SMART PARKING

Smart Parking Limited
and its Controlled Entities

ABN 45 119 327 169

Preliminary Final Report

for the year ended
30 June 2020

ASX PRELIMINARY FINAL REPORT

Smart Parking Limited

ABN 45 119 327 169

30 June 2020

Lodged with the ASX under Listing Rule 4.3A

Contents

This report covers the consolidated entity consisting of Smart Parking Limited and its controlled entities. The preliminary financial report is presented in Australian dollars.

Smart Parking Limited
Year ended 30 June 2020

Details of the reporting period

Current period: **12 months ending 30 June 2020 (FY20)**

Prior period: **12 months ending 30 June 2019 (FY19)**

RESULTS FOR ANNOUNCEMENT TO MARKET

		2020	2019
Revenue from ordinary activities	Down 21%	21,587,234	27,183,987
Profit/ (Loss) after tax attributable to members	Down 48%	(7,272,434)	(4,914,417)
Total comprehensive income for the year attributable to owners	Down 48%	(7,088,517)	(4,783,601)

Dividends

There were no dividends paid or proposed for the period. The Group does not have a dividend re-investment plan.

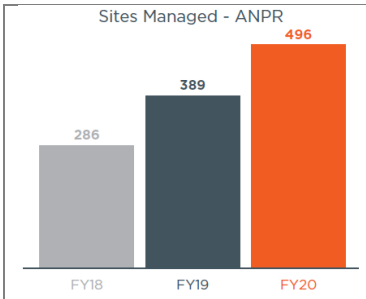
Commentary on the results for FY20

Total revenue of $21.6m for FY20 was down 21% with the net statutory loss after tax attributable to members of $7.3m, down 48% on FY19. The results to February were comparable with the previous corresponding period. The revenue for the period from March to June 2020 was 62% down on the previous corresponding period primarily as a result of the impact of COVID-19.

The loss after tax includes a $1.6m expense related to the ongoing VAT dispute with HMRC. This remains unresolved as at the date of this report. (refer to Note 23 for additional information).

The Adjusted EBITDA loss of $0.9m, after accounting for $2.5m of unusual and non-recurring items, was down $1.1m against FY19 (refer Note 2 for an explanation of unusual and non-recurring items). Excluding the impact of the adoption of AASB 16 Leases in the current period, Adjusted EBITDA decreased by $2.9m (refer to Note 1 for the impact of the adoption of AASB 16). The reduction is largely due to the impact of COVID-19 and excludes the benefits obtained by the business from COVID-19 related government subsidies of $0.8m.

Revenue in the Parking Management division of $17.2m was down 21% (2019: $21.7m) following the impact of COVID-19. Despite COVID-19 impacts, the company won and installed an additional 141 new ANPR sites for a mix of existing and new customers, resulting in a net 28% increase in sites over the year. The portfolio has undergone rapid growth over the last two years, as shown in the next graph, rising from 286 sites under management at 30 June 2018, to 389 sites at 30 June 2019, to 496 sites under management at 30 June 2020.



The company's strategy of growing the installed number of sites through the acquisition of additional sales resource has been successful as the team continues to win new contracts into FY21 and has a future pipeline of over 200 sites.

Despite the increase in sites, the number of PBNs issued decreased by 14% in FY20 due to the impact of COVID-19 and net impact of site losses in FY19. The year to date PBNs to February 2020 were up 8% on the same period in the prior year, 27% excluding the removal of a few large sites in FY19. Site mix continues to be diversified and the Company has experienced minimal site losses in the second half.

PBNs for the period from March to June 2020 were down 57% on the same period in the previous year due to COVID-19. The company expects revenue growth in FY21 as a result of the recovery from COVID-19 and ongoing significant net site acquisition.

The lower revenue resulted in Adjusted EBITDA for FY20 in the Parking Management Division of $3.1m, down 14% on FY19. Excluding the impact of the adoption of AASB 16 Leases, Parking Management Adjusted EBITDA was $1.4m, down 61% on FY19.

External revenue in the Technology division was down 19% on the prior corresponding period from $5.3m (FY19) to $4.3m (FY20). New installations included Moreton Bay, Livingstone Shire Council, City of Marion, Burwood Brickworks Shopping Centre, Les Mills (NZ) and an upgrade to The Base Shopping Centre (NZ). The installation and revenue recognition of some contracted orders in FY20, including a large contract for Gatwick Airport, have been delayed due to COVID-19 and will be recognised in FY21. The Adjusted EBITDA loss of $1.8m declined from a loss of $1.2m in FY19.

The Technology division has contracted orders and confirmed letters of intent for $3.0m of installations. Momentum in the division is increasing as more customers look to deploy Smart City initiatives.

The company is implementing various initiatives as it proactively seeks to move the technology division towards cash profitability.

The company invested $1.0m on Research and Development and continued to invest in technology. The division continued to enhance the functionality of its Smart City platform (SmartCloud) and Parking App, and launched its next generation indoor Parking Guidance System. The company has developed an Enforcement Management System, to complete the end-to-end customer journey, opening up a wider pool of customers with a greater product offering.

COVID-19 had the following impact on the business:

- Parking Breach Notice (PBNs) revenue prior to COVID-19 made up approximately 70% of the Group's revenue. The main driver of PBNs issued is the car count and contravention ratio. The car count dropped 60% in late March after restrictions were introduced compared to pre COVID-19 in February and March. The lower car count, combined with a substantial reduction in the contravention rate, resulted in issued PBNs falling 80% to a low of 6,250 in April 2020 compared to the monthly average for the year prior to COVID-19 of 31,100.
- The number of issued PBN's was also impacted by extended grace periods and a moratorium on PBN issuance on some sites while the COVID-19 restrictions were in place.
- In addition, since lockdown began, payment collections in the UK for issued PBNs decreased by up to 20%.
- Pay and Display revenue decreased by 82% from March to June 2020 compared with the same period in the prior year due to the reduction in traffic.
- The installation of a number of new sites in both the Parking Management and Technology divisions were delayed. This included Gatwick Airport, a 4,188 sensor installation, which was deferred until FY21.
- The border restrictions limited the ability for management to move freely between the company's operating jurisdictions.

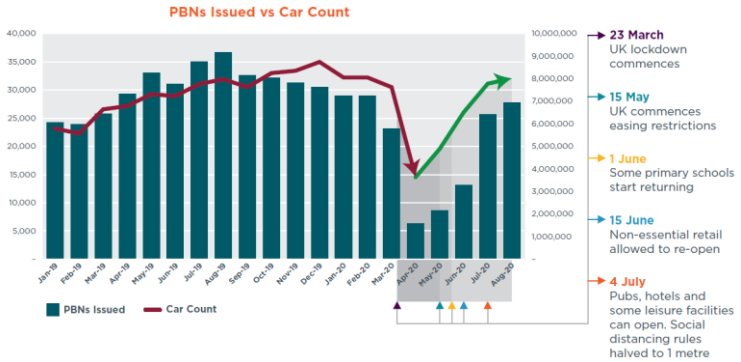
The followings actions were undertaken in response to COVID-19:

- The company was successful in implementing its Business Continuity Plans and the response was rapid and effective. The CEO has been located in the UK since March 2020 to manage the business's response.
- A cost reduction programme to conserve cash was implemented in March and April.
- Cost saving initiatives included salary reductions of between 10% and 20% for all staff, and a reduction in fees for Directors of 40% effective 1 April 2020.
- Restructure of the technology business and reduction in headcount resulting in annualised savings of $1.2m.
- The company received COVID-19 subsidies of $0.8m in the form of the New Zealand COVID-19 wage subsidy, the UK government COVID-19 job retention scheme, the Australian Tax Office cash boost, and the Australian state payroll tax waiver. 66% of UK staff were furloughed under the UK job retention scheme.
- In July 2020, the company initiated a restructure in the UK, resulting in 20 staff being made redundant with expected annualised savings of $0.7m.
- The company deferred $0.3m of lease payments to FY21.
- In July 2020, the group entered into a UK Coronavirus Business Interruption Loan to be used for working capital and capital expenditure. The total amount available under the facility is $2.7m. This facility remains undrawn.
- The Company was successful in its application to HMRC to delay the VAT assessments of $2.9m for the 2 years to May 2019, which are currently the subject of a dispute between the Company and HMRC, until post the tribunal hearing, which is not expected to occur until late 2021 or early 2022. This amount is included in Current Liabilities. Refer Note 23.

The company is seeing a recovery from COVID-19 including:

- The company has seen an increase in both the car count and contravention rate as UK restrictions are eased with the company issuing 25,758 PBNs in July (July 2019: 34,729) up from a low of 6,250 in April.
- Collections in the UK for issued PBNs have increased to be 5% below the historical 12 month average.

- The average stay time has increased and grace periods have reverted to historical levels.
- The UK Managed Services division recommenced site installations with 55 new sites forecast to go live in Q1 FY21. The division is focused on growing the number of installations by 200 new sites in FY21.
- The Group incurred $2.1m of capital investment in FY20, the benefit of which will be realised largely in future periods. The Group anticipates that further capital investments will be made, however the level of investment will be assessed with regards to the business outlook at the time, satisfaction of required investment returns and the timing of other forecast cash flows.
- The Technology division continued to submit tenders and proposals, and was awarded new business during lockdown including the City of Marion and City of Wyndham.



Net operating cash outflows for the year were $0.2m down from an inflow of $0.4m in FY19 reflecting reduced revenues as a result of COVID-19. At year end, the group had available cash of $6.3m.

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

* Adjusted EBITDA takes into account costs incurred in the current period which are not expected to occur in the future and are considered non-operational or non-recurring in nature. Refer to Note 2 for further details.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	Consolidated	
		2020	**2019**
		$	**$**
Revenue from operations	9(c)	**21,587,234**	27,183,987
Raw materials and consumables used		**(3,432,902)**	(3,314,767)
Employee benefits expense		**(10,904,401)**	(11,360,672)
Depreciation and amortisation expense	1(a)	**(3,724,325)**	(1,850,946)
Rental and operating lease costs	1(a)	**(367,577)**	(2,663,476)
Share-based payments expense		**(314,357)**	(412,458)
Finance and interest expense	1(a)	**(580,271)**	(106,782)
Foreign exchange gains/(losses)		**(141,100)**	91,664
COVID-19 subsidies	9(c)	**778,649**	-
Other expenses		**(10,505,185)**	(12,667,500)
Loss before income tax		**(7,604,235)**	(5,100,950)
Income tax benefit		**331,801**	186,533
Loss for the year from continuing operations		**(7,272,434)**	(4,914,417)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**183,917**	130,816
Other comprehensive income for the year, net of tax		**183,917**	130,816
Total comprehensive income for the year		**(7,088,517)**	(4,783,601)
Total comprehensive income for the year attributable to owners of Smart Parking Limited		**(7,088,517)**	(4,783,601)
Earnings per share from continuing operations attributable to the ordinary equity holders of the company.			
- basic earnings/ (loss) per share (cents per share)		**(2.02)**	(1.37)
- diluted earnings/ (loss) per share (cents per share)		**(2.02)**	(1.37)

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the accompanying supplementary Appendix 4E information.

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	**6,466,817**	10,912,363
Trade and other receivables	12	**3,768,331**	6,292,564
Contract assets		**139,720**	480,854
Inventories		**1,511,882**	1,088,772
Income tax receivable		**624**	913
Total Current Assets		**11,887,374**	18,775,466
Non-current Assets			
Receivables	12	**131,707**	307,550
Property, plant and equipment	13	**6,486,557**	6,908,521
Right-of-use asset	1(a)	**11,934,426**	-
Intangible assets	14	**2,099,772**	1,935,299
Deferred tax assets		**1,595,274**	1,091,520
Total Non-current Assets		**22,247,736**	10,242,890
TOTAL ASSETS		**34,135,110**	29,018,356
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**7,537,564**	7,572,267
Lease liabilities	1(a)	**1,380,761**	-
Borrowings		**1,767**	46,730
Contract liabilities		**804,121**	1,044,627
Provisions		**524,933**	650,081
Total Current Liabilities		**10,249,146**	9,313,705
Non-current Liabilities			
Lease liabilities	1(a)	**10,965,529**	-
Borrowings		**-**	10,056
Total Non-current Liabilities		**10,965,529**	10,056
TOTAL LIABILITIES		**21,214,675**	9,323,761
NET ASSETS		**12,920,435**	19,694,595
EQUITY			
Contributed equity	17	**68,865,719**	68,865,719
Accumulated losses	3	**(60,123,815)**	(52,851,381)
Reserves	16	**4,178,531**	3,680,257
TOTAL EQUITY		**12,920,435**	19,694,595

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying supplementary Appendix 4E information.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Contributed equity $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2019	**68,865,719**	**3,680,257**	**(52,851,381)**	**19,694,595**
Total comprehensive income for the year				
Loss for the year	-	-	(7,272,434)	(7,272,434)
Other comprehensive income	-	183,917	-	183,917
Total comprehensive profit/(loss) for the year	**-**	**183,917**	**(7,272,434)**	**(7,088,517)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Contributions of equity net of transaction costs	-	-	-	-
Share-based payment transactions	-	314,357	-	314,357
Total transactions with owners	-	314,357	-	314,357
Balance at 30 June 2020	**68,865,719**	**4,178,531**	**(60,123,815)**	**12,920,435**

	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)	-
Balance at 1 July 2018	**68,865,719**	**3,136,983**	**(47,936,964)**	**24,065,738**
Total comprehensive income for the year				
Loss for the year	-	-	(4,914,417)	(4,914,417)
Other comprehensive income	-	130,816	-	130,816
Total comprehensive profit/(loss) for the year	**-**	**130,816**	**(4,914,417)**	**(4,783,601)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Contributions of equity net of transaction costs	-	-	-	-
Share-based payment transactions	-	412,458	-	412,458
Total transactions with owners	-	412,458	-	412,458
Balance at 30 June 2019	**68,865,719**	**3,680,257**	**(52,851,381)**	**19,694,595**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying supplementary Appendix 4E information.

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Cash receipts in the course of operations		**24,600,312**	28,150,280
Cash payments in the course of operations		**(24,863,240)**	(28,044,299)
Interest received		**105,808**	245,162
Income taxes paid		**(289)**	(135)
Net cash inflow/(outflow) from operating activities before movement in client funds		**(157,409)**	351,008
Net increase/(decrease) in cash held on behalf of customers		**(178,804)**	138,448
Net cash inflow/(outflow) from operating activities	18	**(336,213)**	489,456
Cash flows from investing activities			
Proceeds from sale of financial assets	11	**-**	6,443,521
Purchase of intangible assets		**(283,542)**	(150,248)
Purchase of plant and equipment		**(2,195,430)**	(2,906,203)
Net cash inflow/(outflow) from investing activities		**(2,478,972)**	3,387,070
Cash flows from financing activities			
Hire purchase payments		**(60,833)**	(108,422)
Interest and other finance costs paid[1]		**(430,283)**	(44,492)
Principal elements of lease payments[1]		**(1,122,377)**	-
Net cash outflow from financing activities		**(1,613,493)**	(152,914)
Net increase/(decrease) in cash and cash equivalents		**(4,428,678)**	3,723,612
Cash and cash equivalents at beginning of period		**10,912,363**	7,153,543
Effects of exchange rate changes on cash and cash equivalents		**(16,868)**	35,208
Cash and cash equivalents at end of period	10	**6,466,817**	10,912,363

[1]The increase in interest costs and lease payments relate to the adoption of AASB 16 Leases. Until 30 June 2019, leases of property and plant and equipment were included in "cash payments in the course of operations" as part of operating cash flows. Refer to Note 1 for the impact of adoption of AASB 16.

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying supplementary Appendix 4E information.

Supplementary Appendix 4E Information

1. Statement of significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Smart Parking Limited during the reporting period in accordance with the continuous disclosure requirements of Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The preliminary financial report, comprising the financial statements and notes of Smart Parking Limited and its controlled entities, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

The principal accounting policies adopted in the preparation of the preliminary financial report are consistent with those of the previous financial year with the exception of those disclosed below.

(a) AASB 16 *Leases*

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019.

<u>The group's leasing activities and how these are accounted for</u>
The group leases various offices, car parks and cars. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extensions. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases under AASB 117 Leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, upon adoption of AASB 16, all leases, with the exception of short term (under 12 months) and low-value leases, are recognised on the balance sheet, as a right-of-use asset and a corresponding interest-bearing liability at the date at which the assets are available for use by the group. The associated right-of-use assets were measured at the amount equal to the new lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Remaining fixed payments less any lease incentives receivable; plus
- the exercise of a lease extension if the lessee is reasonably certain the extension will be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.7%.

Lease costs are now recognised in the income statement over the lease term in the form of depreciation on the right-of-use asset and finance charges representing the unwind of the discount on the lease liability. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease on a straight-line basis.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Cost comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss.

Adjustments recognised on adoption of AASB 16

The following table provides a reconciliation of the operating lease commitments disclosed as 'Commitments' in the 2019 Annual Report to the total lease liability recognised at 1 July 2019:

	2019 **$**
Operating lease commitments disclosed as at 30 June 2019	7,160,245
Discounted using the lessee's incremental borrowing rate at the initial date of application	6,875,844
Add: finance lease liabilities recognised as at 30 June 2019	56,786
Less: low-value leases recognised on a straight-line basis as an expense	(13,830)
Add: adjustments as a result of a different treatment of extension options	7,094,878
Lease liability recognised as at 1 July 2019	**14,013,678**
Of which are:	
Current lease liabilities	1,302,138
Non-current lease liabilities	12,711,540
	14,013,678

Impact on profit or loss balances

The Net Loss before Tax for the period ending 30 June 2020 reduced by $245,230 due to the adoption of AASB 16. The impact on profit or loss is shown below:

	2020 **Pre** **AASB 16** **$**	**2020** **AASB 16** **Adjustment** **$**	**2020** **Post AASB 16** **Adjustment** **$**
Rental and operating lease costs	2,176,065	(1,808,488)	367,577
Depreciation and amortisation	2,179,430	1,544,895	3,724,325
Finance and interest expense	71,449	508,822	580,271
Net loss before tax	7,359,005	245,230	7,604,235

Earnings per share decreased by 0.07c per share for the year ending 30 June 2020 as a result of the adoption of AASB 16.

2. Material factors affecting the economic entity for the current period

Refer to the attached Market Announcement and Investor Presentation for discussion of the nature and amount of material items affecting revenue, expenses, assets, liabilities, equity or cash flows, where their disclosure is relevant in explaining the financial performance or position of the entity for the period.

The loss of the Group for the financial year after income tax amounted to $7.3m (2019: loss of $4.9m).

An analysis of underlying Adjusted EBITDA in the current period which is calculated after excluding the effects of costs incurred but not related to underlying operations or not expected to occur in the future is outlined below. This analysis does not include the substantial reduction in revenue caused by COVID-19 and related cost impacts other than the COVID-19 Government subsidies, given the inherent difficulty of precise measurement.

	2020 $	2019 $
Net Loss for the year after tax	**(7,272,434)**	**(4,914,417)**
EBITDA[1]	(3,374,167)	(3,240,218)
Professional fees[2]	1,105,510	340,309
Restructuring costs[3]	361,811	158,267
Smart Cloud integration costs[4]	-	181,921
VAT under dispute[5]	1,620,169	2,874,576
Other non-recurring expenses[6]	52,248	33,636
COVID-19 Government Subsidies[7]	(778,649)	-
Foreign exchange (gains)/losses[8]	141,100	(91,664)
Adjusted EBITDA[9]	**(871,978)**	**256,827**

[1]EBITDA represents Earnings before interest, taxation, depreciation, amortisation and loss on disposal of plant and equipment. From 1 July 2019 the company adopted AASB 16 Leases which resulted in EBITDA increasing by $1.8m. Refer to Note 1 for the impact of adoption of AASB 16. The 2019 EBITDA figure is not restated for AASB 16.
[2]The professional fees relate to expert advice on the VAT dispute with HMRC and corporate advisory costs. The professional fees in FY19 related to the UK management restructure, GDPR set up costs and tax advisory fees in relation to the VAT dispute. These costs are non-operating in nature.
[3]The restructuring costs relate to a reorganisation of the UK Parking Management business.
[4]The SmartCloud costs relate to a duplication of costs as part of the migration from legacy systems to SmartCloud.
[5]The VAT costs relate to the accounting provision of $1.2m associated with the ongoing dispute with HMRC and VAT refunds written off. The provision represents the estimated VAT under dispute that would be payable in the event that the Company is unsuccessful in its dispute with HMRC, calculated in accordance with tax assessments issued by the HMRC for prior periods. Disputed amounts from assessments covering 2 years were raised by HMRC and included in FY19 above. Refer to note 23 for additional information.
[6]The other non-recurring expenses are either non-recurring or non-operating in nature.
[7]COVID-19 Government subsidies include the utilisation of the UK Coronavirus Job Retention Scheme, the NZ COVID-19 Wage Subsidy Scheme, Australian Tax Office cash flow boost and payroll tax waivers.
[8]The foreign exchange gains/(losses) relate to funding within the Group.
[9]The Board assesses the underlying performance of the Group based on a measure of Adjusted EBITDA which excludes the effect of non-operating and non-recurring costs.

3. Retained Earnings *(Appendix 4E item 6)*

	Consolidated	
	2020	**2019**
	$	**$**
Balance 1 July	**(52,851,381)**	(47,882,069)
Adjustment on adoption of AASB 9	**-**	(54,895)
Adjusted balance 1 July	**(52,851,381)**	(47,936,964)
Net loss for the year	**(7,272,434)**	(4,914,417)
Balance 30 June	**(60,123,815)**	(52,851,381)

4. Additional Dividend Information *(Appendix 4E item 7)*

There were no dividends paid or proposed during the year.

5. Dividend Reinvestment Plan *(Appendix 4E item 8)*

The company has no dividend reinvestment plan in operation.

6. NTA Backing *(Appendix 4E item 9)*

	Consolidated	
	2020	**2019**
	$	**$**
Net tangible asset backing per ordinary share	$0.0324	$0.0560

7. Earnings/(loss) per share *(Appendix 4E item 14.1)*

	Consolidated	
	2020	**2019**
Basic loss per share (cents per share)	**(2.02)**	(1.37)
Diluted loss per share (cents per share)	**(2.02)**	(1.37)
Loss used in calculating EPS ($)	**(7,272,434)**	(4,914,417)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**No.** **359,215,361**	**No.** 359,215,361
Reconciliation of basic and diluted loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating earnings per share:	**(7,272,434)**	(4,914,417)

The earnings per share calculation has not been adjusted for the 4,266,828 deferred share rights (2019: 5,022,589) as the company has made a loss in the current year and this would be considered antidilutive. These deferred share rights could potentially dilute basic earnings per share in the future.

8. Share Buyback *(Appendix 4E item 14.2)*

The company had no on-market buy back in operation during the year ended 30 June 2020 or the year ended 30 June 2019.

9. Segment information *(Appendix 4E item 14.4)*

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 globally, Parking Management 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 in the UK, 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 and Head Office 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 year ended 30 June 2020 is as follows:

Group – 2020	Technology $	Research and Development $	Parking Management $	Total $
Total segment revenue	6,717,939	-	17,243,752	23,961,691
Inter-segment revenue	(2,462,637)	-	-	(2,462,637)
Revenue from external customers	**4,255,302**	**-**	**17,243,752**	**21,499,054**
Segmental Adjusted EBITDA	**(1,774,945)**	**(1,001,993)**	**3,103,347**	**326,409**

The segment information provided to the Board for the reportable segments for the year ended 30 June 2019 was as follows:

Group - 2019	Technology $	Research and Development $	Parking Management $	Total $
Total segment revenue	7,650,393	-	21,691,764	29,342,157
Inter-segment revenue	(2,393,558)	-	-	(2,393,558)
Revenue from external customers	**5,256,835**	**-**	**21,691,764**	**26,948,599**
Segmental Adjusted EBITDA	**(1,213,048)**	**(1,019,603)**	**3,609,139**	**1,376,488**

c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2020 $	2019 $
Total segment revenue	**23,961,691**	29,342,157
Intersegment eliminations	**(2,462,637)**	(2,393,558)
Interest revenue	**88,180**	235,388
	21,587,234	27,183,987

(ii) Adjusted EBITDA

The Board assesses the performance of the operating segments based on a measure of Adjusted EBITDA which excludes the effects of non-operating and non-recurring costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Group function, which manages the cash position for the Group as a whole.

A reconciliation of Segment Adjusted EBITDA to operating loss before income tax is provided as follows:

	2020	2019
	$	$
Segment Adjusted EBITDA[1]	**326,409**	1,376,488
Intersegment eliminations	**-**	(7,985)
Interest revenue	**88,180**	235,388
Interest expense[2]	**(516,758)**	(44,493)
Depreciation[3]	**(3,567,877)**	(1,722,812)
Amortisation	**(156,448)**	(128,134)
VAT under dispute[4]	**(1,620,169)**	(2,874,576)
Non-recurring items[5]	**(1,519,570)**	(714,133)
COVID-19 Government subsidies[6]	**778,649**	-
Foreign exchange gain/(loss) on intra group funding	**(141,100)**	225,330
Loss on disposal of fixed property, plant and equipment	**(77,164)**	(200,681)
Adjusted EBITDA for Group Corporate function	**(1,198,387)**	(1,245,342)
Loss before income tax from continuing operations	**(7,604,235)**	(5,100,950)

[1]Segment Adjusted EBITDA is for the operating divisions which excludes corporate costs and non-recurring items. From 1 July 2019 the company adopted AASB 16 Leases which resulted in EBITDA increasing by $1.8m. Refer to Note 1 for the impact of adoption of AASB 16. The 2019 EBITDA figure is not restated for AASB 16.

[2]Interest expense in FY20 includes interest on leases. From 1 July 2019 the company adopted AASB 16 Leases which resulted in interest expense increasing by $0.5m. Refer to Note 1 for the impact of adoption of AASB 16. The 2019 interest figure is not restated for AASB 16.

[3]Depreciation in FY20 includes depreciation on Right-of-use assets. From 1 July 2019 the company adopted AASB 16 Leases which resulted in depreciation increasing by $1.5m. Refer to Note 1 for the impact of adoption of AASB 16. The 2019 depreciation figure is not restated for AASB 16.

[4]The VAT costs relate to the accounting provision of $1.2m associated with the ongoing dispute with HMRC and VAT refunds written off. The provision represents the estimated VAT under dispute that would be payable in the event that the Company is unsuccessful in its dispute with HMRC, calculated in accordance with tax assessments issued by the HMRC for prior periods. Disputed amounts from assessments covering 2 years were raised by HMRC and included in FY19 above. Refer to note 23 for additional information.

[5]Non-recurring items include costs comprising professional fees, corporate advisory costs, restructuring costs and other costs expenses which are either non-recurring or non-operating in nature. Additional information on the non-recurring items is included in note 2.

[6]COVID-19 Government subsidies include the utilisation of the UK Coronavirus Job Retention Scheme, the NZ COVID-19 Wage Subsidy Scheme, Australian Tax Office cash flow boost and payroll tax waivers.

A reconciliation of Segment Adjusted EBITDA to Adjusted Group EBITDA is provided below:

	2020	2019
	$	$
Segment Adjusted EBITDA	**326,409**	1,376,488
Intersegment eliminations and net foreign exchange movements	**-**	125,681
Adjusted EBITDA for Group Corporate function	**(1,198,387)**	(1,245,342)
Adjusted Group EBITDA	**(871,978)**	256,827

10. Cash and cash equivalents

	Consolidated	
	2020	**2019**
	$	**$**
Cash at bank and in hand	**6,272,461**	**10,547,622**
Cash held on behalf of customers	**194,356**	**364,741**
	6,466,817	**10,912,363**

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 are 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.

11. Financial assets

The Group sold $6.4m of Corporate Bonds during the year ending 30 June 2019.

12. Trade and other receivables

Current		
Trade receivables	**1,059,594**	1,634,281
Provision for impairment of receivables	**(12,540)**	(5,420)
	1,047,054	1,628,861
Prepayments	**581,456**	804,112
Other receivables	**2,139,821**	3,859,591
	3,768,331	6,292,564
Non-current receivables	**131,707**	307,550
	3,900,038	6,600,114

13. Property, plant and equipment

Consolidated	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Leasehold Improve-ments $	Total $
Year ended 30 June 2020					
Opening net book amount	**178,667**	**145,761**	**6,123,079**	**461,014**	**6,908,521**
Additions	**-**	**55,637**	**1,722,674**	**-**	**1,778,311**
Disposals	**(24,263)**	**(1,098)**	**(100,828)**	**(5,768)**	**(131,957)**
Depreciation charge for the year	**(61,486)**	**(58,276)**	**(1,862,364)**	**(40,853)**	**(2,022,979)**
Foreign exchange translation	**586**	**(2,698)**	**(41,012)**	**(2,215)**	**(45,339)**
Closing net book amount	**93,504**	**139,326**	**5,841,549**	**412,178**	**6,486,557**
At 30 June 2020					
Cost or fair value	**316,937**	**421,908**	**14,467,371**	**573,610**	**15,779,826**
Accumulated depreciation & impairment	**(223,433)**	**(282,582)**	**(8,625,822)**	**(161,432)**	**(9,293,269)**
Net book amount	**93,504**	**139,326**	**5,841,549**	**412,178**	**6,486,557**

14. Intangible assets

	Software $	Developed Technology $	Goodwill $	Other intangible assets $	Total $
Year ended 30 June 2020					
Opening net book amount	**302,030**	**23,110**	**1,610,159**	**-**	**1,935,299**
Additions	**278,203**	**59,199**	**-**	**-**	**337,402**
Exchange differences	**(1,780)**	**-**	**(14,701)**	**-**	**(16,481)**
Amortisation charge	**(144,048)**	**(12,400)**	**-**	**-**	**(156,448)**
Closing net book amount	**434,405**	**69,909**	**1,595,458**	**-**	**2,099,772**
At 30 June 2020					
Cost	**1,531,364**	**5,881,783**	**2,490,553**	**16,831**	**9,920,531**
Accumulated amortisation and impairment	**(1,096,959)**	**(5,811,874)**	**(895,095)**	**(16,831)**	**(7,820,759)**
Net book amount	**434,405**	**69,909**	**1,595,458**	**-**	**2,099,772**

15. Trade and other payables

	Consolidated	
	2020	**2019**
	$	**$**
Current		
Trade payables	**1,523,368**	**2,207,087**
Related party payables	**73,986**	**111,098**
Other payables	**5,940,210**	**5,254,082**
	7,537,564	**7,572,267**

All current trade and other payables are expected to be settled within 12 months with the exception of the VAT payable (see below). Other payables includes $194,356 (2019: $364,741) payable to customers for cash that Smart Parking UK has collected and counted on behalf of customers, the associated cash for this is included in cash at bank. Refer to Note 10.

Other payables include $4.0m (2019: $2.3m) related to the VAT dispute with HMRC. Refer to note 23 for additional information. The Company successfully applied to defer the payment of disputed assessments of $2.9m issued in August 2019 until after the tribunal hearing, which is not expected to occur until late 2021 or early 2022. Under accounting standards this amount is required to be disclosed as a current liability.

16. Reserves

	Consolidated	
	2020	**2019**
	$	**$**
Share based payments	**3,296,680**	2,982,323
Foreign currency translation	**881,851**	697,934
	4,178,531	3,680,257

17. Equity securities issued during the year

The Company did not issue any ordinary shares during the year.

18. Reconciliation of cash flows from operating activities

Reconciliation of Cash Flow from Operations with Loss after Income Tax	**2020**	2019
	$	$
Loss after income tax for the period	**(7,272,434)**	(4,914,417)
Adjustments for:		
Loss on disposal of plant and equipment	**77,164**	200,681
Depreciation and amortisation expense	**3,724,325**	1,850,946
Interest expense	**516,758**	44,492
Share-based payments expense	**314,357**	412,458
Net foreign exchange differences	**141,100**	(91,664)
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Increase)/decrease in trade receivables and contract assets	**1,093,412**	1,233,149
(Increase)/decrease in inventories	**(423,110)**	161,944
(Increase)/decrease in other current assets	**1,942,426**	491,542
Increase/(decrease) in trade payables and accruals	**53,254**	1,620,033
(Increase)/decrease in tax receivable and deferred tax	**(503,465)**	(519,708)
Net cash inflow/(outflow) from operations	**(336,213)**	489,456

19. Trends in Performance *(Appendix 4E item 14.5)*

Refer to the attached Market Announcement and Investor Presentation.

20. Other Factors that Affected Results in the Period or which are Likely to Affect the Results in the Future *(Appendix 4E item 14.6)*

Refer to the attached Market Announcement and Investor Presentation.

21. Controlled Entities Acquired or Disposed of *(Appendix 4E item 10)*

The Company did not acquire/dispose of interests in Controlled Entities.

22. Associates and Joint Venture Entities *(Appendix 4E item 11)*

The Company does not hold any interests in Joint Ventures or Associates.

23. Other Significant Information *(Appendix 4E item 12)*

Contingent Liabilities

Her Majesty's Revenue and Customs (HMRC) has issued assessments which restrict the amount of input VAT that can be recovered on expenditure incurred in the Company's operations. While the Company has attempted to work collaboratively with HMRC to address and resolve its position, the matter remains unresolved. The Company has lodged Notices of Appeal contesting different aspects of HMRC assessments.

Smart Parking intends to vigorously defend its position if an agreeable outcome cannot be reached. Independent expert advice supports the Company's view that the HMRC assessments are fundamentally flawed, as they are based on both assumptions and a methodology which are not consistent with the facts of the Company's operations.

In August 2019, HMRC issued Notices of Assessment for $2.9m covering the 2 years to May 2019. Whilst the Company disputes this assessment and intends to vigorously defend its position, in accordance with accounting standards, the Company recorded a full provision of $2.8m as at 30 June 2019, including an estimate for the post-assessment month of June 2019 using HMRC's methodology and interest costs. During the year to June 2020, the company recognised a further $1.2m of VAT and interest, conservatively recognising the maximum possible future liability calculated in accordance with HMRC's methodology. The total provision as at 30 June 2020 in relation to the matter is $4.0m. If the Company is successful in defending its position, all, or at least a material proportion, of the provision is expected to be written back to profit. Recognition of a liability does not change the Group's assessment of its prospects of successfully arguing an alternative position with HMRC.

The amount provided excludes penalties that may be levied by HMRC in the event that the Company is unsuccessful in defending its position. There is a contingent liability for $1.0m which includes an error in HMRC's calculations related to the August 2019 assessments and penalties.

In June 2020, the Company successfully applied to defer the payment of disputed amounts assessed in August 2019 until after the tribunal hearing, which is not expected to occur until late 2021 or early 2022.

The Company continues to work with expert independent advisers in relation to the matter.

Refer to the attached Market Announcement and Investor Presentation for other significant information.

24. Matters subsequent to the end of the financial year

The company obtained a UK Coronavirus Business Interruption Loan for $2.7m on 8th July 2020. The term of the loan is 4 years from the date of drawdown, and is interest free for the first year. Principal and interest repayments commence on the first anniversary of the loan drawdown date. The facility remains undrawn down as at 21st August 2020.

25. Audit Status *(Appendix 4E item 15)*

This report is based on accounts which are in the process of being audited.

26. Commentary on Results *(Appendix 4E item 14)*

Refer to the attached Market Announcement and Investor Presentation.

27. Significant Features of Operating Performance *(Appendix 4E item 14.3)*

Refer to the attached Market Announcement and Investor Presentation.