implied volatility, long term UK government bond prices for the risk-free rate and share price information from DataStream. The following assumptions have been used in calculating the fair values in relation to offers made to the CEO:

Dividend yield: 0%
Volatility: 63%
Post-vesting Withdrawal Rate (options only): 0%
Risk-free interest rate:
1 Year: 0.56%
2 Year: 0.44%
3 Year: 0.39%
4 Year: 0.36%
5 Year: 0.35%
6 Year: 0.36%
7 Year: 0.37%

On 30 June 2023 the Board extended the terms of its employment contract with CEO for a 3-year period to 30 June 2026 and invited him to participate in the Seeing Machines Employee Benefits Plan (“the Plan”) in respect of 10,000,000 ordinary shares of no par value in the Company (“Ordinary Shares”) subject to shareholder approval. As part of the Plan, the CEO was awarded rights in respect of 10,000,000 Ordinary Shares, to vest on 30 June 2026, conditional on the satisfaction of key conditions, including a TSP performance condition and adjusted EBITDA non-market performance condition, to be measured on 30 June 2026.

In addition, previously issued rights of 15,000,000 Ordinary Shares via the Plan in 2019 will be rolled over and extended to vest on 30 June 2026. Vesting hurdles have not been met on 10,000,000 of these rights as at the original dates of 30 June 2022 and 2023, with the further 5,000,000 rights originally set to be tested at 30 June 2024. The full amount of 15,000,000 rights has now been extended to 30 June 2026 and vesting will be conditional on the satisfaction of the abovementioned conditions.

Achievement of the following TSP performance is required for rights to vest:

- £0.12 - 40% of rights vest
- £0.12 - £0.20 - linear sliding scale from 40% to 100%

Taking into account the terms and conditions upon which the options were granted and modified, the weighted average fair value uplift of the rights at modification date is £0.0124.

(c) Summaries of shares issued and held in Trust:

	2023	2023	2022	2022
	No '000	WAP*	No '000	WAP*
		(pence)		(pence)
Shares held in Trust at 1 July	49,717	9.06	85,790	9.64
Vested and transferred during the year	(14,937)	6.18	(36,073)	10.43
Shares held in Trust at 30 June	34,780	10.29	49,717	9.06

28 Share-based payments (continued)

(d) Summaries of rights granted under the Performance Right Scheme:

Consolidated entity	2023		2022	
	No. '000	WAP* (pence)	No. '000	WAP* (pence)
As at 1 July	162,460	6.75	131,215	5.65
Granted during the year	12,420	6.76	64,996	9.55
Exercised during the year *	(14,937)	7.86	(30,467)	7.88
Forefited during the year	(2,159)	7.28	(3,284)	7.47
As at 30 June	157,784	6.64	162,460	6.75
Vested and exercisable at 30 June	64,839	4.79	45,168	5.39

* Weighted Average Price (WAP) is the Market price at the time of grant.

29 Commitments

As at 30 June 2023, the Group had commitments of \$5,882,026 (2022: \$24,994,714) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period July 2023 to July 2024.

30 Contingent liabilities

The Group had no contingent liabilities at 30 June 2023 (2022: nil).

31 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

32 Related party transactions

(a) Information about subsidiaries

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

Name of entity	Country of incorporation	% Equity interest		Investment	
		2023 %	2022 %	2023 US\$	2022 US\$
Seeing Machines Incorporated	United States	100	100	533,960	533,960
Seeing Machines Executive	Australia	100	100	69	69
Seeing Machines Share Plans Trust	Australia	100	100	7	7
Seeing Machines (Sales) Pty Ltd	Australia	100	100	8	8
Fovio Pty Limited (formerly Fovionix Pty Limited)	Australia	100	100	69	69
Fovio Incorporated	United States	100	100	35	35
	United Kingdom				
Seeing Machines (UK) Ltd	Kingdom	100	100	117	117
Seeing Machines Japan Ltd	Japan	100	100	9,452	9,452
Seeing Machines Germany	Germany	100	100	28,898	28,898
Seeing Machines New Zealand	New Zealand	100	100	63	63

(b) Materially owned subsidiaries

There are no subsidiaries held at 30 June 2023 that have non-controlling interests.

(c) Key management personnel

Key management personnel covered in this report

<i>Non-executive and executive Directors</i>	
Kate Hill	Non-Executive Director and Chair
Paul McGlone	Executive Director and Chief Executive Officer
Yong Kang (YK) Ng	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director
<i>Executives (Other Key Management Personnel)</i>	
Paul McGlone	Chief Executive Officer
Martin Ive	Chief Financial Officer (appointed 14 November 2022)
Naomi Rule	Chief Financial Officer (resigned 25 November 2022)
Nicholas DiFiore	Senior Vice President (SVP) OEM Solutions
Mike Lenné	Chief Science and Innovation Officer
Max Verberne	General Manager - (GM) Aftermarket Solutions

32 Related party transactions (continued)

(c) Key management personnel (continued)

Compensation for Key Management Personnel

Name	Year	Short-Term	Post-Employment	Share-Based Payments	Total
		Salary/Fees/ Bonus/Leave	Superannuation	Rights/Options	
Chair					
Kate Hill	2023	103	11	-	114
	2022	99	10	-	109
CEO and Executive					
Paul McGlone	2023	505	18	235	758
	2022	642	21	152	815
Non-Executive Directors					
Y K NG	2023	61	-	-	61
	2022	54	-	-	54
John Murray	2023	67	7	-	74
	2022	62	6	-	68
Gerhard Vorster	2023	67	7	-	74
	2022	57	6	-	63
Michael Brown	2023	61	-	-	61
	2022	54	-	-	54
Other Key Management Personnel	2023	1,723	89	495	2,307
	2022	1,563	104	732	2,399
Total	2023	2,587	132	730	3,449
	2022	2,531	147	884	3,562

(d) Director-related transactions

(i) Shareholdings of Directors

Consolidated entity 2023		Balance at the start of the period	Granted as remuneration	Acquired or sold for cash	Other changes during the period	Balance at end of the period
Name						
Directors of Seeing Machines Limited						
Ordinary shares						
K Hill (v)		4,037,920	-	462,080	-	4,500,000
P McGlone (iv)		250,000	-	290,000	-	540,000
Y K NG (i)		2,160,349	-	-	-	2,160,349
J Murray (ii)		832,291	-	-	-	832,291
G Vorster		109,375	-	-	-	109,375
M Brown (iii)		-	-	-	-	-
		7,389,935	-	752,080	-	8,142,015

32 Related party transactions (continued)

(d) Director-related transactions (continued)

(i) Shareholdings of Directors (continued)

Consolidated entity 2022	Balance at the start of the period	Granted as remuneration	Acquired or sold for cash	Other changes during the period	Balance at end of the period
Name					
Directors of Seeing Machines Limited					
Ordinary shares					
K Hill (v)	3,400,000	-	637,920	-	4,037,920
P McGlone (iv)	250,000	-	-	-	250,000
Y K NG (i)	2,160,349	-	-	-	2,160,349
J Murray (ii)	632,291	-	200,000	-	832,291
G Vorster	109,375	-	-	-	109,375
M Brown (iii)	-	-	-	-	-
	6,552,015	-	837,920	-	7,389,935

(i) Yong Kang NG has an additional indirect interest in the Company by virtue of his deemed (by virtue of his spouse) ownership of shares in V S Industry Berhard (VSI).

(ii) John Murray's interest in the Company is held by virtue of his direct ownership of shares in Nanjop Pty Ltd.

(iii) Michael Brown has an additional indirect interest in the Company by virtue of his relationship with Lombard Odier Asset Management (Europe) Limited.

(iv) Paul McGlone has unvested performance rights on 30 June 2023. Please refer to Note 28 for more details.

(v) Kate Hill's interest in the Company includes a direct holding as well as by virtue of an interest in her superannuation fund, Dunford Super Fund (SMSF).

(ii) Other Director related transactions

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

33 Remuneration of auditors

The auditor of the Group is PricewaterhouseCoopers.

	Consolidated entity	
	Year ended	
	2023	2022
	US\$	US\$
Audit and review of financial reports		
Consolidated group	188,632	162,767
Controlled entities and joint operations	35,311	33,739
Total audit and review of financial reports	223,943	196,506
Other services in relation to the entity and any other entity in the consolidated group:		
Accounting advisory services	-	36,992
Total services provided by PricewaterhouseCoopers	223,943	233,498

34 Parent entity financial information

(a) Summary financial information

	30 June 2023 US\$'000	30 June 2022 US\$'000
Balance sheet		
Current assets	89,981	66,068
Total assets	140,604	94,983
Current liabilities	25,243	16,720
Total liabilities	65,901	19,926
<i>Shareholders' equity</i>		
Issued capital	240,948	240,948
Reserves	6,260	3,167
Other equity	5,749	-
Accumulated losses	(178,255)	(169,031)
Total shareholders' equity	74,702	75,084
Loss of the Parent entity	(9,511)	(18,512)
Total comprehensive income of the Parent entity	(9,511)	(18,512)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 35, except, investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

35 Summary of other significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Seeing Machines Limited and its subsidiaries.

(a) Basis of preparation

(i) Compliance with IFRS

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 and other authoritative pronouncements as issued by the Australian Accounting Standards Board ("AASB"). The financial report also complies with International Financial Reporting Standards ("IFRS") and interpretations ("IFRICs") adopted by the International Accounting Standards Board ("IASB"). The financial report has been prepared under the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (US\$000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

35 Summary of other significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property - measured at fair value or revalued amount
- assets held for sale - measured at the lower of carrying amount and fair value less costs to sell, and
- defined benefit pension plans - plan assets measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use - Amendments to AASB 116*
- *Onerous Contracts - Cost of Fulfilling a Contract - Amendments to AASB 137*
- *Annual Improvements to AASB Standards 2018-2020, and*
- *Reference to the Conceptual Framework - Amendments to AASB 3*

(iv) New standards and interpretations not yet adopted

Certain new accounting amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 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 entity in the current or future reporting periods and on foreseeable future transactions.

(b) Going concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has made a loss for the year of US\$15,548,000 (2022: loss of US\$18,567,000) and incurred net cash outflows in operating activities of US\$25,316,000 (2022: US\$10,657,000). The Group has net current assets at 30 June 2023 of US\$60,908,000 (30 June 2022: US\$48,043,000). The balance of cash and cash equivalents at 30 June 2023 is US\$36,139,000 (30 June 2022: US\$40,470,000).

The ability of the Group to continue its activities as a going concern is dependent on a range of factors including:

- (i) the ability to meet projected revenue levels;
- (ii) timing of cash receipts; and
- (iii) the ability to manage overheads to budgeted levels.

The Directors have reviewed the Company's financial position and cash flow forecasts for the next twelve months and are of the opinion that the use of the going concern basis of accounting is appropriate.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (as outlined in Note 32(a)) as at 30 June each year (the Group).

35 Summary of other significant accounting policies (continued)

(c) Basis of consolidation (continued)

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) 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 consolidated financial statements 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 in 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, with an exception to foreign currency profit or loss on monetary items.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in the statement of comprehensive income. Any investment retained is recognised at fair value.

(d) 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 normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;

Or

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

All other assets are classified as non-current.

35 Summary of other significant accounting policies (continued)

(d) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executives and Board of the Company.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is US dollars (US\$), which is also the presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. E.g. translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

35 Summary of other significant accounting policies (continued)

(g) Climate-related risks

The AASB and the Auditing and Assurance Standards Board (AUASB) issued a joint bulletin in December 2018 (and updated in April 2019), *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2*. The bulletin states that Qualitative external factors, such as the industry in which the company operates and investor expectations, may make climate-related risks material and may require such risks to be disclosed in the financial statements as they pertain to specific financial statement line items. The Group has performed an assessment based on the guidance prescribed in the bulletin and concluded that there are no material impacts of climate change that may impact specific financial statement line items. This is based on management's assumption that the transition to a greener economy will result in a move to electric vehicles, and not the cessation of the use of vehicles.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(i) Inventories

Inventories 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:

Finished goods: weighted average cost. The cost of purchase comprises the purchase price and other ancillary costs, where appropriate. 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, including direct costs.

(j) Property, plant and equipment

Cost

Assets under construction are stated at cost less accumulated impairment losses, if any. Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Such cost includes the cost of replacing parts of plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a diminishing value or straight-line basis using the following depreciation rates of the specific asset as follows:

- | | |
|--------------------------------------------|-----------------|
| • Office furniture, fittings and equipment | 2 to 20 years |
| • Research and development equipment | 3 to 10 years |
| • Asset under construction | Not depreciated |

35 Summary of other significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Depreciation commences when an asset is available for use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

(k) Intangible assets

Cost

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Amortisation methods and periods

The useful lives of the Group's intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed 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.

Derecognition

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

(i) Patents, Trademarks and Licences

The Group made upfront payments to acquire patents, trademarks and licences. The patents and trademarks have been granted for periods ranging between 15 to 20 years, depending on the patent or trademark, by the relevant government agency with the option of renewal at the end of the period. Licences for the use of intellectual property ("IP") are granted for periods ranging between 3 to 20 years depending on the specific licences.

(ii) Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

35 Summary of other significant accounting policies (continued)

(k) Intangible assets (continued)

(ii) Research and Development Costs (continued)

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other research and development expenditure is recognised in the statement of comprehensive income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. The asset is amortised over the period of expected future benefit and amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

	Patents and Trademarks	Licences	Development Costs
Useful lives	Finite (10-20 years)	Finite (3-20 years)	Finite (7-10 years)
Amortisation method used	Amortised on a straight-line basis over the period of the patent or trademark	Amortised on a straight-line basis over the period of the licence	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Acquired	Internally generated

(l) 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 or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The 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.

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, including write-down of inventories to net realisable value, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For non-financial assets other than 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 profit or loss.

35 Summary of other significant accounting policies (continued)

(m) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets in which the Group are reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office Space 3 to 10 years
- Other equipment 3 to 5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 35(l).

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets and are recognised as an expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's lease liabilities are further disclosed at Note 26.

35 Summary of other significant accounting policies (continued)

(m) Leases (continued)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(n) Financial instruments

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

Financial assets

(i) Initial recognition and measurement

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

The classification of debt 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 as disclosed in Note 35(u).

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

(ii) Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial assets as financial assets at amortised cost.

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.

35 Summary of other significant accounting policies (continued)

(n) Financial instruments (continued)

Financial assets (continued)

(ii) Subsequent measurement (continued)

The Group's financial assets at amortised cost include cash and cash equivalents, term deposits and trade and other receivables.

(iii) 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:

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 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.

(iv) Impairment

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. However, 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.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, net of directly attributable transaction costs.

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

35 Summary of other significant accounting policies (continued)

(n) Financial instruments (continued)

Financial liabilities (continued)

(ii) Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial liabilities as financial liabilities at amortised cost using the 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 considering 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 profit or loss.

(iii) 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 profit or loss.

Offsetting of financial instruments

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

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

(p) Provisions

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 profit or loss net of any reimbursement.

35 Summary of other significant accounting policies (continued)

(p) Provisions (continued)

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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave because of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave. Annual leave is recognised in current liabilities, as it is expected to be wholly settled within 12 months of the reporting date.

(ii) Long service leave

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Long service leave is recognised in current and non-current liabilities, provided there is an unconditional right to defer settlement of the liability.

(iii) Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

(q) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(r) Share-based payments

The Group provides benefits to employees, including Key Management Personnel ("KMP"), in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 28.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

35 Summary of other significant accounting policies (continued)

(r) Share-based payments (continued)

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share (refer to Notes 35(t) and 9).

(s) Contributed equity

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) Earnings per share

Basic earnings per share ("EPS") is calculated as net profit or loss 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 EPS is calculated as net profit or loss attributable to members of the parent divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(u) Revenue recognition

Revenue of the Group arises mainly from the sale and licensing of Driver Monitoring System ("DMS") and Occupant Monitoring System ("OMS") 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 (i.e., transaction price).

The disclosures of significant accounting judgements relating to revenue from contracts with customers are provided in Note 2.

(i) Hardware and installation

Revenue from the sale of hardware units is recognised when control of the hardware units is transferred to the customer. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur (reflecting, for example, expected levels of returns). The normal credit term is 30 to 60 days upon invoicing.

35 Summary of other significant accounting policies (continued)

(u) Revenue recognition (continued)

(i) Hardware and installation (continued)

Revenue from installation service is recognised when the previously sold hardware unit has been installed and connected to the driver monitoring platform, as per the arrangement customer.

(ii) Driver Monitoring

Revenue from driver monitoring service is recognised periodically with reference to the hardware units that are connected to the driver monitoring platform during that period, typically every month.

(iii) Licence fees

Licences granted to customers are perpetual licences for use of IP (usually in the form of software). Where the software is provided on a hardware kit this is treated as one deliverable of a licence 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 licence and whether it is a right to access or a right to use licence.

Licences granted to customers generally provide a right to use IP, and therefore these performance obligations are satisfied at a point in time, generally upon provision of access to the software.

Licences 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.

(iv) Royalty revenue

Revenue from royalties relate to performance obligations that may be satisfied at a point in time (for example, royalty payments related to a right to use licence) or over time (for example, royalty payments related to sale of customised software). Where the predominant item in the contract to which the royalties relate is right to use licence, the royalties are recognised as revenue when the sale or usage that gives rise to the royalty occurs, given this is generally after the performance obligation has been satisfied. Where the predominant item in the contract to which the royalties relate is sale of customised software, the royalties are recognised as the associated performance obligation is satisfied, to the extent that the amount of revenue recognised is highly probable of not being subject to significant reversal.

(v) Non-recurring engineering services

The Group grants perpetual software licence to its customers for use of its Background Intellectual Property ("Background IP") which includes DMS and OMS licences. The Group also renders non-recurring engineering ("NRE") services to make significant customisations to the Background IP to make it commercially viable for the customer.

The software licence and the non-recurring engineering services are inputs into a combined output, which is a promise to deliver customised software, and therefore the software licence is not considered to be distinct from the non-recurring engineering services. This customised software is delivered in packages ("Samples") with increasing levels of customisation in each Sample delivery with reference to the arrangement with the customer. This performance obligation is satisfied over time, as the services create an asset without an alternative use to the group, and the group has an enforceable right to payment for performance completed to date.

This revenue is recognised over time using the input method based on costs incurred to date relative to the estimated total cost to complete a Sample, including a reasonable margin.

35 Summary of other significant accounting policies (continued)

(u) Revenue recognition (continued)

(vi) Consulting

Revenue from consultancy and support 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.

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, the Group will determine whether the performance obligation is satisfied at a point in time or over time. For performance obligations satisfied over time, the Group 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.

(vii) Interest revenue

Revenue is recognised as interest accrues using the EIR 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.

(viii) Agreements with multiple deliverables

Where the Group enters into agreements for the provision of both goods and services as part of a single arrangement, the group identifies the separate performance obligations in the contract. The consideration from the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices.

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 transfers goods or services to a customer and satisfies its performance obligations 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 recognised if a payment is received from a customer before the Group satisfies its performance obligations. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., satisfies its performance obligations of the related goods or services to the customer).

35 Summary of other significant accounting policies (continued)

(v) 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.

(w) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. 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 taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not through profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed 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.

35 Summary of other significant accounting policies (continued)

(w) Income tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax consolidation legislation

Seeing Machines Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

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 Income tax.

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.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

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

The net amount of sales tax 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 sales tax 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 sales tax recoverable from, or payable to, the taxation authority.

35 Summary of other significant accounting policies (continued)

(x) 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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

(y) Comparatives

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

36 Changes in accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 30 June 2022, except for the change in accounting policy in relating to change in presentation currency from Australian Dollars (“AU\$”) to United States Dollars (“US\$”), as set out below:

Effective 1 July 2022, the Seeing Machines Limited’s functional currency has changed from AU\$ to US\$. This change in functional currency is primarily indicated by the following factors:

(i) Sales and cash inflows: The currency that mainly influences sales prices for goods and services. This will often be the currency in which sales prices for goods and services are denominated and settled. During the financial year ended 30 June 2023, approximately 74% (2022: 65%) of the Group’s revenue was denominated in US\$.

(ii) Financing Activities: The Group’s share capital is denominated in Great Britain Pounds (“GBP”) as the Company’s shares are listed on the AIM market of the London Stock Exchange. However, a significant funding arrangement and a significant exclusive collaboration arrangement, totalling to US\$ 65 million with Magna International were in the final stages of execution on 1 July 2022. These arrangements were executed on 4 October 2022.

(iii) Expenses and cash outflows: The Group’s expenses are primarily comprised of salaries and wages for employees who are mostly domiciled in Australia and these expenses are incurred and settled in AU\$. However, the majority of other expenses for the Group are incurred and settled in US\$. During the financial year ended 30 June 2022, approximately 30% of the Group’s expenses were denominated in US\$. This proportion of expenses denominated in US\$ increased to 57% for the financial year ending 30 June 2023. Considering the factors outlined above and the changes in operations and financing the Group has determined that on 1 July 2022 the functional currency of Seeing Machines Limited changed to US\$.

The change in functional currency significantly reduces the volatility of the Group’s earnings due to foreign exchange movements, in particular due to translation of foreign currency balances.

Applying the guidance provided in AASB 121: The Effects of Changes in Foreign Exchange Rates (“AASB 121”), the change in functional currency to US\$ has been effected on 1 July 2022 using the following procedures:

- i) All items of assets and liabilities were translated from AU\$ to US\$ using the US\$/ AU\$ exchange rate prevailing on the date of change, i.e. start of 1 July 2022. As all assets and liabilities are translated using the exchange rate at the date of change, the resulting translated amounts for non-monetary items are treated as their historical cost.
- ii) Equity items were translated from AU\$ to US\$ using the historical rate at the date of the transactions.
- iii) Resulting differences in the historical rates and rate on date of change is recognized in the Foreign Currency Translation Reserve.

36 Changes in accounting policies (continued)

In line with the change in functional currency from AU\$ to US\$, and to provide investors and other stakeholders a clearer understanding of the Group's performance over time, the Directors have elected to change the Group's presentation currency from AU\$ to US\$. The change in presentation currency is a voluntary change which is accounted for retrospectively and comparatives in the financial report have been restated accordingly. Applying the guidance provided in AASB 121, the Group's financial report has been restated to US\$ using the procedures outlined below:

- i) Consolidated statement of comprehensive Income and consolidated statement of cash flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.
- ii) Assets and liabilities in the consolidated statement of financial position have been translated into US\$ at the closing foreign currency rates on the relevant balance sheet dates.
- iii) The equity section of the consolidated statement of financial position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, have been translated into US\$ using historical rates.
- iv) Earnings per share and dividend disclosures have also been restated to US\$ to reflect the change in presentation currency.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 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.

In the Directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 13 to 71 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 35(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Paul McGlone
Executive Director and Chief Executive Officer
Canberra
13 October 2023



Independent auditor's report

To the members of Seeing Machines Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Seeing Machines Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

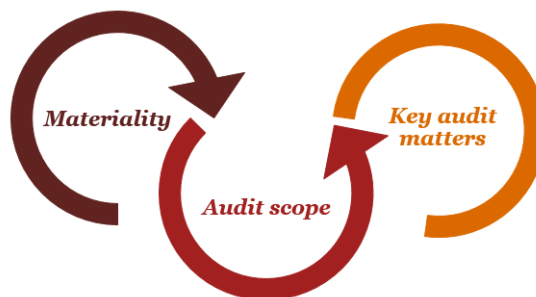
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$807,000, which represents approximately 5% of the Group's loss before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Risk, Audit and Finance Committee.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="264 678 852 759">Revenue recognition for non-recurring engineering services <i>(Refer to notes 4 and 35) [\$6.8 million]</i></p> <p data-bbox="264 792 852 936">The Group recognised revenue from pre-production non-recurring engineering services of \$6.8 million. Revenue recognition is a key audit matter due to the significant judgement associated with the recognition of this revenue, particularly:</p> <ul data-bbox="255 976 837 1285" style="list-style-type: none"><li data-bbox="255 976 837 1084">● Identification of performance obligations within the contract including a number of identifiable goods from non-recurring engineering services and an Intellectual Property (IP) licence,<li data-bbox="255 1122 837 1171">● Allocating the transaction price to separate performance obligations,<li data-bbox="255 1209 837 1285">● Determining when performance obligations have been satisfied in order to recognise revenue over time.	<p data-bbox="884 678 1398 710">Our audit procedures included, amongst others:</p> <ul data-bbox="884 745 1458 1693" style="list-style-type: none"><li data-bbox="884 745 1458 795">● Obtaining an understanding of the terms and conditions of the contracts.<li data-bbox="884 833 1458 909">● Assessing whether the Group’s revenue recognition policies are in accordance with Australian Accounting Standards.<li data-bbox="884 947 1458 1090">● Assessing distinct goods within the contract that qualify as separate performance obligations and assessing the allocation of the transaction price based on the relative stand-alone selling price of each good.<li data-bbox="884 1128 1458 1227">● Agreeing a sample of non-recurring engineering services revenue transactions to relevant supporting documentation for performance obligations completed during the year.<li data-bbox="884 1265 1458 1453">● For non-recurring engineering services commenced but not completed, assessing total forecasted contract costs and evaluating the percentage of completion based on the actual costs incurred to date and the estimated costs to complete for performance obligations in progress as of the reporting date.<li data-bbox="884 1491 1458 1568">● Assessing the Group’s forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs.<li data-bbox="884 1606 1458 1693">● Evaluating the reasonableness of the disclosures in light of the requirements of Australian Accounting Standards.
<p data-bbox="264 1729 703 1783">Capitalised development costs <i>(Refer to notes 16 and 35) [\$23.9 million]</i></p> <p data-bbox="264 1816 837 1870">During the year the Group capitalised \$23.9 million of internally generated project development costs.</p>	<p data-bbox="884 1729 1398 1760">Our audit procedures included, amongst others:</p> <ul data-bbox="884 1796 1422 1872" style="list-style-type: none"><li data-bbox="884 1796 1422 1872">● Evaluating the Group’s policy and process for calculating the time and cost spent by staff on product development activities eligible for



Key audit matter	How our audit addressed the key audit matter
<p>The capitalisation of project development costs is a key audit matter due to the size of the internal costs capitalised and the significant judgement involved by the Group in assessing whether the criteria set out in the Australian Accounting Standards required for capitalisation of such costs had been met, particularly:</p> <ul style="list-style-type: none">• The technical feasibility of the project,• The likelihood of the project delivering sufficient future economic benefits,• The useful lives over which costs should be amortised,• Recoverability of project development costs.	<p>capitalisation in accordance with Australian Accounting Standards.</p> <ul style="list-style-type: none">• Developing an understanding of the capitalised product development projects undertaken during the year and assessing whether the costs meet the criteria for capitalisation in accordance with Australian Accounting Standards.• On a sample basis, agreeing capitalised costs to supporting documentation, including time sheets and employee contracts, to assess whether labour hours were authorised and to assess the capitalisation rate used in determining the amount of costs to be capitalised.• Assessing the appropriateness of the useful life attributed to these costs through consideration of the economic life of the projects and benchmarking the useful life based on the industry.• Evaluating the Group's assessment for indicators of impairment.• Evaluating the reasonableness of the disclosures in light of the requirements of Australian Accounting Standards.
<p>Accounting and valuation of convertible notes <i>(Refer to notes 21 and 23) [\$40.3 million and \$5.7 million]</i></p> <p>During the year, the Group entered into a 4 year, \$47.5 million convertible note with Magna International, with \$40.3 million recognised as a liability and a \$5.7 million embedded derivative recognised in equity within the consolidated statement of financial position as at 30 June 2023.</p> <p>The classification and valuation of convertible notes and associated embedded derivatives is a key audit</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none">• Obtaining an understanding of the contractual terms and conditions of the convertible notes.• Assessing the Group's classification and presentation of the convertible note and associated embedded derivative in accordance with Australian Accounting Standards.• Assessing the appropriateness of the significant assumptions and data used in the valuation of the embedded derivative.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="264 678 836 734">matter due to the magnitude and complexity involved, particularly:</p> <ul data-bbox="255 772 858 1077" style="list-style-type: none"><li data-bbox="255 772 858 853">• The determination of contractual terms and the impact on recognition of an embedded derivative as a liability or equity instrument,<li data-bbox="255 887 858 967">• The complexity involved in using option pricing models to calculate the fair value of the embedded derivative,<li data-bbox="255 1001 858 1077">• The judgement involved in determining significant assumptions used in calculating the fair value of the embedded derivative.	<ul data-bbox="884 678 1469 853" style="list-style-type: none"><li data-bbox="884 678 1469 739">• Evaluating the Group's valuation of the embedded derivative including significant assumptions.<li data-bbox="884 772 1469 853">• Evaluating the reasonableness of disclosure in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'J. Roberts' in a stylized, blocky script.

Jon Roberts
Partner

Melbourne
13 October 2023