Appendix 4D

Half-year Report

31 December 2018

Smart Parking Limited

ABN 45 119 327 169

Results for announcement to the market

Financial Results	% change	Dec 2018 $	Dec 2017 $
Revenue from ordinary activities	Down 15%	14,137,722	16,579,303
Total Revenue	Down 14%	14,267,272	16,685,461
Profit/(loss) after tax attributable to members	Down 126%	(578,341)	2,208,480
Net Profit/(loss) for the period attributable to members	Down 120%	(458,681)	2,302,304

Dividends
It is not proposed that Smart Parking Limited pay a dividend.

Net Tangible Asset Backing	Dec 2018	Dec 2017
Net tangible asset backing per ordinary security	6.10 cents	6.37 cents

Other explanatory notes

Total revenue of $14.3m for H1 FY19 was down 14% with EBITDA of $0.6m down 86% against H1 FY18.

Revenue in the Parking Management division of $11.3m was down 15% and Adjusted EBITDA for H1 FY19 was $1.9m, down 60% on H1 FY18. The reduction in revenue and EBITDA was mainly due to a reduction in Parking Breach Notices being issued in order to maintain longer term sustainable customer contracts, increased driver compliance, the loss of certain parking management contracts and an increase in the customer revenue share.

The Parking Management division has made a strong investment in sales, customer management resource and core business processes to ensure quality customer service and position the business for future growth.

The division continued with its strategy of investing in technology solutions on new parking sites in the UK. During H1 FY19 77 sites had ANPR (Automatic Number Plate Recognition) technology installed in line with management expectations bringing the total number of sites with technology installed to 301.

External revenue in the Technology division was down 12% from $3.2m (H1 FY18) to $2.8m (H1 FY19). Smart City installations included City of Adelaide, Moonee Valley City Council and Mernda Junction. Traditional off-street installations to aid customers in finding parking spaces and improving customer experience grew with new locations at Air New Zealand, Coles Supermarkets, Figtree Grove, Besser Parken and Wilson Parking New Zealand. The Adjusted EBITDA loss of $0.4m was down $0.2m compared to H1 FY18.

The company incurred $0.5m on Research and Development and continued to invest in technology. The company continued development on its new Smart City platform (SmartCloud) and guidance and payment application which are being deployed at a number of installations including City of Adelaide (Australia) and Moonee Valley City Council (Australia). The division continued development of its next generation indoor Parking Guidance System which it will bring to the market during 2019. These developments are leading to new revenue streams in the Technology Division

Net statutory loss after tax attributable to members was $0.6m for H1 FY19.

Operating cash flow declined 56% to $1.4m mainly as a result of a reduction in Parking Breach Notices. The company incurred payments for capital expenditure of $1.7m associated with the roll out of technology on UK parking sites.

The results were impacted by the stronger GBP currency relative to the prior corresponding period, increasing the translated contribution from the UK business which constitutes approximately 85% of total revenue to the Group.

Further commentary on the results is included in the Market Announcement and Investor Presentation.

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached Interim Financial Statements. These Interim Financial Statements should be read in conjunction with the most recent Annual Financial Report of the Group.

SMART PARKING

Smart Parking Limited
and its Controlled Entities

ABN 45 119 327 169

Interim Financial Report

for the half-year ended 31 December 2018

Contents

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by Smart Parking Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' Report

Your Directors present their report together with the consolidated financial statements for the half-year ended 31 December 2018.

Directors

The names of the Directors in office during the half-year and until the date of this report are as follows. All Directors were in office for the entire period.

Mr Christopher Morris	Chairman
Mr Paul Gillespie	Managing Director
Ms Penelope Maclagan	Non-Executive Director
Ms Tiffany Fuller	Non-Executive Director
Mr Jeremy King	Non-Executive Director

Principal activities

The Group operates three divisions:

- Parking Management: Provision of parking management solutions, predominantly servicing the retail sector, managing agents and land owners in the United Kingdom.
- Technology: The sale of Smart City and IoT (Internet of things) technology, hardware and software predominantly for parking solutions around the world.
- Research and Development: Includes costs to research, develop and enhance Smart City, IoT and ANPR software/hardware for both the Technology and Parking Management divisions.

Directors' Report (continued)

Review of Operations

The Group's operating loss after income tax for the half-year ended 31 December 2018 was $0.6m, compared to a profit for the half-year ended 31 December 2017 of $2.2m.

An analysis of underlying EBITDA for the period after excluding the effects of non-recurring items is outlined below:

	2018 $	2018 at 2017 Exchange Rates[1] $	2017 $
Revenue	**14,267,272**	**13,624,628**	**16,685,461**
Net profit for the half-year after tax	**(578,341)**	**(550,608)**	**2,208,480**
EBITDA[2]	536,795	476,484	3,879,361
Losses on Corporate bonds[3]	18,738	18,738	-
Adjusted EBITDA[4]	**555,533**	**495,222**	**3,879,361**
Adjusted EBITDA margin	3.9%	3.6%	23.2%

[1]The exchange rates are based on the average rates for H1 FY18 (Constant Currency).
[2]EBITDA represents Earnings before interest, taxation, depreciation and amortisation.
[3]The losses on Corporate bonds include realised and unrealised losses on the revaluation of the portfolio.
[4]The Board assesses the underlying performance of the Group based on a measure of Adjusted EBITDA which takes into account costs incurred in the current period but not expected to occur in the future.

The Group's operating loss after income tax was $0.6m (2017: operating profit $2.2m) driven by a 14% reduction in revenue and reduced margins.

The Group's Adjusted EBITDA is $0.6m (2017: $3.9m) with the EBITDA margin decreasing from 23.2% in H1 FY18 to 3.9% in H1 FY19.

The Group has 85% (Parking Management and Technology) of its revenue derived in the United Kingdom resulting in revenue and profits denominated in Great British Pounds ("GBP"). These are impacted by movements in the exchange rate between GBP and the Group's presentation currency. As the impact during the period ended 31 December 2018 has not been material, the following commentary is based on actual exchange rates unless otherwise stated.

Directors' Report (continued)

Review of Operations (continued)

As at 31 December 2018, the Group had cash on hand (excluding cash held on behalf of customers) of $10.8m (30 June 2018: $6.9m) and Corporate Bonds of $2.2m (30 June 2018: $6.5m). During the period the Company sold $4.2m of Corporate Bonds with the proceeds placed on term deposits.

The Group had net operating cash inflows (before the movement in client funds) for the half-year ended 31 December 2018 of $1.4m (2017: inflow $3.1m). The table below summarises the net operating cash movements for the financial year to date. The reported net operating cash inflow, including movements in client funds, was $1.9m (2017: inflow $2.7m).

	2018 $	2018 at 2017 Exchange Rates[1] $	2017 $
Net operating cash inflow excluding movement in client funds	1,378,748	1,154,700	3,138,889
Net movement in client funds	482,408	453,738	(406,350)
Net reported cash inflow from operating activities	**1,861,156**	**1,608,438**	**2,732,539**

[1]The exchange rates are based on the average rates for H1 FY18 (Constant Currency).

The Parking Management division collects cash from sites that it operates on behalf of customers on an ongoing basis. These amounts are material. As cash is collected and banked a corresponding liability is recognised for the same amount. Therefore movements in cash balances will also be reflected in movements in trade and other payables (refer note 5). As payment terms vary between customers the cash profile of collecting and remitting cash is variable and may have a material impact on the Company's cash balances at any one point in time. Cash flow from operating activities, excluding the movements in client cash, better reflects the Company's underlying performance.

Parking Management Division – Sales of $11.3m (2017: $13.4m) were down 15% compared with the prior comparative period. Adjusted EBITDA for H1 FY19 was $1.9m, down 60% on H1 FY18.

This reduction in revenue and Adjusted EBITDA is mainly due to:

- A reduction in Parking Breach Notices. Following the change of senior UK management and in order to better align with client's parking management imperatives, the division is more closely regulating the issue of Parking Breach Notices. It is expected that this will improve management of client parking sites and ultimately ensure sustainable customer contracts. Parking Breach Notices were also impacted by increased driver compliance.
- The loss of certain parking management contracts. Due principally to a lack of customer engagement under the previous UK management certain contracts were terminated and/or not renewed. There is a natural amount of site "churn" as clients occasionally choose to redevelop their premises for other purposes and the division lost 12 sites in H1 FY19. Pleasingly, a conscious focus on a positive customer engagement strategy aimed at maintaining longer term, sustainable relationships saw the rate of losses reduce in Q2. As further detailed below, the company has recently increased its UK sales resource in order to win more site contracts.
- Increased customer revenue share. The customer's share of revenue increased following a change in the site mix with a weighting towards sites with a higher client share percentage.

Directors' Report (continued)

Review of Operations (cont'd)

The division's focus during the half has been to enhance the customer experience with a view to ensuring sustainable contractual engagements. The Company has made a strong investment in sales, customer management resource and core business processes to ensure quality customer service and position the business for future growth.

Controlled growth is expected to recover in H2 FY19. The division continued with its strategy of investing in technology solutions on new parking sites in the UK. During H1 FY19 77 sites had ANPR (Automatic Number Plate Recognition) technology installed in line with management expectations bringing the total number of sites with technology installed to 301. The division incurred capital expenditure of $1.1m on the technology roll out during the period.

The Board and management remain positive on the enforcement market opportunity for the UK division and has accordingly increased its sales headcount by 33% since FY18. The division is experiencing growth in its sales pipeline and is seeing multi-site opportunities come to market. The company continues to have positive cash flow from operations and has sufficient cash resources to invest and drive future site growth and improved profitability.

Technology Division – Total revenue for the division was $3.9m (2017: $3.9m) with revenue from external customers of $2.8m (2017: $3.2m). Sales in this division included Smart City installations at City of Adelaide (Australia), Moonee Valley City Council (Australia), Coles Supermarkets (Australia) and Mernda Junction (Australia).

The company also expanded its commercial customer base with new sensor installations with Coles Supermarkets (Australia) and Figtree Grove Shopping centre (Australia). Both of these projects are focused on "reinventing the parking experience" for the customers at both locations. During the half the company also developed its relationship with Air New Zealand by installing 900 new sensors at Auckland International Airport. This technology will enable Air New Zealand to manage their staff car parking more effectively by using the real time information the Smart Parking technology provides. In Europe, the company has grown the installation foot print in Germany with its partner, Besser Parken. Besser Parken has now installed over 2,000 new sensors into its retail customer base in order to assist with parking management and enforcement services, utilising real time information provided by Smart Parking.

Recurring revenue of $1.5m increased 12% compared to the prior 6 month period.

The operating costs (excluding foreign exchange gains and losses) for the half year ended 31 December 2018 were $2.1m (2017: $2.1m).

SPZ installed/sold 3,945 sensors in H1 FY19 and at the date of reporting has $1.4m of work in progress and new orders to deliver in H2 FY19 including orders from Telstra as part of their Smart City strategy. The company has an established relationship with Wilson Parking (NZ) and recently won its first order with Wilson Parking (Australia) to install a Parking Guidance Solution in Sydney. Smart Parking are focused on delivering best in class technology that will enable its customers to manage their parking facilities with high quality real time information, ensuring a positive customer experience for their many loyal customers.

The Smart Cities opportunity remains substantial and the division is focused on executing long term growth strategies across the Smart City and IoT market place.

Directors' Report (continued)

Review of Operations (cont'd)

Research and Development Division – The Group continues to invest significant resources in ongoing research and development associated with the next generation of products and services. Total costs for the division were $0.5m (2017: $0.3m). The company continued development on its new Smart City platform (SmartCloud) and guidance and payment application which are being deployed at a number of installations including City of Adelaide (Australia) and Moonee Valley City Council (Australia). The division continued development of its next generation indoor Parking Guidance System which it will bring to the market during 2019. These developments are leading to new revenue streams in the Technology Division.

The company expects to have completed the migration of existing customers to SmartCloud by 30 June 2019 which is expected to lead to a number of cost efficiencies being realised.

Directors' Report (continued)

Dividends

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

Auditor's Independence Declaration

The Auditor's Independence Declaration on page 6 forms part of the Directors' Report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.

Christopher Morris
Chairman

Paul Gillespie
Managing Director

22 February 2019

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Auditor's Independence Declaration

To the Directors of Smart Parking Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Smart Parking Limited for the half-year ended 31 December 2018. 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 22 February 2019

Grant Thornton

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Independent Auditor's Review Report

To the Members of Smart Parking Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Smart Parking Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Smart Parking Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Smart Parking Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 22 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2018

	Notes	Half-Year	
		2018	2017
		$	$
Revenue from continuing operations	3	**14,267,272**	16,685,461
Raw materials and consumables used		**(1,640,135)**	(1,799,787)
Employee benefits expense		**(5,593,313)**	(5,145,958)
Depreciation and amortisation expense		**(878,363)**	(1,023,967)
Rental and operating lease costs		**(1,365,149)**	(1,435,663)
Share-based payments expense		**(199,920)**	(228,528)
Finance and interest expense		**(62,494)**	(40,330)
Other expenses		**(4,871,528)**	(4,122,636)
Profit before income tax		**(343,630)**	2,888,592
Income tax expense	4	**(234,711)**	(680,112)
Profit/(loss) for the half-year		**(578,341)**	2,208,480
Other comprehensive income			
Exchange differences on translation of foreign operations		**119,660**	200,638
Movement in available for sale financial asset reserve		**-**	(106,814)
Other comprehensive income for the half-year, net of tax		**119,660**	93,824
Total comprehensive income, for the half-year		**(458,681)**	2,302,304
Total comprehensive income for the half-year attributable to the owners of Smart Parking Limited		**(458,681)**	2,302,304
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company.			
- basic earnings per share (cents per share)		**(0.16)**	0.61
- diluted earnings per share (cents per share)		**(0.16)**	0.61

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**11,463,371**	7,153,543
Financial assets at fair value through profit or loss	6	**2,208,472**	-
Available for sale assets	6	**-**	6,460,651
Trade and other receivables		**6,447,036**	8,109,611
Inventories		**1,064,058**	1,473,069
Income tax receivable		**177,902**	778
Total Current Assets		**21,360,839**	23,197,652
Non-current Assets			
Receivables		**392,878**	473,695
Property, plant and equipment	7	**6,182,471**	5,853,161
Intangible assets	8	**1,908,799**	1,860,731
Deferred tax assets	4	**345,062**	571,947
Total Non-current Assets		**8,829,210**	8,759,534
TOTAL ASSETS		**30,190,049**	31,957,186
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**4,728,345**	6,218,342
Borrowings		**51,325**	106,361
Contract liabilities		**732,073**	593,095
Provisions		**840,933**	917,053
Total Current Liabilities		**6,352,676**	7,835,661
Non-current Liabilities			
Borrowings		**30,396**	55,787
TOTAL LIABILITIES		**6,383,072**	7,891,448
NET ASSETS		**23,806,977**	24,065,738
EQUITY			
Contributed equity	10	**68,865,719**	68,865,719
Accumulated losses		**(48,515,305)**	(47,882,069)
Reserves	11	**3,456,563**	3,082,088
TOTAL EQUITY		**23,806,977**	24,065,738

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2018

	Note	Contributed equity	Reserves	Accumulated losses	Total
		$	$	$	$
Balance at 1 July 2018		68,865,719	3,082,088	(47,882,069)	24,065,738
Adjustment on adoption of AASB 9		-	54,895	(54,895)	-
Adjusted balance at 1 July 2018		68,865,719	3,136,983	(47,936,964)	24,065,738
Total comprehensive income for the half-year					
Loss for the half-year		-	-	(578,341)	(578,341)
Other comprehensive income for the half-year	11	-	119,660	-	119,660
Total comprehensive income for the half-year		**-**	**119,660**	**(578,341)**	**(458,681)**
Transactions with owners, recorded directly in equity					
Contributions by owners					
Contributions of equity net of transaction costs		-	-	-	-
Share-based payment transactions	11	-	199,920	-	199,920
Total transactions with owners		-	199,920	-	199,920
Balance at 31 December 2018	10	**68,865,719**	**3,456,563**	**(48,515,305)**	**23,806,977**

	Note	Contributed equity	Reserves	Accumulated losses	Total
		$	$	$	$
Balance at 1 July 2017		68,865,719	3,015,239	(49,545,129)	22,335,829
Total comprehensive income for the half-year					
Profit for the half-year		-	-	2,208,480	2,208,480
Other comprehensive income for the half-year		-	93,824	-	93,824
Total comprehensive income for the half-year		**-**	**93,824**	**2,208,480**	**2,302,304**
Transactions with owners, recorded directly in equity					
Contributions by owners					
Contributions of equity net of transaction costs		-	-	-	-
Share-based payment transactions		-	228,528	-	228,528
Total transactions with owners		-	228,528	-	228,528
Balance at 31 December 2017		**68,865,719**	**3,337,591**	**(47,336,649)**	**24,866,661**

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2018

	Note	Half-Year 2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		**16,167,286**	15,021,169
Payments to suppliers and employees		**(14,892,360)**	(11,930,783)
Interest and other finance costs paid		**(33,717)**	(4,485)
Interest received		**137,964**	53,344
Income taxes paid		**(425)**	(356)
Net cash flows inflow/(outflow) from operating activities before movement in client funds		**1,378,748**	3,138,889
Net increase/(decrease) in cash held on behalf of customers	5	**482,408**	(406,350)
Net cash flows inflow/(outflow) from operating activities	12	**1,861,156**	2,732,539
Cash flows from investing activities			
Proceeds from sale of financial assets	6	**4,230,948**	-
Purchase of intangible assets		**(82,646)**	(99,521)
Purchase of plant and equipment		**(1,646,600)**	(1,284,934)
Purchase of financial assets		**-**	(6,850,921)
Net cash flows inflow/(outflow) from investing activities		**2,501,702**	(8,235,376)
Cash flows from financing activities			
Hire purchase payments		**(80,427)**	(97,605)
Net cash flows inflow/(outflow) from financing activities		**(80,427)**	(97,605)
Net increase/(decrease) in cash and cash equivalents		**4,282,431**	(5,600,442)
Cash and cash equivalents at beginning of the half-year		**7,153,543**	14,225,598
Effects of exchange rate changes on cash and cash equivalents		**27,397**	39,204
Cash and cash equivalents at end of the half-year	5	**11,463,371**	8,664,360

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

Notes to the Financial Statements

Note 1 – Basis of preparation

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standards AASB 134: "Interim Financial Reporting".

These financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any publications made by Smart Parking Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001.* The half-year financial statements do not include full disclosures of the type normally included in annual financial statements. The accounting policies adopted are consistent with those of the previous financial year except for those described below.

In some instances the prior period balances have been amended to ensure consistent classification with the financial statements for the year ended 30 June 2018.

New and amended standards applied by the Group
A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 15 Revenue from Contracts with Customers, and
- AASB 9 Financial Instruments.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 15 *Revenue from Contracts with Customers*
The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. In accordance with the transition provisions in AASB 15, the group has adopted the new rules at 1 July 2018 without applying the changes to comparatives.
There was no impact on the measurement of retained earnings at 1 July 2018 or on the amounts recognised in profit or loss for the period ending 31 December 2018 from the adoption of this standard.

<u>Accounting Policies applied from 1 July 2018</u>
Details of the new requirements of AASB 15 as well as the judgments and estimates used in determining any possible impact are described below.

The core principle of AASB 15 is that an entity shall recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred rather than on transfer of risks and rewards.

<u>Technology contracts</u>
Where the Group is contracted for supply and installation, the revenue will continue to meet the requirement to be recognised over time using the cost incurred to measure progress. The requirements of over time measurement are met as the installation creates assets with no alternative use to the group and there is an enforceable right to payment for performance completed.

Where the Group is selling equipment or goods as a standalone contract, revenue will be recognised when the customer takes physical possession of the goods.

Notes to the Financial Statements (continued)

Note 1 – Basis of preparation (cont'd)

Parking Management
Smart Parking Limited (UK) recognises Pay and Display revenue at the point in time their performance obligation to provide parking for a motorist has been fulfilled. Parking Breach Notice revenue is recognised over time where PBN's are received in lieu of site management fees, otherwise they are recognised at the point in time they are issued with an adjustment made to ensure that revenue is only recognised for PBN's when it is highly probable that a significant reversal of revenue will not occur as required in by AASB 15.

AASB 9 *Financial Instruments*
AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The new accounting policies are set out below. In accordance with the transitional provisions in AASB 9(7.2.15), comparative figures have not been restated.

Reclassification from available-for-sale assets to fair value through profit or loss (FVPL)
Investments in corporate bonds were reclassified from available-for-sale to financial assets to FVPL ($6,460,651 as at 1 July 2018). They do not meet the AASB 9 criteria for classification at amortised cost or fair value through other comprehensive income due to failing the contractual cash flow and business model tests. Related fair value losses of $54,895 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 July 2018.

Impairment of financial assets
The group was required to revise its impairment methodology under AASB 9 for trade and receivables. The impact of the change in impairment methodology had no impact on the amounts previously disclosed given the Group's assessment that the lifetime expected loss allowance for their receivables is insignificant.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

Impact of new standards issued but not yet applied by the Group
AASB 16 *Leases* will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $12.2m.

Refer to the 30 June 2018 annual report for the quantitative assessment of the expected impact of first time application of this standard.

The standard is mandatory for periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

Notes to the Financial Statements (continued)

Note 2 – Segment information

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business from a product perspective and has identified three reportable segments. Technology consists of the sale of Smart City and IoT technology products and solutions predominantly to the parking market sold globally, Parking Management consists of the business which operates in the United Kingdom and consists of the provision of car parking management services on behalf of third party car park owners and on sites leased by the Company and managed on its own behalf, and Research and Development includes costs to research, develop and enhance software/hardware for both the Technology and Parking Management divisions.

The segment disclosures are before corporate costs. The corporate function's main purpose is to conduct financing activities and represents parent company costs which are not otherwise allocated to operating segments and foreign exchange gains and losses on the translation of foreign operations.

b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the half-year ended 31 December 2018 is as follows:

Half-year - 2018	**Technology** $	**Research and Development** $	**Parking Management** $	**Total** $
Total segment revenue	3,945,433	-	11,347,087	15,292,520
Inter-segment revenue	(1,154,798)	-	-	(1,154,798)
Revenue from external customers	**2,790,635**	**-**	**11,347,087**	**14,137,722**
The Group's revenue disaggregated by pattern of revenue recognition as follows:				
Goods transferred at a point in time	-	-	2,886,518	2,886,518
Services transferred over time	2,790,635	-	8,460,569	11,251,204
	2,790,635	**-**	**11,347,087**	**14,137,722**
EBITDA	**(375,261)**	**(500,113)**	**1,909,016**	**1,033,642**

Notes to the Financial Statements (continued)

Note 2 – Segment information (cont'd)

b) Segment information provided to the Board (cont'd)

Half-year - 2017				
Total segment revenue	3,865,832	-	13,403,919	17,269,751
Inter-segment revenue	(690,448)	-	-	(690,448)
Revenue from external customers	**3,175,384**	**-**	**13,403,919**	**16,579,303**

The Group's revenue disaggregated by pattern of revenue recognition as follows:

Goods transferred at a point in time	526,256	-	2,972,677	3,498,933
Services transferred over time	2,649,128	-	10,431,242	13,080,370
	3,175,384	**-**	**13,403,919**	**16,579,303**
EBITDA	**(135,960)**	**(330,193)**	**4,827,478**	**4,361,325**
Total segment assets				
31 December 2018	5,791,852	-	19,917,919	25,709,771
30 June 2018	4,368,094	-	19,023,921	23,392,015

The Board assesses the performance of the operating segments based on a measure of EBITDA. This measurement excludes the effects of items which are considered one-off in nature and are therefore not expected to be recurring such as restructuring costs, acquisition costs, legal costs and goodwill impairments which are non-cash in nature. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

	Half-Year 2018 $	2017 $
EBITDA[1]	**1,033,642**	4,361,325
Intersegment eliminations	**(236,669)**	(240,826)
Interest revenue	**129,550**	106,158
Interest expense	**(33,717)**	(4,485)
Depreciation	**(822,029)**	(581,379)
Amortisation	**(56,334)**	(442,588)
Loss on disposal of fixed property, plant and equipment	**(97,896)**	(68,475)
EBITDA for parent company	**(260,177)**	(241,138)
Profit before income tax from operations	**(343,630)**	2,888,592

[1]EBITDA is for the operating divisions which excludes corporate costs.

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Notes to the Financial Statements (continued)

Note 3 – Revenue and other income

	Half-Year	
	2018	2017
	$	$
From continuing operations		
Revenue		
Revenue from sale of goods and services	**14,137,722**	16,579,303
Interest revenue	**129,550**	106,158
Total revenue from continuing operations	**14,267,272**	16,685,461

Note 4 – Income tax expense

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and income tax losses. The deferred tax asset of $345,062 at 31 December 2018 reduced $226,885 during the period to 31 December 2018 and carried forward losses were consumed by taxable profits in the UK operations.

The Group has the following unrecognisied tax losses available:

- Tax losses arising in Australia of $413,254 giving rise to an unrecognised deferred tax asset of $113,645.
- Tax losses arising in New Zealand of $12,726,388 giving rise to an unrecognised deferred tax asset of $3,563,389.

Note 5 – Cash and cash equivalents

	Consolidated	
	31 Dec 2018	30 Jun 2018
Current	**$**	$
Cash at bank and in hand	**10,754,670**	6,927,250
Cash held on behalf of customers	**708,701**	226,293
	11,463,371	7,153,543

Cash at bank includes cash that Smart Parking Limited (UK) has collected and counted on behalf of customers, the associated liability for this is included in other payables.

The Parking Management division collects cash from sites that it operates on behalf of customers on an ongoing basis. These amounts can be material. As cash is collected and banked a corresponding liability is recognised for the same amount. As payment terms vary between customers the cash profile of collecting and remitting cash is variable and can have a material impact on the company's cash balances at any one point in time.

Note 6 – Financial assets

	Consolidated	
	31 Dec 2018	30 Jun 2018
Current	**$**	$
Financial assets at fair value through profit or loss - corporate bonds	**2,208,472**	-
Available for sale assets – corporate bonds	**-**	6,460,651
Total financial assets	**2,208,472**	6,460,651

Under AASB 9 *Financial Instruments* unrealised gains and losses which in previous periods were recognized in other comprehensive income are now recognized in the statement of profit or loss.

The Group sold $4.2m of Corporate Bonds during the period and placed the funds received on term deposit.

Notes to the Financial Statements (continued)

Note 7 - Property, plant and equipment (non-current)

Consolidated	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Leasehold Improvem -ents $	Total $
Year ended 30 June 2018					
At 30 June 2018					
Cost	**400,443**	**315,990**	**10,982,226**	**556,421**	**12,255,080**
Accumulated depreciation & impairment	**(194,152)**	**(241,285)**	**(5,792,922)**	**(173,560)**	**(6,401,919)**
Net book amount	**206,291**	**74,705**	**5,189,304**	**382,861**	**5,853,161**
Half-year ended 31 December 2018					
Opening net book amount	**206,291**	**74,705**	**5,189,304**	**382,861**	**5,853,161**
Additions	**1,155**	**10,973**	**1,155,785**	**3,020**	**1,170,933**
Disposals	**-**	**(475)**	**(74,216)**	**(24,644)**	**(99,335)**
Depreciation charge for the year	**(34,146)**	**(15,463)**	**(753,305)**	**(19,115)**	**(822,029)**
Foreign exchange translation	**2,820**	**1,814**	**70,170**	**4,937**	**79,741**
Closing net book amount	**176,120**	**71,554**	**5,587,738**	**347,059**	**6,182,471**
At 31 December 2018					
Cost	**408,109**	**332,983**	**12,120,399**	**530,185**	**13,391,676**
Accumulated depreciation & impairment	**(231,989)**	**(261,429)**	**(6,532,661)**	**(183,126)**	**(7,209,205)**
Net book amount	**176,120**	**71,554**	**5,587,738**	**347,059**	**6,182,471**

Notes to the Financial Statements (continued)

Note 8 - Intangible assets (non-current)

	Software	Developed Technology	Goodwill	Other intangible assets	Total
	$	$	$	$	$
At 30 June 2018					
Cost	**1,080,084**	**5,822,584**	**13,768,712**	**10,162**	**20,681,542**
Accumulated amortisation and impairment	**(836,695)**	**(5,787,073)**	**(12,186,881)**	**(10,162)**	**(18,820,811)**
Net book amount	**243,389**	**35,511**	**1,581,831**	**-**	**1,860,731**
Half-year ended 31 December 2018					
Opening net book amount	**243,389**	**35,511**	**1,581,831**	**-**	**1,860,731**
Additions	**82,646**	**-**	**-**	**-**	**82,646**
Disposals	**-**	**-**	**-**	**-**	**-**
Exchange differences	**1,533**	**-**	**20,223**	**-**	**21,756**
Amortisation charge	**(50,133)**	**(6,201)**	**-**	**-**	**(56,334)**
Closing net book amount	**277,435**	**29,310**	**1,602,054**	**-**	**1,908,799**
At 31 December 2018					
Cost	**1,171,253**	**5,829,348**	**2,500,850**	**16,901**	**9,518,352**
Accumulated amortisation and impairment	**(893,818)**	**(5,800,038)**	**(898,796)**	**(16,901)**	**(7,609,553)**
Net book amount	**277,435**	**29,310**	**1,602,054**	**-**	**1,908,799**

Note 9 – Trade and other payables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Current		
Trade payables	**4,019,644**	5,992,049
Cash collected on behalf of customers	**708,701**	226,293
	4,728,345	6,218,342

The Parking Management division collects cash from sites that it operates on behalf of customers on an ongoing basis. These amounts are material. As cash is collected and banked a corresponding liability is recognised for the same amount. As payments terms vary between customers the cash profile of collecting and remitting cash is variable and can have a material impact on the Group's cash balances at any one point in time.

Notes to the Financial Statements (continued)

Note 10 – Equity securities issued during the half-year

There are 359,215,361 shares on issue. There have been no equity securities issued during the year.

Note 11 – Reserves

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Share based payments	**2,769,785**	2,569,865
Foreign currency translation	**686,778**	567,118
Available for sale financial assets reserve	**-**	(54,895)
	3,456,563	3,082,088

Note 12 – Reconciliation of cash flows from operating activities

	Half-Year	
	2018	2017
	$	$
Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax		
Profit/(loss) after income tax for the period	**(578,341)**	2,208,480
Adjustments for:		
(Gain)/loss on disposal of plant and equipment	**97,896**	68,475
Depreciation and amortisation expense	**878,363**	1,023,967
Impairment of trade receivables	**-**	(8,009)
Movement in financial assets at fair value through profit or loss	**18,738**	-
Share-based payments expense	**199,920**	228,528
Net foreign exchange differences	**(78,871)**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Increase)/decrease in trade and term receivables	**1,079,226**	(207,185)
(Increase)/decrease in inventories	**409,011**	207,185
(Increase)/decrease in other current assets	**619,704**	(517,801)
Increase/(decrease) in trade payables and accruals	**(834,251)**	(941,461)
(Increase)/decrease in tax payable and deferred tax	**49,761**	670,360
Net Cash inflow /(outflow) from operations	**1,861,156**	2,732,539

Note 13 – Dividends

No dividends were paid or declared during the period.

Note 14 – Events subsequent to Reporting Date

No matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that has significantly or may significantly affect the operations of the consolidated entity.

Note 15 – Contingent Liabilities

The Group is aware of an Upper Tier Tribunal Ruling in the UK impacting the treatment of input VAT incurred on expenditure relating to the administration of Parking Breach Notice activities. The company continues to work collaboratively with HMRC to assess and resolve its position without litigation. Smart Parking intends to vigorously defend its position if an agreeable outcome cannot be reached. This matter remains unresolved at the date of this report. If Smart Parking is unsuccessful in defending its position the maximum liability is estimated to be $2.7m.

There have been no other changes in contingent liabilities since the last annual reporting period date, 30 June 2018.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 22 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Australian Accounting Standard: *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional requirements; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half- year ended on that date; and

(b) there are reasonable grounds to believe that Smart Parking Limited will be able to pay its debts as and when they become due and payable; and

(c) 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 and is signed for and on behalf of the directors by:

Mr Christopher Morris
Chairman

Paul Gillespie
Managing Director

22 February 2019