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SenSen Networks Limited

And Controlled Entities

ABN 67 121 257 412

Appendix 4D (rule 4.3A)
Preliminary final report for the half year ended 31 December 2022

Results for announcement to the market
(all comparisons to half year ended 31 December 2021)

	2022 $'000	Up/(down) $'000	% Movement
Revenue from ordinary activities	4,869	1,894	64%
Loss from ordinary activities after income tax attributable to shareholders	(4,566)	2,320	34%
Net loss for the period attributable to shareholders	(4,566)	2,320	34%

Note 1:

	2022 $'000	2021 $'000
Net loss for the period attributable to shareholders	(4,566)	(6,886)
Non-core adjustments		
Share based payment expense (non-cash)	366	2,045
Underlying net loss for the period attributable to shareholders after adjustment for significant non-core items	**(4,200)**	**(4,841)**

Dividend Information

The company did not pay any dividends during the period.

Net Tangible Assets

	2022 $	2021 $
Net tangible assets per ordinary share	0.001	0.012

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HALF-YEAR REPORT
AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Contents

Directors' Report

The directors present their report with the consolidated financial report of SenSen Networks Limited ("the Company") and the entities it controlled ('the Group") at the end of, or during, the half year ended 31 December 2022 and the auditor's review report thereon.

DIRECTORS

The names of the directors who held office during or since the end of the half year are:

Mr Subhash Challa, Executive Chairman
Mr David Smith, Executive Director and Company Secretary
Ms Heather Scheibenstock, Executive Director (Resigned effective 31 December 2022)
Mr Zenon Pasieczny, Non-Executive Director

Principal Activities

Australian Live Awareness platform company SenSen is the Internet of Everything's leading data unification layer and sense-making engine.

The system works by fusing data from any and every source, finding signal in the noise and delivering insight that human and artificial intelligences can act on. For a more efficient world with a host of better outcomes.

SenSen is already improving road and personal safety – and enhancing the quality of life – on four continents.

Dividends – SenSen Networks Limited

No dividends have been declared in the half-year financial statements ended 31 December 2022 (2021: no dividend declared)

Review of Operations

We are an Australian enterprise AI software solution provider with a rich research and development background.

- SenSen (SNS: ASX) was founded in 2007 and floated on the ASX in 2017.
- Headquarters in Melbourne with global offices in India, Singapore, Canada and US: with more than 100 employees.
- Delivering solutions since 2011 to our key customers from the largest cities in the world, Singapore, Brisbane, Las Vegas, Chicago, Vancouver and Sydney.
- Solutions across Smart cities, Roads & Transport, Retail and Gaming industries.

Business Update

SenSen achieved record recurring revenues and customer wins in the first half of fiscal 2023. Key highlights for the six months ending 31 December 2022 are outlined below.

Directors' Report (cont'd)

Financial Performance

Key highlights include:

1. Record first half revenues of $4,869,248 representing 64% growth on prior comparative period (PCP) for Dec 2021.
2. Record first half customer cash receipts of $5,160,335 a 52% increase over the PCP in H1 FY22.
3. The net loss of $4,565,748 during the six-months to 31 December 2022, compared to $6,885,811 loss reported in PCP. The financial performance of the Group reflects restructuring undertaken in the half to accelerate the transition to being cash flow positive.

    a. The loss has been curtailed as the company refined its business structure along functional lines, resulting in a number of roles becoming redundant.
    b. The loss includes a non-cash share-based payment expense of $366,068 compared to $2,045,405 in the prior year.
4. Cash on hand was $3,751,570, with an additional $2,245,000 in unused finance facilities available as at 31 December 2022 compared to $6,213,860 as at 30 June 2022 and $1,825,000 in unused finance facilities available.

Business Model Refinement

During the half year, management took actions to refine the SenSen operating model around its fully integrated business strategy with shared resources across all customers as opposed to multiple business verticals with dedicated sales, marketing, and delivery operations resources. This positions SenSen to scale efficiently and profitably.

Measures including restricting controllable expenditure and aligning the organisational structure with activities with a direct impact on current or near-term revenue generation are anticipated to generate $2,500,000 of annualised savings, including a reduction of 26 full-time roles and a further two roles being reduced to a part time capacity in line with current requirements. Several new initiatives are underway to generate further cash savings such as the relocation of SenSen's India office to a serviced office in a nearby technology centre.

Balance Sheet Reinforcement

During the period SenSen entered into new financing arrangements totaling $1,900,000 to assist with short-term liquidity as the company navigates the seasonality of its business.

Following the receipt of a $2,279,596 tax return incorporating the company's R&D grant, a loan of $1,500,000 from Rocking Horse Capital was fully repaid. To replace this loan, the Company was successful in obtaining an interim facility with Rocking Horse Capital, based on completed R&D of $1,100,000 on comparable terms to the facility repaid.

Additionally, the Company was successful in entering into a working capital facility with TP24, providing SenSen with up to $800,000 of additional funding for use in managing timing differences between COGS and customer receipts.

Cluster Effect takes hold in Canada

During the period the Company saw the "cluster effect", whereby neighbouring councils adopt the same SenSen technology, take hold in Canada. Complimenting existing business with the Cities of Calgary and Edmonton in Canada, the cities of Vancouver and adjoining Abbotsford chose to adopt SenSen technology to assist with parking enforcement. Further, the city of Toronto, Canada's largest city, adopted SenSen technology to map its parking signage and infrastructure in the period, which opens the door to potential further business with the city.

Directors' Report (cont'd)

Annual General Meeting

At our Annual General Meeting of shareholders held on 23 November 2022, all resolutions put to the meeting were unanimously passed on a poll. Resolutions were as follows:

Resolution 1: Adoption of Remuneration Report
Resolution 2: Re-election of Mr David Smith
Resolution 3: Ratification of Shares
Resolution 4: Authority to issue Shares under the SenSen Incentive Plan to a Related Party – Mr Subhash Challa
Resolution 5: Issue of Shares under the SenSen Incentive Plan to a Related Party – Mr David Smith
Resolution 6: Issue of Shares under the SenSen Incentive Plan to a Related Party – Ms Heather Scheibenstock
Resolution 7: Approval of 10% Placement Facility

Shares and Options

The following shares were issued during the period:

No. of Shares	
Balance at 30 June 2022	**651,142,760**
Shares issued in deferred consideration for the acquisition of Scancam Industries Pty Ltd on 7 November 2022	8,878,490
Shares issued to ESOP LTI on 9 December 2022	18,641,485
Balance at 31 December 2022	**678,662,735**

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 6.

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

Subhash Challa, CEO and Chairman

Date: 28 February 2023

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF SENSEN NETWORKS LIMITED

As lead auditor for the review of SenSen Networks Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SenSen Networks Limited and the entities it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 28 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 December 2022

	Note	Consolidated 31-Dec-22 $	Consolidated 31-Dec-21 $
Revenue from contracts with customers			
Sales Revenue	2	4,869,248	2,975,333
Cost of Sales		(1,651,336)	(964,348)
Gross Profit		3,217,912	2,010,985
Other income	2	1,226,046	1,850,387
Interest income	2	3,261	705
Expenses			
Administration expense		(1,199,723)	(1,036,133)
Advertising and Marketing expense		(311,501)	(244,309)
Consulting expense		(1,473,765)	(2,058,998)
Finance cost		(202,677)	(124,919)
Occupancy cost		(161,861)	(217,430)
Staff cost		(4,275,462)	(4,372,180)
Technology costs		(859,234)	(668,170)
Share based payments	9	(366,068)	(2,045,405)
Fair value gain or loss	16	(147,859)	-
Loss before income tax		**(4,550,931)**	**(6,905,467)**
Income tax benefit/(expense)		(14,817)	19,656
Net loss for the period		**(4,565,748)**	**(6,885,811)**
Loss attributable to members of the parent entity		**(4,565,748)**	**(6,885,811)**
		(4,565,748)	**(6,885,811)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		29,883	(62,230)
Other comprehensive income/(loss)		**29,883**	**(62,230)**
Total comprehensive loss for the period attributable to:			
- Members of the parent entity		**(4,535,865)**	**(6,948,041)**
Loss per share:			
Basic and diluted loss per share (cents)	13	**(0.70)**	**(1.22)**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 December 2022

	Note	Consolidated 31-Dec-22 $	Consolidated 30-Jun-22 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,751,570	6,213,860
Trade and other receivables	4	877,240	1,943,338
Contract assets		631,308	561,671
Inventory	5	375,981	231,790
Other assets	6	1,596,076	2,440,440
Total Current Assets		**7,232,175**	**11,391,100**
Non-Current Assets			
Intangibles	17	2,369,790	2,649,352
Goodwill	17	5,632,016	5,632,016
Right of use asset		809,323	335,780
Other assets		69,080	74,691
Property, plant and equipment		516,955	434,666
Total Non-Current Assets		**9,397,164**	**9,126,505**
TOTAL ASSETS		**16,629,339**	**20,517,605**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,578,100	1,238,557
Contract liabilities		834,241	1,156,667
Other liabilities		1,063,463	1,449,175
Contingent consideration liability	16	887,154	1,362,565
Employee benefits		528,604	652,314
Lease Liabilities		186,227	185,428
Borrowings	7	1,935,654	1,954,375
Total Current Liabilities		**7,013,443**	**7,999,081**
Non-Current Liabilities			
Employee benefits		156,309	18,577
Lease liabilities		672,249	182,826
Other non-current liabilities		16,744	-
Deferred tax liabilities		-	-
Total Non-Current Liabilities		**845,302**	**201,403**
TOTAL LIABILITIES		**7,858,745**	**8,200,484**
NET ASSETS		**8,770,594**	**12,317,121**
EQUITY			
Issued capital	8	59,878,606	57,856,852
Reserves		4,474,607	5,477,140
Accumulated losses		(55,582,619)	(51,016,871)
TOTAL EQUITY		**8,770,594**	**12,317,121**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 December 2022

Consolidated	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2021	**41,649,827**	**(38,941,710)**	**3,597,335**	**6,305,452**
Loss for the period	-	(6,885,811)	-	(6,885,811)
Other comprehensive income for the period	-	-	(62,230)	(62,230)
Total comprehensive loss for the period	**-**	**(6,885,811)**	**(62,330)**	**(6,948,041)**
Transactions with owners in their capacity as owners				
Shares issued during the year	14,751,559	-	-	14,751,559
Share based payments	-	-	2,045,405	2,045,405
Transfer from reserves	1,267,447	-	(1,267,447)	-
Total transactions with owners for the period	**16,019,006**	**-**	**777,958**	**16,796,964**
Balance at 31 December 2021	**57,668,833**	**(45,827,521)**	**4,313,063**	**16,154,375**
Opening Balance 1 July 2022	**57,856,852**	**(51,016,871)**	**5,477,140**	**12,317,121**
Loss for the period	-	(4,565,748)	-	(4,565,748)
Other comprehensive loss for the period	-		29,883	29,883
Total comprehensive loss for the period	**-**	**(4,565,748)**	**29,883**	**(4,535,865)**
Transactions with owners in their capacity as owners				
Share based payments	-	-	366,068	366,068
Shares issued during the year	623,270	-	-	623,270
Transfer from reserves	1,398,484	-	(1,398,484)	-
Total transactions with owners for the period	**2,021,754**	**-**	**(1,032,416)**	**989,338**
Balance at 31 Dec 2022	**59,878,606**	**(55,582,619)**	**4,474,607**	**8,770,594**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 December 2022

	Note	Consolidated 31-Dec-22 $	Consolidated 31-Dec-21 $
Cash flows from operating activities			
Receipts from customers		5,160,335	3,395,914
Payments to suppliers and employees		(9,412,154)	(9,617,770)
Interest received		3,261	705
Finance costs		(201,403)	(28,455)
Government grants received		2,276,426	1,464,433
Income tax (paid)/received		-	-
Net cash used in operating activities		**(2,173,535)**	**(4,785,173)**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		-	(1,010,042)
Purchase of plant and equipment		(161,284)	(117,885)
Proceeds from deposits		15,726	-
Net cash used in investing activities		**(145,558)**	**(1,127,927)**
Cash flows from financing activities			
Proceeds from issue of shares	8	-	9,996,500
Repayment of lease liabilities		(54,636)	(258,035)
Proceeds from borrowings	7	1,480,005	800,000
Repayment of borrowings	7	(1,500,000)	(1,266,927)
Transaction costs related to issues of equity or convertible debt securities		-	(314,085)
Net cash provided by/(used in) financing activities		**(74,631)**	**8,957,453**
Net increase/(decrease) in cash and cash equivalents		(2,393,724)	3,044,353
Effects of exchange rate changes on cash and cash equivalents		(68,566)	-
Cash and cash equivalents at beginning of the half year		6,213,860	5,176,463
Cash and cash equivalents at end of the half year		**3,751,570**	**8,220,816**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2022 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

SenSen Networks Limited is a public company, incorporated and domiciled in Australia.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the group as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by SenSen Networks Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements, except for the adoption of new standards effective from 1 July 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These half-year financial statements were authorised for issue on 28 February 2023.

Significant Accounting Judgements, estimates and Assumptions

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectation of future events that may have an impact on the Company. All judgements, estimates, and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. There have been no changes to significant accounting estimates, judgements, assumptions or accounting policies from the 30 June 2022 annual financial statements. The most significant judgment, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Share-based payments
The estimation of the likelihood of meeting performance conditions on Long Term Incentive Performance Options has been based on historical evidence and management judgement. In addition, this estimate is assessed annually and considered in the context of actual Group performance.

Recognition of revenue
The Group recognises revenue from either individual or multiple element arrangements such as hosting an installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for each individual element contained within the contract.

Impairment of goodwill and intangible assets
The Group is required to perform an annual impairment assessment of goodwill and *indefinite* life intangible assets, comparing the recoverable amount (i.e. the value-in-use) of the cash-generating unit to the carrying value. Assumptions are applied in this assessment, including the forecast period growth of the cash-generating unit, the long term growth rate and the discount rate.

Research and development tax incentive
The Group is eligible for the Commonwealth Government research and development tax incentive. To be eligible the Group must meet stringent guidelines on what represents both core and supporting activities of research and development. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Going Concern

As disclosed in the financial statements, the group has net operating cash outflows for the half-year of $2,173,535 (31 December 2021: net operating outflows of $4,785,173), and as at 31 Dec 2022 has a net current asset surplus of $218,732 (30 June 2022: net current asset surplus of $3,392,019). The Group also generated a loss after tax for the half-year of $4,565,748 (31 December 2021: $6,885,811).

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- The ability to meet its internal cash flow forecasts, in particular the Group's revenue growth targets and reductions in operating cost expectations;
- The ability of the Group to draw down on its unused loan facilities; and
- The ability of the Group to raise sufficient capital as and when necessary.

These conditions give rise to material uncertainty, which may cast significant doubt over the Groups ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the Group has prepared a cash flow forecast based on reasonable assumptions that the directors believe are achievable;
- The directors believe the Group has the ability to scale back expenditure as and when required to preserve cash if needed; and
- The Group has demonstrated the ability to raise capital when required.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 2. REVENUE AND OTHER INCOME

	Consolidated	
	31-Dec-22	31-Dec-21
	$	$
Revenue from contracts with customers		
Revenue recognised at a point in time	1,425,441	693,594
Revenue recognised over time	3,443,807	2,281,739
	4,869,248	**2,975,333**
Other Income		
Interest income	3,261	705
Government subsidies / grants	-	20,000
Research and development grants	1,226,046	1,830,387
Total Other Income	**1,229,307**	**1,851,092**
Total revenue and other income	**6,098,555**	**4,826,425**

NOTE 3. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment.

The principal areas of operation of the group are as follows:
- Smart Cities;
- Casinos;
- Retail;
- Product and Operations; and
- Corporate (not considered a separate segment)

Following the November 2022 restructure to align the business under a common structure, the business is moving towards an operating model with no vertical groupings. While the practicalities of this structure are implemented, such as internal reporting under the new structure, the existing segments being Smart Cities, Gaming, Retail, Product and Operations and Corporate have been reported.

Segment Revenues and Results

The following is an analysis of the group's revenue and results by reportable operating segment for the periods under review.

SenSen sells a range of software products which utilise Artificial Intelligence to identify and provide data on images sourced from video footage. The software is adaptable and can be applied to a range of scenarios.

While the SenSen product portfolio is highly adaptable, the markets where SenSen has gained the most commercial traction include Smart Cities, where SenSen technology has been applied to parking and crowd surveillance situations, Retail markets which is largely focussed on identifying and preventing fuel theft in Australia, and monitoring gaming tables in the Casino market.

Further SenSen operates a product and operations teams which support the development and delivery of SenSen products, and a Corporate group which provide management and other services expected of a listed company.

NOTE 3. SEGMENT REPORTING (CONTINUED)

	Smart Cities	Gaming	Retail	Product & Ops	Corporate	Consolidated	Smart Cities	Gaming	Retail	Product & Ops	Corporate	Consolidated
	$	$	$	$	$	$	$	$	$	$	$	$
Segment performance revenue	31-Dec-22						31-Dec-21					
Point in Time	515,462	70,523	612,232	-	-	1,198,217	304,359	-	389,235	-	-	693,594
Over Time	2,591,161	378,671	701,199	-	-	3,671,031	1,699,856	140,896	440,987	-	-	2,281,739
Total revenue	**3,106,623**	**449,194**	**1,313,431**	**-**	**-**	**4,869,248**	**2,004,215**	**140,896**	**830,222**	**-**	**-**	**2,975,333**
Other Income & Interest	-	-	-	-	1,229,307	1,229,307	-	-	-	-	1,851,092	1,851,092
Cost of Sales	(1,086,366)	(44,866)	(520,104)	-		(1,651,336)	(541,998)	(2,702)	(419,647)	-	-	(964,347)
Gross Profit	**2,020,257**	**404,328**	**793,327**	**-**	**1,229,307**	**4,447,219**	**1,462,217**	**138,194**	**410,575**	**-**	**1,851,092**	**3,862,078**
% Gross Profit	65.0%	90.0%	60.4%	-	-	**91.3%**	73.0%	98.1%	-	-	-	**129.8%**
Staff Costs	(1,154,375)	(171,018)	(299,282)	(1,054,555)	(1,596,231)	**(4,275,461)**	(1,180,489)	(174,887)	(306,053)	(1,008,603)	(1,702,148)	**(4,372,180)**
Segment Contribution	**865,882**	**233,310**	**494,045**	**(1,054,555)**	**(366,924)**	**171,758**	**281,728**	**(36,693)**	**104,522**	**(1,008,603)**	**148,944**	**(510,102)**
Overhead Expenses												
Administration expense	(705,645)	(1,524)	(254,899)	(116,288)	(121,368)	(1,199,724)	(650,257)	(539)	(45,093)	(37,524)	(302,719)	(1,036,132)
Advertising & Marketing	(280,016)	(1,900)	(24,977)	(3)	(4,604)	(311,500)	(223,701)	(1,000)	(15,184)	-	(4,425)	(244,310)
Consulting expense	(1,120,893)	-	(95,671)	(6,905)	(250,296)	(1,473,765)	(1,898,729)	-	(136,349)	(3,583)	(20,337)	(2,058,998)
Finance Cost	(54,825)	(1,619)	(720)	(12,009)	(133,505)	(202,678)	(20,981)	(563)	-	(2,303)	(101,073)	(124,920)
Occupancy Cost	(143,640)	-	(21,723)	(84,398)	87,901	(161,860)	(48,795)	-	(59,675)	(98,897)	(10,063)	(217,430)
Technology Costs	(640,848)	-	(166,693)	(21,717)	(29,977)	(859,235)	(370,632)	-	(57,328)	(22,806)	(217,404)	(668,170)
Share Based Payments	18,016	-	-	-	(384,084)	(366,068)	-	-	-	-	(2,045,405)	(2,045,405)
Fair value gain or loss	-	-	(147,859)	-	-	(147,859)	-	-	-	-	-	-
Total Overheads	**(2,927,851)**	**(5,043)**	**(712,542)**	**(241,320)**	**(835,933)**	**(4,722,689)**	**(3,213,095)**	**(2,102)**	**(313,629)**	**(165,113)**	**(2,701,426)**	**(6,395,365)**
Net loss for the period	**(2,061,969)**	**228,267**	**(218,497)**	**(1,295,875)**	**(1,202,857)**	**(4,550,931)**	**(2,931,367)**	**(38,795)**	**(209,107)**	**(1,173,716)**	**(2,552,482)**	**(6,905,467)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 3. SEGMENT REPORTING (CONTINUED)

	Smart Cities	Gaming	Retail	Product & Ops	Corporate	Consolidated	Smart Cities	Gaming	Retail	Product & Ops	Corporate	Consolidated
	$	$	$			$	$	$	$			$
	31-Dec-22						31-Dec-21					
Segment assets	2,532,352	67,064	552,458	651,426	12,826,039	16,629,339	6,342,814	15,471	1,233,239	492,313	12,433,768	20,517,605
Segment liabilities	2,364,523	62,102	162,312	223,295	5,046,513	7,858,745	4,025,716	(1,175)	426,496	79,830	3,669,617	8,200,484
Net Assets	**167,829**	**4,962**	**390,146**	**428,131**	**7,779,526**	**8,770,594**	**2,317,098**	**16,646**	**806,743**	**412,483**	**8,764,151**	**12,317,121**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 4. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 31 Dec 2022 $	 30 Jun 2022 $
CURRENT			
Trade Receivables		975,585	2,041,683
Allowance for expected credit losses		(98,345)	(98,345)
		877,240	**1,943,338**

NOTE 5. INVENTORY

	Note	Consolidated 31 Dec 2022 $	 30 Jun 2022 $
Hardware – at cost		375,981	174,873
Raw materials – at cost		-	56,917
		375,981	**231,790**

NOTE 6. OTHER ASSETS

	Note	Consolidated 31 Dec 2022 $	 30 Jun 2022 $
R&D refund receivable		1,147,227	2,197,607
Prepayments and other assets		448,849	242,833
		1,596,076	**2,440,440**

The R&D refund receivable is an annual grant paid on R&D work done in the financial year. The FY22 grant was received during the period, and an accrual was raised for the pro-rated FY23 grant, being six months. This compares to the 30 June 2022 accrual for a twelve month grant.

Prepayments have increased due to annual patent costs being paid in the first half which relate to the second half of FY23.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 7. BORROWINGS

		Consolidated	
		31 Dec 2022	30 Jun 2022
		$	$
(a)	Bank loans	450,000	450,000
(b)	Other loans	1,485,654	1,504,375
Total Current Borrowings		**1,935,654**	**1,954,375**

Borrowings includes a bank loan with Commonwealth Bank for $450,000 secured by an account set-off arrangement with a matching term deposit and a first ranking charge over present and after acquired property. Variable interest of 4.57% is charged, and the loan was renewed in December 2022. The loan is secured by a letter of set-off between the Group and Commonwealth Bank of Australia over a Term Deposit.

Proceeds & repayments of borrowings:

The loan balance in relation to Rocking Horse was $1,500,000 and interest of $4,375 at 30 June 2022. In December 2022, SenSen received a refund from the Australian Tax Office and repaid Rocking Horse the total loan and interest of $1,612,105. To replace this loan, a short-term loan of $1,100,000 was agreed with Rocking Horse Nominees Pty Ltd. Fixed rate interest of 15% was charged. The loan was secured over the Research and Development refund. A general security deed was held by Rocking Horse Nominees Pty Ltd.

During the period, the Company also drew down on a loan from Subhash Challa for $200,000 which accrued interest of $1,129 as at 31 December 2022.

In December the Company finalised two facilities with TP24, totalling $800,000 which were drawn down on by a total of $180,000 at 31 December 2022. A facility fee of 2.25% p.a. is payable on the facility plus and interest rate of 7.8% over the 30 day Bank bill swap rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 8. ISSUED CAPITAL

Share capital movement during the period:

	Note	Consolidated 31-Dec-22 $	Consolidated 30-Jun-22 $
Ordinary shares	(a)	59,878,606	57,856,852

(a) Share capital movement during the period

	Consolidated 31 Dec 2022 No.	$	30-Jun-22 No.	$
Balance at beginning of the reporting period	651,142,760	57,856,852	518,158,232	41,649,827
Shares issued during the year	8,878,490	623,270	123,389,810	15,203,635
Shares issued under long term incentive plan	18,641,485	1,398,484	9,594,718	1,267,447
Share Issue Costs	-	-	-	(264,057)
Balance at end of period	**678,662,735**	**59,878,606**	**651,142,760**	**57,856,852**

Share capital movement during the period:

SenSen issued the following shares in the six months ended 31 December 2022:

- Scancam acquisition deferred consideration via share issue
  Following the 21 July 2021 acquisition of Scancam Industries Pty Ltd, on 7 November 2022, Sensen issued 8,878,490 shares as part of the consideration which was deferred until after the publication of 30 June 2022 results. This was paid based on the volume weighted average share price (VWAP) in the 7 days prior to the 12 month anniversary of the completion date of $0.0702 per share.

- Employee Long Term Incentive Plan
  On 9 December 2022, 18,641,485 shares were issued in relation to the Group's long term incentive plan. The shares were issued at a price of $0.075 per share based on the 5 day VWAP up to and including the date of the financial report release of 29 September 2022. Further disclosure of this is provided in note 8.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 9. SHARE BASED PAYMENTS

Employee Share Ownership Plan

During the period shareholders approved the Board's recommendation to operate an Employee Share Ownership Plan (ESOP) for the period 2021 – 2023. The key terms of this arrangement are:

1. The ESOP Shares will be issued for nil consideration in addition to the cash remuneration.
2. Shares will be issued in approximately October 2021, 2022 and 2023 subject employee's ongoing service with the Company and Company performance. The number of shares will be calculated as follows:
   a) An agreed percentage of eligible employee's annual salary at the date of payment.
   b) Number of shares issued based on the 5 day Volume Weighted Average Price (VWAP) prior to the Company's Financial Year results announcement.
   c) A combination of eligible employee's length of service and the Company meeting internal measure targets in the most recent Financial Year. Internal measure targets include:
      - Continual service period;
      - Revenue hurdles; and
      - EBITDA hurdles.

      These hurdles are considered non-market vesting conditions and the probability of being met is taken into account when determining the expense to be recognised in each period.

During the period ended 31 December 2022 18,641,485 shares (refer to note 7) were issued in relation to the 2022 ESOP plan. The non-cash expense to the income statement was recorded during the 30 June 2022 period, thus there has been no impact to expense in the current period.

The expense recognised in the period ended 31 December 2022 relating to the ESOP plan for 2023 was $366,068.

NOTE 10. CONTINGENT LIABILITIES

On 16 December 2022, the Company informed the market that it had been served with Federal Court of Australia proceedings by the solicitors for Angel Group Co., Ltd and Angel Australasia Pty Ltd (Angel) whereby it is alleged that SenSen has infringed two of Angel's Australian patents.

Angel is a former distributor of SenSen's gaming solution. SenSen intends to vigorously defend these proceedings and bring a crossclaim against Angel to claim relief for unjustified threats of patent infringement and invalidity of the Angel patents in suit.

SenSen has been building its own patent portfolio for a number of years and has obtained IP insurance to assist in protecting the Company against such actions.

No provision has been recorded for any adverse outcome due to the costs of such action being covered by the company's IP insurance.

NOTE 11. RELATED PARTY TRANSACTIONS

During the period the company drew down on a loan from Subhash Challa for the amount of $200,000. The loan with accrued interest is recorded on as a liability at 31 December 2022. This loan was repaid with interest of $1,128.55 on 2 January 2023.

There were no other related party transactions during the period other than those shares issued via the LTI plan noted in Note 7, Issued Capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 12. INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries
The consolidated financial statements include the financial statements of SenSen Networks Limited and the subsidiaries listed below. The subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		At 31 Dec 2022	At 30 June 2022	At 31 Dec 2022	At 30 June 2022
SenSen Networks Group Pty Ltd	Australia	100%	100%	-	-
PT Orpheus Energy	Indonesia	100%	100%	-	-
SenSen Networks Singapore Pte Ltd	Singapore	100%	100%	-	-
SenSen Networks (Hong Kong) Limited	Hong Kong	100%	100%	-	-
SenSen Video Business Intelligence	India	100%	100%	-	-
SenSen Networks, Inc.	United States	100%	100%	-	-
SenSen Networks Operations Pty Ltd	Australia	100%	100%	-	-
SenSen Networks Gaming Pty Ltd	Australia	100%	100%	-	-
Scancam Industries Pty Ltd	Australia	100%	100%	-	-
Scancam Leasing Pty Ltd	Australia	100%	100%	-	-
Scancam Operations Pty Ltd	Australia	100%	100%	-	-
Fuel Recovery Services Australia Pty Ltd	Australia	100%	100%	-	-

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

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NOTE 13. LOSS PER SHARE

	Note	Consolidated 31 Dec 2022 $	31 Dec 2021 $
Basic and diluted loss per share (cents)		**(0.70)**	**(1.22)**

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Note	31 Dec 2022 $	31 Dec 2021 $
Loss for the half-year attributable to the owners of the Company		**(4,565,748)**	**(6,885,811)**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share		**656,003,695**	**564,808,940**

NOTE 14. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

There are no other events and transactions except as disclosed in this half year report that have occurred during the period that are significant to an understanding of the changes in financial position and performance of the Group since the end of the last annual reporting period that have not been disclosed within the notes to these financial statements.

NOTE 15. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 31 December 2022 that have significantly affected the Group's operations, results or state of affairs, or may do so in the future years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 16. RECOGNISED FAIR VALUE MEASUREMENTS

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices);
- Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The following financial instruments are subject to recurring fair value measurements:

		Consolidated	
		31 Dec 2022	30 Jun 2022
	Note	$	$
Contingent consideration – level 3		887,154	1,362,565
		887,154	**1,362,565**

Contingent consideration was initially recognised on the acquisition of Scancam Industries Pty Ltd as disclosed in note 15. Following the payment of the first instalment of deferred consideration of $623,270, the fair value of the remaining contingent consideration of $887,154 has been estimated by calculating the present value of the future expected cash outflows. If Scancam Industries Pty Ltd exceeds it forecasted annual recurring revenue targets, this would result in a material change to the contingent consideration, up to a value of $4,163,380.

Reconciliation of level 3 movements

The following table sets out the movements in level 3 fair values for contingent consideration payable:

		Consolidated	
		31 Dec 2022	30 Jun 2022
	Note	$	$
Opening balance 1 July		1,362,565	-
Recognised on business combination		-	1,209,000
Payments of contingent consideration by issue of shares		(623,270)	-
Fair value adjustments		147,859	153,565
		887,154	**1,362,565**

Valuation processes for level 3 fair values

Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2022

NOTE 17. IMPAIRMENT TESTING

Goodwill is monitored by management at the lowest cash-generating unit level, being that of Snap Network Surveillance Pty Ltd (i.e. SenTrack), and the Scancam group acquisition (Scancam). The goodwill and other intangibles are therefore entirely allocated to these cash-generating units as shown below:

	31 Dec 2022		30 June 2022	
	Patents & other acquired intangible assets $	Goodwill $	Patents & other acquired intangible assets $	Goodwill $
SenTrack	702,381	383,399	773,810	383,399
Scancam	1,667,409	5,248,617	1,875,542	5,248,617
	2,369,790	5,632,016	2,649,352	5,632,016

All cash generating units (CGUs) were reviewed for indicators of impairment as at 31 December 2022. Upon assessing the indicators of impairment for the period ending 31 December, the Group identified impairment indicators on the Scancam CGU, and as such, an updated impairment assessment was performed. The recoverable amount of the CGU was determined based on value-in-use calculations, consistent with the methods used for 30 June 2022. Projected cash flows were updated from the models used at 30 June 2022 to reflect current and forecast market conditions. The calculations use cash flow projections based on financial scenarios covering five years with growth rates that reflect the businesses projected growth over this period. As a result of the assessment, management did not identify impairment for the CGU tested. There were no impairment indicators for any of the other CGU's and therefore updated impairment calculations were not performed.

Revenue forecasts are based on historical amounts, adjusted for known and anticipated factors such as new contracts won and those reasonably assured of converting. Costs based on the CGU's incurrence of these items, factoring in forecast increases and estimated inflation rates over the forecast period. Capital expenditure is estimated based on current costs adjusted for anticipated future expectations.

Significant assumptions used for the purposes of assessing the Scancam CGU for impairment include:

	Scancam
Average revenue growth rate 2023-2027	14.82%
Fixed cost growth rate	3.00%
Post-tax discount rate	16.30%
Terminal value growth	2.75%

Cash flows beyond the five-year period are extrapolated using the estimated long term growth rate attached to consumer price indexation (CPI), estimated at 2.5% as at 31 December 2022. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The value-in-use calculations are discounted to their net present value using a post-tax discount rate, reflecting specific risks relating to the relevant CGU's and the countries in which the cash-generating unit operates. As at 31 December 2022, the Group has applied a post-tax discount rate of 16.30%.

Based on the above assumptions, the recoverable amount of the Scancam CGU is materially consistent with the carrying value of Goodwill and other acquired intangible assets.

The Directors have made judgements and estimates in respect to impairment testing. Should these judgements and estimates not occur the resulting CGU carrying amount may decrease.

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Directors' Declaration

In accordance with a resolution of the directors of SenSen Networks Limited, the directors of the company declare that:
The financial statements and notes, as set out on pages 7 to 23, are in accordance with the Corporations Act 2001, including:

a) complying with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Regulations and other mandatory professional reporting requirements; and
b) giving a true and fair view of the group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Subhash Challa, CEO and Chairman

Date: 28 February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SenSen Networks Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SenSen Networks Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 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.

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.

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 28 February 2023