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Making Cities Smarter

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 2019

Results for announcement to the market
(all comparisons to half year ended 31 December 2018)

	2019 $'000	Up/(down) $'000	% Movement
Revenue from ordinary activities	1,886	(335)	(15%)
Loss from ordinary activities after income tax attributable to shareholders	(1,858)	859	32%
Net loss for the period attributable to shareholders	(1,858)	859	32%

Note 1:

	2019 $'000	2018 $'000
Net loss for the period attributable to shareholders	(1,858)	(2,716)
Non-core adjustments		
Share based payment expense (non-cash)	(118)	(630)
Corporate Restructure expense (Reverse takeover)	-	-
Listing expenses	-	-
Underlying net loss for the period attributable to shareholders after adjustment for significant non-core items	**(1,740)**	**(2,086)**

Dividend Information

The company did not pay any dividends during the period.

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Net Tangible Assets

	2019 $	2018 $
Net tangible assets per ordinary share	0.0028	0.0060

SenSen Networks Limited

And Controlled Entities

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HALF-YEAR REPORT
AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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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 2019 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 Director
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director
Mr Jason Ko, Non-Executive Director
Ms Heather Scheibenstock, Non-Executive Director

Mr David Smith, Company Secretary

Principal Activities

The principal activities of the group during the year were to develop and sell SenDISA platform-based products and services into 2 major customer markets:

- **Intelligent Transportation**: civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Retail & Leisure:** delivering to casinos accurate actionable insights about table occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.

Review of Operating Activities

After discussions with a number of international casino industry supply companies, in December 2019, SenSen announced a global exclusive Distribution Agreement and Placement Agreement with Angel Japan Co., Ltd ("Angel").

The deal means Angel will lead worldwide distribution of SenGAME 3.0, SenSen's proprietary software for casino gaming tables. SenGAME 3.0 processes video images in real time to determine the number of players at the table and hands dealt per hour, as well as the number, type, and value of all bets placed - information that is then used for business intelligence purposes.

Angel (www.angelplayingcards.com) is a leading player in the casino industry selling high-quality casino equipment including playing cards, chips and other gaming objects and related devices to casinos worldwide.

Angel's principal business office is in Kyoto, Japan, with manufacturing facilities in Japan and Singapore. It also has offices in the United States, Macau, Australia and the Philippines. To further expand into the US, Angel acquired Las Vegas-based table game equipment supply company Gaming Partners International (GPI) in May 2019.

Under the Distribution Agreement with SenSen, Angel is appointed exclusive distributor of SenGAME 3.0 worldwide. In return, SenSen receives a fixed monthly per-table price during the initial period of the Agreement, and Angel is responsible for obtaining and maintaining all necessary approvals or licences in each relevant jurisdiction.

The Distribution Agreement is for an initial term of five years, commencing 1 January 2020, and

Directors' Report

SenSen will receive a total minimum payment of US$5M (approximately A$7.3M) as advance payment during the initial term in accordance with the following payment schedule to be paid in equal quarterly instalments:

- Year 1: US$408,000 (~A$598,000),
- Year 2: US$744,000 (~A$1,091,000),
- Year 3: US$980,000 (~A$1,436,000),
- Year 4: US$1,316,000 (~A$1,930,000),
- Year 5: US$1,552,000 (~A$2,277,000).

In January 2020, the SenSen Gaming team travelled to Japan to commence a software integration program with Angel and to jointly plan a worldwide marketing strategy.

Smart Cities

SenSen is earning continued and growing support from Smart City customers, not just in Australia but also in key international markets. Key achievements in this half-year include acquisition of our first US-based trial customer, and additional multi-year contracts in Singapore and Australia, both of which come with upfront and on-going revenues. Specifically:

- SenSen entered into a collaborative services agreement with Chicago Parking Meters, LLC (CPM) to improve parking space management efficiency in the City of Chicago, Illinois, USA. SenSen will earn project revenue following a successful Proof of Concept (POC) trial. Building on the initial relationship, SenSen is also providing on a trial basis a combination of products and solutions including our leading cloud-hosted back office software. As part of this trial SenSen is collecting on-street data about parking signs in and around metered parking spaces to facilitate digitization of CPM's assets.
- SenSen received its first international commercial order for our AI-FARM software – Artificial Intelligence-based False Alarm Reduction and Management. While the customer's name is withheld for commercial reasons, the entity is a global technology, defence and engineering group based in Singapore. AI-FARM reduces false alarms from incident detection cameras on highways throughout Singapore and the solution is expected to generate an additional recurring revenue stream for SenSen. The four-year Agreement commenced in January 2020.
- SenSen secured a three-year deal to supply automated parking enforcement solutions to Geelong City Council, Victoria in conjunction with distribution partner Duncan Solutions. The contract initially covers the City's purchase of two SenFORCE mobile parking enforcement units with SenSen earning revenue for the systems, software and commissioning of the unit as well as annual recurring revenues and fees for the software licence, maintenance and support services. The contract includes a provision to supply additional services with the potential to generate revenue, including parking sign audits and parking zone maps.
- SenSen also secured a three-year deal with Tweed Shire Council, Queensland, in conjunction with distribution partner Duncan Solutions, covering the City's purchase of an initial SenFORCE mobile parking enforcement unit, with upfront revenue for the systems, software and commissioning of the unit. SenSen is earning annual recurring revenues and fees for the software licence, maintenance and support services.

- Our long-standing customer, Logan City Council, Queensland, ordered an additional SenFORCE system to augment their existing SenFORCE system to further increase compliance and regulatory services. This order led to additional upfront and recurring revenues from this customer.
- SenSen was successful in winning a multi-year extension to support and maintain software at Changi International Airport, Singapore, with Asian system integration partner Beaqon Systems. SenSen provides software to detect abandoned baggage, illegally parked vehicles and illegal U-turns made by taxis and other commercial vehicles.

Gemineye

Demand for Gemineye from global customers continues to grow via a network of distributors and resellers - established since Gemineye launched in March 2019.

SenSen has offered Gemineye-powered handheld app and kerbside units to several end users and leading system integrators for free and paid proof-of-concept (POC) trials around the world for feedback and further customisation. Following these multiple POC trials and ongoing strategic product development, the commercial use cases for Gemineye have been greatly enhanced and broadened, and now include:

- Parking enforcement applications for pay-by-phone, pay-by-plate, permits and compliance with time-limited parking restrictions,
- Illegal dumping detection and enforcement,
- Pole mounted solution for Illegal parking detection for no-stopping, clearways, bus zone and other restrictions,
- Parking guidance solution for drivers to find vacant parking bays on open surface lots,
- Traffic surveys,
- Time-lapse imaging for construction sites and roadworks,
- Police applications to support anti-terrorist and anti-social activities,
- Rapidly deployable smart outdoor surveillance systems.

Distributors and resellers that have tested and integrated Gemineye with their own solutions are now actively investing in marketing the combined products, targeting their extensive customer bases with unique, value-added and highly differentiating solutions. Several successful commercial roll-outs have been made over the past few months, including:

- Traffic surveys in parking lots in the City of Calgary, Canada, through SenSen's Canadian distribution partner ParkPlus. This order comprised an initial 10 units of Gemineye Kerbside to conduct traffic surveys at the entry and exit points of a carpark. This Gemineye solution allows for the potential to update software "on the fly", completely remotely, making it an enforcement solution with additional potential revenues for SenSen from the same deployed hardware kits.
- Real-time car counts at entry and exit points for a car parking facility in Qatar. This order was for an initial 12 Gemineye units with SenSen earning licence fees during the month-long deployment.

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Directors' Report

CORPORATE

Placement

As part of its agreement with Angel Japan Co., Ltd, SenSen completed a ~A$3.3M Private Placement to Angel for a total of 22,195,100 shares, equal to approximately 4.99% of the total post-Placement issued shares of SenSen. The Placement was conducted at $0.15 per share, an ~68% premium to the closing price of SenSen shares on 4 December 2019.

Placement Shares were issued under SenSen's ASX Listing Rule 7.1 placement capacity and rank equally with the other SenSen shares on issue. SenSen is using Placement funds to further develop SenGAME 3.0 and for general working capital.

Results of AGM

At our Annual General Meeting of shareholders held on 29 November 2019, all resolutions put to the meeting passed on a show of hands. Resolutions were as follows:

- Resolution 1: Adoption of Remuneration Report
- Resolution 2: Re-election of Mr Jason Ko as Directror
- Resolution 3: Approval of 10% Placement

Operating Results

During the half year ended 31 December 2019, the group reported a loss after tax of $1,858,317 (31 December 2018: loss of $2,716,807). The results were affected by the following significant expenses:

- Share based payment expense (non-cash) of $118,237 from the LTI shares and options granted to employees in prior year;
- Gain of $133,133 from the debt-to equity conversion of the Speedshield loan (included in borrowings at 30 June 2019); and
- Receipt of research and development (R&D) tax incentive of $974,000

Significant Changes in the State of Affairs

There have been no significant changes in the affairs of the company during the period other than those already discussed above.

Directors' Report

Shares and Options

The following shares were issued during the year

No. of Shares	
Balance at 30 June 2019	**418,554,418**
Shares issued to ESOP LTI on 08 August 2019	3,153,235
Shares placement to Angel Japan Co., Ltd on 9 December 2019	22,195,100
Shares issued to convert Adapt Capital Pty Ltd loan on 12 December 2019	3,333,333
Balance at 31 December 2019	**447,236,086**

Unissued ordinary shares of SenSen Networks Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
30 November 2017	4 December 2020	$0.25	5,200,000
30 November 2017	4 December 2020	$0.35	5,200,000
30 November 2017	4 December 2020	$0.45	5,200,000
20 March 2018	30 September 2021	$0.18 (i)	15,854,256
			31,454,256

(i) Exercise price is based on estimated 5-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No shares were issued on exercise of options during the reporting period.

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Directors' Report

Debt Recovery Update

As at 31 December 2019, the total Receivable from Mr Suksmanto is IDR73.605 billion (approximately $7 million) inclusive of IDR3.605 billion in interest (approximately $0.36 million). The Company is pursuing the sale of shares in PT Abadi Guna Papan (AGP), (a property development company whose shares were pledged as security) to recover a portion of the Receivable. Any sale of the AGP shares will constitute settlement of the outstanding debt in full.

There is a risk that Mr Suksmanto will not approve the sale of the AGP shares (pledged as security for the Receivable), meaning that the Receivable will remain outstanding. In the event Mr Suksmanto does not approve the sale of the AGP shares, the Company will continue negotiations and to pursue recovery of the Receivable in Indonesia.

Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

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 8.

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

Subhash Challa, CEO and Chairman
Date: 1 March 2020

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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 2019, 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, 1 March 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated 31 Dec 2019 $	31 Dec 2018 $
Revenue			
Sales Revenue	2	1,886,271	2,221,211
Cost of Sales		(904,715)	(1,128,836)
Gross Profit		981,556	1,092,375
Other income	2	1,107,987	165,426
Interest income	2	9,053	7,034
Expenses			
Consulting expense		(596,341)	(425,120)
Research and development expense		(1,822,454)	(1,416,542)
Staff costs -share based payments		(118,237)	(630,415)
Occupancy expense		(69,685)	(88,081)
Marketing expense		(44,806)	(160,821)
Administration expense		(1,233,120)	(1,230,666)
Finance costs		(71,149)	(29,997)
Loss before income tax		(1,857,196)	(2,716,807)
Income tax expense		(1,121)	-
Loss for the period		**(1,858,317)**	**(2,716,807)**
Loss attributable to:			
- Members of the parent entity		(1,858,317)	(2,716,807)
- Non-controlling interests		-	-
		(1,858,317)	(2,716,807)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities net of tax		(33,682)	(96,132)
Total comprehensive income for the period		**(33,682)**	**(96,132)**
Total comprehensive income for the period attributable to members of the parent entity:		**(1,891,999)**	**(2,812,939)**
Loss per share:			
Basic and diluted loss per share (cents)	12	**(0.44)**	**(0.65)**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated 31 Dec 2019 $	30 June 2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,368,450	1,972,205
Trade and other receivables	4	560,833	735,811
Inventory	5	417,215	32,250
Contract assets		264,571	234,886
Other assets		132,681	84,965
TOTAL CURRENT ASSETS		**5,743,750**	**3,060,117**
NON-CURRENT ASSETS			
Other receivables		55,692	56,190
Right-of-use assets	1(b)	486,378	-
Property, plant and equipment		415,339	474,205
TOTAL NON-CURRENT ASSETS		**957,409**	**530,395**
TOTAL ASSETS		**6,701,159**	**3,590,512**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,176,339	1,463,987
Tax liabilities		1,510	1,509
Contract liabilities		1,696,497	281,837
Lease liabilities	1(b)	285,434	-
Other liabilities		45,170	42,429
Borrowings	6	950,000	1,324,667
TOTAL CURRENT LIABILITIES		**5,154,950**	**3,114,429**
NON-CURRENT LIABILITIES			
Lease liabilities	1(b)	274,279	-
		274,279	**-**
TOTAL LIABILITIES		**5,429,229**	**3,114,429**
NET ASSETS		**1,271,930**	**476,083**
EQUITY			
Issued capital	7	32,049,791	29,463,614
Reserves		3,295,184	3,210,629
Accumulated losses		(34,073,045)	(32,198,160)
TOTAL EQUITY		**1,271,930**	**476,083**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2018	**28,731,865**	**(26,246,115)**	**2,045,486**	**4,531,236**
Effect of adoption of AASB 15	-	(288,634)	-	(288,634)
Balance at 1 July 2018 - restated	**28,731,865**	**(26,534,749)**	**2,045,486**	**4,242,602**
Loss for the period	-	(2,716,807)	-	(2,716,807)
Other comprehensive income for the period	-	-	(96,132)	(96,132)
Total comprehensive loss for the period	**-**	**(2,716,807)**	**(96,132)**	**(2,812,939)**
Transactions with owners in their capacity as owners				
Share based payments	-	-	630,415	630,415
Shares issued during the year	731,749	-	-	731,749
Balance at 31 December 2018	**29,463,614**	**(29,251,556)**	**2,579,769**	**2,791,827**
Balance at 1 July 2019	**29,463,614**	**(32,198,160)**	**3,210,629**	**476,083**
Effect of adoption of AASB 16 (see Note 1b)	-	(16,568)	-	(16,568)
Balance at 1 July 2019 - restated	**29,463,614**	**(32,214,728)**	**3,210,629**	**459,515**
Loss for the period	-	(1,858,317)	-	(1,858,317)
Other comprehensive income for the period	-		(33,682)	(33,682)
Total comprehensive loss for the period	**-**	**(1,858,317)**	**(33,682)**	**(1,891,999)**
Transactions with owners in their capacity as owners				
Share based payments	-	-	118,237	118,237
Shares issued during the year	2,586,177	-	-	2,586,177
Balance at 31 December 2019	**32,049,791**	**(34,073,045)**	**3,295,184**	**1,271,930**

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 2019

	Note	Consolidated 31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers		2,044,681	1,436,744
Payments to suppliers and employees		(4,007,511)	(3,901,064)
Interest received		9,053	7,034
Income taxes paid		(1,122)	6,709
R&D Tax Refund		974,654	160,569
Finance costs		(71,149)	(29,997)
Net cash used in operating activities		**(1,051,394)**	**(2,320,005)**
Cash flows from investing activities			
Purchase of plant and equipment		(1,980)	(141,213)
Net cash provided by investing activities		**(1,980)**	**(141,213)**
Cash flows from financing activities			
Proceeds from share issue	7	2,219,510	-
Proceeds from share issue allocated to future customer contract		1,109,755	-
Proceeds from borrowings	6	180,000	-
Principal paid on lease liabilities		(59,646)	-
Net cash provided by financing activities		**3,449,619**	**-**
Net increase in cash and cash equivalents		2,396,245	(2,461,218)
Cash and cash equivalents at beginning of the half-year		1,972,205	6,556,927
Cash and cash equivalents at end of the half-year		**4,368,450**	**4,095,709**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 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 2019 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 2019. 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 1 March 2020.

b. New standards, interpretations and amendments adopted for the first time

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies.

The impact of the adoption of the leasing standard 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 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 in note 1 (b) below. The group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.

Nature of the effect of adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average of lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

b. New standards, interpretations and amendments adopted for the first time (continued)
(AASB 16 Leases)

For leases previously classified as finance leases the group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$
Assets	
Right-of-use assets	236,823
Plant and equipment	(60,044)
Total assets	176,779
Liabilities	
Borrowings	(54,666)
Lease liabilities	248,013
Total liabilities	193,347
Net effect in retained earnings	**(16,568)**

- Right-of -use assets of $236,823 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of $60,044 that were reclassified from plant and equipment.
- Additional lease liabilities of $248,013 were recognised presented separately in the statement of financial position.
- Finance lease liability (included in borrowings) relating to finance leases were derecognised.
- The net effect of these adjustments had been adjusted to retained earnings of ($16,568).

b New standards, interpretations and amendments adopted for the first time (continued)

The following table reconciles the minimum lease commitments disclosed in the Group's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019

	$
Operating lease commitments disclosed as at 30 June 2019	**653,860**
(Less): Leases commitments entered subsequent to 30 June 2019	(450,000)
Operating lease commitments as at 30 June 2019	203,860
Weighted average incremental borrowing rate as at 1 July 2019	7.93%
Discounted using the lessee's incremental borrowing rate of at the date of initial application	203,186
Add: finance lease liabilities recognised as at 30 June 2019	54,666
(Less): short-term leases recognised on a straight-line basis as expense	(9,839)
Lease liabilities recognised as at 1 July 2019	**248,013**
Of which are:	
- Current lease liabilities	46,171
- Non-current lease liabilities	201,842
Lease liabilities recognised as at 1 July 2019	248,013
Additional lease liability recognised as at 1 September 2019	371,346
Changes in lease liability in the period to 31 December 2019	(59,646)
Lease liabilities as at 31 December 2019	**559,713**

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019	1 July 2019
Properties	456,356	176,779
Motor vehicles	30,022	60,044
Total right-of-use assets	486,378	236,823

b New standards, interpretations and amendments adopted for the first time (continued)
(AASB 16 Leases)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(ii) Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities.

Losses per share for the six months to 31 December 2019 did not materially change as a result of the adoption of AASB 16.

(iii) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(iv) Accounting policy for leases

The group leases properties and motor vehicle. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

**b. New standards, interpretations and amendments adopted for the first time (continued)
(AASB 16 Leases)**

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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 term on a straight-line basis.

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:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

c. Going Concern

As disclosed in the financial statements, the group has net operating cash outflows for the half-year of $1,051,394 (31 December 2018: net operating outflows of $2,320,005 and as at 31 December 2019 has a net current asset surplus of $588,800 (30 June 2019 deficit: $54,312). The Group also generated a loss after tax for the half-year of $1,858,317 (31 December 2018: $2,716,807).

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

- The expected fulfilment of the current pipeline of customer contracts in a manner that generates sufficient operating cash inflows;
- The continued ability to obtain research & development refunds; and
- The ability of the Group to raise sufficient capital 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 its recent history of expanding into the overseas market and continued interest in the Groups products.

The Board is confident based on past experience that an equity raising can be completed if required. In the event that the Group encounters any difficulties in raising capital the board is comfortable that the expenditure can be scaled back to preserve cash.

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 2019

d. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The preparation of half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing these half-year financial statements, the key estimates made by management in applying the group's accounting policies have been consistent with those applied and disclosed in the June 2019 annual report, unless otherwise stated in these financial statements.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows associated with lease option extension have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2. REVENUE AND OTHER INCOME

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Revenue from contracts with customers		
Sale of hardware/software	838,338	1,701,945
Sale of services	1,047,933	519,266
Total Revenue	**1,886,271**	**2,221,211**
Other income		
R&D tax incentive	974,654	160,569
Gain on loan conversion	133,333	-
Other income	-	4,857
Total other income	1,107,987	165,426
Interest income	9,053	7,034
Total revenue and other income	**3,003,311**	**2,393,671**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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. Following the acquisition of SenSen Networks Pty Ltd the group aggregated all its reporting segments into two reportable operating segments. Prior to acquisition, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

The principal areas of operation of the group are as follows:

- Smart Cities
- Retail &Leisure

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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.

	Smart Cities $	Retail &Leisure $	Consolidated $	Smart Cities $	Retail &Leisure $	Consolidated $
	Half-Year Ended 31 December 2019			Half-Year Ended 31 December 2018		
(a) Segment performance Revenue						
Services – over time	819,544	18,794	838,338	519,266	-	519,266
Sale of Hardware/software – point in time	773,252	274,681	1,047,933	1,701,945	-	1,701,945
Other external revenue	1,117,040	-	1,117,040	172,460	-	172,460
Total Revenue	2,709,836	293,475	3,003,311	2,393,671	-	2,393,671
Segment result	(4,277,920)	(582,587)	(4,860,507)	(4,332,985)	(777,493)	(5,110,478)
Income tax	(1,121)	-	(1,121)	-	-	-
Net Loss	**(1,569,205)**	**(289,112)**	**(1,858,317)**	**(1,939,314)**	**(777,493)**	**(2,716,807)**
Depreciation and amortisation	185,450	-	185,450	24,461	-	24,461
Share-based payment expense	118,237	-	118,237	630,415	-	630,415

	Smart Cities $	Retail &Leisure $	Consolidated $	Smart Cities $	Retail &Leisure $	Consolidated $
	Half-Year Ended 31 December 2019			Year ended 30 June 2019		
(b) Segment assets						
Segment assets	6,502,445	198,714	6,701,159	3,558,262	32,250	3,509,512
Intersegment eliminations	-	-	-	-	-	-
Consolidated Total Assets	**6,502,445**	**198,714**	**6,701,159**	**3,558,262**	**32,250**	**3,509,512**

	Smart Cities $	Retail &Leisure $	Consolidated $	Smart Cities $	Retail &Leisure $	Consolidated $
	Half-Year Ended 31 December 2019			Year Ended 30 June 2019		
(c) Segment liabilities						
Segment liabilities	(5,254,879)	(174,350)	(5,429,229)	(2,967,497)	(146,932)	(3,114,429)
Intersegment eliminations	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

4. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 31 Dec 2019 $	30 June 2019 $
Trade receivables		560,833	735,811
Allowance for expected credit losses		-	-
		560,833	735,811
Other receivables –owing sale of assets	(i)	6,836,003	6,836,003
Provision for impairment of other receivables		(6,836,003)	(6,836,003)
		-	-
		560,833	**735,811**

(i) Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amount owing to the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.

5. INVENTORY

	Note	31 Dec 2019 $	31 Dec 2018 $
Inventory	(i)	417,215	32,250
		417,215	**32,250**

(i) During the half-year ended 31 December 2019, The Group acquired inventories amounting to $417,215 (30 June 2019: $32,250) consisting of $218,501 of inventory for our Smart Cities division and an additional $198,714 of cameras for our Retail and leisure division. The increase in inventory was due to the business requiring inventories to meet customer orders. The inventory will convert to cost of sales once the products are sold.

Accounting policy for inventories

Raw materials and stores, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the weighted average cost formula and include expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. BORROWINGS

	Note	Consolidated 31 Dec 2019 $	30 June 2019 $
Current Liabilities			
Loans from financial institutions	(i)	450,000	450,000
Loans from related parties – unsecured	(ii)	500,000	820,000
Car Loan	(iii)	-	54,667
		950,000	1,324,667

(i) Includes a bank debt secured by an account set-off arrangement with a matching term deposit and a first ranking charge over present and after acquired property.

(ii) *Director's loan*
On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company an unsecured loan facility of $500,000. Loans outstanding from this facility as at 30 June 2019 amounted to $500,000 (30 June 2019: $320,000) Interest is payable on this loan at the rate of 4.95% per annum. Interest payable for the year amounted to $9,405 (31 December 2018: nil). The principal and accrued interest is payable upon its maturity on 31 December 2020.

Loan with Adapt Capital Pty Ltd (formerly Speedshield Holdings Pty Ltd)
A shareholder, Adapt Capital Pty Ltd extended a loan to the Company with no interest payable. The outstanding balance from this loan was $500,000 as at 30 June 2019. On 12 December 2019, SenSen issued 3,333,333 shares to Adapt Capital Pty Ltd to convert historical loan to SenSen at a consideration of $500,000. The fair value of the share issued is at $367,667, thus, this resulted in a gain of $133,333 recognised as other income in profit or loss.

In October 2019, the group executed a converting note facility of $1 million agreement executed with Adaptalift (formerly Speedshield). The amount available under the facility remained $1 million and interest is only payable on any amount draw down.

(iii) Car loan has been reclassified to lease liabilities upon adoption of AASB 16. Refer to Note 1(b) for details.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

7. ISSUED CAPITAL

		Consolidated	
	Note	31 Dec 2019 $	30 June 2019 $
Ordinary shares	(a)	33,159,546	29,463,614

(a) Share capital movement during the period:

	Consolidated			
	31 December 2019		30 June 2019	
	No.	$	No.	$
Balance at beginning of the reporting period	418,554,418	29,463,614	411,315,895	28,731,865
Shares issued during the year (i)	25,348,335	2,219,510	2,435,068	-
Share issue costs (ii)	-	-	4,803,455	731,749
Historical loan conversion to equity (iii)	3,333,333	366,667	-	-
Balance at end of period	**447,236,086**	**32,049,791**	**418,554,418**	**29,463,614**

(i) SenSen issued 3,153,235 shares to directors and staff members as part of the company's Long-Term Incentive scheme on 8 August 2019.

Furthermore, under the private placement agreement with Angel Japan Co., Ltd., an additional 22,195,100 shares were issued, equal to approximately 4.99% of the total Post-placement issued shares of SenSen for nominal consideration of $3,329,265. Of this amount $2,219,510 was recognised as an increase in share capital and $1,109,755 was recognised as a contract liability attached to the distribution agreement that was signed concurrently. The Consolidated Statement of Cash Flows for the Half Year Ended 31 December 2019 separately shows Proceeds from Share Issue of $2,219,510 and $1,109,755 which effectively relate to a single share placement. There is significant judgement applied in determining the accounting for the contracts and whether they should be combined.

(ii) Directors' loans and payables of $982,242 were settled in full during the period as approved at the Company's Annual General Meeting on 31 October 2019. Out of this amount, $731,749 was settled through issue of 4,803,455 ordinary shares and the remainder in cash to settle related PAYG withholding liabilities

(iii) On 12 December 2019, SenSen issued 3,333,333 shares to Adapt Capital Pty Ltd (formerly Speedshield Holdings Pty Ltd) to convert historical loan to SenSen at a consideration of $500,000. The fair value of the share issued is at $367,667, thus, this resulted in a gain of $133,333.

8. SHARE BASED PAYMENTS

For the half-year ended 31 December 2019, the Group has recognised $118,237 of share-based payment expense in the consolidated statement of profit or loss (31 December 2018: $630,415).

9. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

10. RELATED PARTY TRANSACTIONS

As part of product licensing agreement, an amount of $500,000 is payable to Adapt Capital Pty Ltd (formerly Speedshield Technologies Pty Ltd), a shareholder of the Company. This loan amount has been converted to equity as of the 12 December 2019.

A loan facility of $500,000 was agreed with Subhash Challa and related parties in June 2019. $500,000 of this facility was drawn down as at 31 December 2019. This principal and interest of the loan will be paid over the next 12 months on a monthly basis.

11. 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 2019	At 30 June 2019	At 31 Dec 2019	At 30 June 2019
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%	0%	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

12. LOSS PER SHARE

	Note	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Basic and diluted loss per share (cents)		(0.44)	(0.65)

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

Loss for the half-year attributable to the owners of the Company		(1,858,317)	(2,716,807)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share		424,037,269	414,960,980

13. EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

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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 9 to 26, 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 2019 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, Chief Executive Officer and Chairman
Date: 1 March 2020

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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 2019, 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 then ended, and notes comprising a statement of 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 half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1(c) 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.

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 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 2019 and its financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

BDO Audit Pty Ltd

BDO

T Mann

T R Mann
Director

Brisbane, 1 March 2020