

ASX PRELIMINARY FINAL REPORT

Smart Parking Limited
ABN 45 119 327 169

30 June 2017

Lodged with the ASX under Listing Rule 4.3A

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

Smart Parking Limited

Year ended 30 June 2017

Details of the reporting period

Current period: 30 June 2017

Prior period: 30 June 2016

RESULTS FOR ANNOUNCEMENT TO MARKET

		2017	2016
Revenue from ordinary activities	Down 22% to	24,841,220	31,805,151
Profit/ (Loss) from after tax attributable to members	Up 8% to	(1,396,723)	(1,525,009)
Total comprehensive income for the year attributable to owners	Up 20% to	(1,979,610)	(2,465,788)

Dividends

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

Commentary on the results for the period

Total revenue of \$24.8m was down 22% against the last corresponding period. Revenue was significantly impacted by the weaker GBP currency relative to the prior corresponding period, substantially reducing the translated contribution from the UK business which constitutes approximately 88% of total revenue to the Group. In constant currency terms, total revenue would have been down 9% with adjusted EBITDA before non-recurring items* up 44%. The reduction in revenue in the Parking Management division resulting from the loss of the Asda contract in FY2016 and the loss of Matalan in Q3 FY2017 were offset by new higher margin business resulting in a 21% increase in adjusted EBITDA before non-recurring items* for that division. Continued cost control discipline also contributed to the strong performance at the EBITDA level. External revenue in the Technology division was up 10% year on year from \$3.4m (FY16) to \$3.7m (FY17). New customers included Cardiff City Council, Coles Supermarkets and Wilson Parking New Zealand. EBITDA margin in the Technology division was impacted by product mix and the increased spend on development which is expected to benefit future periods.

Net statutory loss after tax attributable to members was \$1.4m, an improvement of 8% over the previous corresponding period. This result included accounting for a number of material non-recurring items which are detailed in Note 2. Underlying earnings in the UK Parking Management division improved on a constant currency basis by 47% year on year however was impacted by the weaker GBP. The results reflect the ongoing investment in the rollout of the ANPR technology solution in the UK which continues to demonstrate a strong return on investment.

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

* The Board assesses the underlying performance of the Group based on a measure of adjusted EBITDA which takes into account costs incurred in the current period but not expected to occur in the future.

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$	2016 \$
Revenue from operations	9(c)	24,841,220	31,805,151
Raw materials and consumables used		(2,332,703)	(1,447,806)
Employee benefits expense		(9,993,765)	(14,203,993)
Depreciation and amortisation expense		(2,351,077)	(2,659,817)
Rental and operating lease costs		(2,803,875)	(3,506,702)
Share-based payments expense		(411,426)	(296,135)
Finance and interest expense		(87,143)	(90,480)
Other expenses		(7,928,221)	(11,810,025)
Loss before income tax		(1,066,990)	(2,209,807)
Income tax expense/(benefit)		(329,733)	684,798
Loss for the year from continuing operations		(1,396,723)	(1,525,009)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(582,887)	(940,779)
Other comprehensive (loss)/ income for the year, net of tax		(582,887)	(940,779)
Total comprehensive loss for the year		(1,979,610)	(2,465,788)
Total comprehensive loss for the year attributable to owners of Smart Parking Limited		(1,979,610)	(2,465,788)
Earnings per share from continuing operations attributable to the ordinary equity holders of the company.			
- basic earnings/ (loss) per share (cents per share)		(0.42)	(0.51)
- diluted earnings/ (loss) per share (cents per share)		(0.42)	(0.51)

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

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	14,225,598	4,140,820
Trade and other receivables	11	5,667,652	5,266,382
Inventories		1,491,628	1,641,847
Income tax receivable		911	1,107
Total Current Assets		21,385,789	11,050,156
Non-current Assets			
Receivables	11	365,235	-
Property, plant and equipment	12	3,516,853	4,173,075
Intangible assets	13	2,366,974	3,169,905
Deferred tax assets		1,156,424	1,585,848
Total Non-current Assets		7,405,486	8,928,828
TOTAL ASSETS		28,791,275	19,978,984
LIABILITIES			
Current Liabilities			
Trade and other payables	14	4,809,541	5,830,073
Interest bearing liabilities		177,147	7,208
Deferred revenue		699,207	633,018
Provisions		689,603	719,189
Total Current Liabilities		6,375,498	7,189,488
Non-current Liabilities			
Interest bearing liabilities		79,948	-
TOTAL LIABILITIES		6,455,446	7,189,488
NET ASSETS		22,335,829	12,789,496
EQUITY			
Contributed equity	15	68,865,719	57,751,202
Accumulated losses	3	(49,545,129)	(48,148,406)
Reserves		3,015,239	3,186,700
TOTAL EQUITY		22,335,829	12,789,496

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	57,751,202	3,186,700	(48,148,406)	12,789,496
Total comprehensive income for the year				
Loss for the year	-	-	(1,396,723)	(1,396,723)
Other comprehensive loss	-	(582,887)	-	(582,887)
Total comprehensive loss for the year	-	(582,887)	(1,396,723)	(1,979,610)
Transactions with owners, recorded directly in equity				
Contributions by owners				
Contributions of equity net of transaction costs	11,114,517	-	-	11,114,517
Share-based payment transactions	-	411,426	-	411,426
Total transactions with owners	11,114,517	411,426	-	11,525,943
Balance at 30 June 2017	68,865,719	3,015,239	(49,545,129)	22,335,829

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	57,751,202	3,831,344	(46,623,397)	14,959,149
Total comprehensive income for the year				
Loss for the year	-	-	(1,525,009)	(1,525,009)
Other comprehensive income	-	(940,779)	-	(940,779)
Total comprehensive income for the year	-	(940,779)	(1,525,009)	(2,465,788)
Transactions with owners, recorded directly in equity				
Contributions by owners				
Contributions of equity net of transaction costs	-	-	-	-
Share-based payment transactions	-	296,135	-	296,135
Total transactions with owners	-	296,135	-	296,135
Balance at 30 June 2016	57,751,202	3,186,700	(48,148,406)	12,789,496

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Cash flows from operating activities			
Cash receipts in the course of operations		24,718,970	31,901,032
Cash payments in the course of operations		(24,153,060)	(31,149,751)
Interest and other finance costs paid		(21,772)	(1,380)
Interest received		115,453	48,860
Income taxes paid		(195)	(1,107)
Net cash flows inflow from operating activities before movement in client funds		659,396	797,654
Net decrease in cash held on behalf of customers		(87,730)	(9,991,979)
Net cash flows inflow/(outflow) from operating activities	21	571,666	(9,194,325)
Cash flows from investing activities			
Proceeds from disposal of assets		-	20,453
Purchase of intangible assets		(186,359)	(62,149)
Purchase of plant and equipment		(1,270,578)	(2,355,934)
Net cash flows inflow/(outflow) from investing activities		(1,456,937)	(2,397,630)
Cash flows from financing activities			
Proceeds from share issue		11,608,233	-
Share issue costs		(493,716)	-
Proceeds from borrowings		80,538	-
Hire purchase payments		(108,538)	(90,275)
Net cash flows outflow from financing activities		11,086,517	(90,275)
Net (decrease)/increase in cash and cash equivalents		10,201,246	(11,682,230)
Cash and cash equivalents at beginning of period		4,140,820	16,289,523
Effects of exchange rate changes on cash and cash equivalents		(116,468)	(466,473)
Cash and cash equivalents at end of period	10	14,225,598	4,140,820

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

Supplementary Appendix 4E Information

1. Statement of significant accounting policies

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

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

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

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

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

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

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

The loss of the Group for the financial year after income tax amounted to \$1.4m (2016: loss of \$1.5m).

An analysis of underlying EBITDA after excluding the effects of costs incurred in the current period but not expected to occur in the future is outlined below:

	2017 \$	2016 \$
Net loss for the year after tax	(1,396,723)	(1,525,009)
Adjusted EBITDA ¹	1,314,050	1,351,215
Professional fees ²	-	831,073
Dispute settlement ³	(338,696)	-
Onerous lease reversal ⁴	(109,928)	-
Provision for VAT ⁵	1,337,678	-
Adjusted EBITDA before non-recurring items⁶	2,203,104	2,182,288

¹Adjusted EBITDA represents Earnings before interest, taxation, depreciation, amortisation and loss on disposal of plant and equipment.

²The professional fees relate to a legal dispute which was settled during the previous period relating to the Group's acquisition of Town and City Parking Limited which is not expected to occur in the future. Further details of the dispute are included in Note 31 in the Annual Report for the year ended 30 June 2016.

³The dispute settlement relates to damages awarded to Smart Parking in the UK from a former customer in relation to a breach of contract.

⁴The reversal relates to an onerous lease provision recognised in a previous period which was surrendered in June 2017.

⁵The company is aware of an Upper Tier Tribunal Ruling in the UK impacting the treatment of input VAT incurred on expenditure relating to the administration of Parking Breach Notice activities. As at 30 June 2017 the company has booked an appropriate provision for VAT. Refer to Note 20 for additional information.

⁶The Board assesses the underlying performance of the Group based on a measure of adjusted EBITDA which takes into account costs incurred in the current period but not expected to occur in the future.

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

	Consolidated 2017 \$	2016 \$
Balance 1 July	(48,148,406)	(46,623,397)
Net profit/(loss) for the year	(1,396,723)	(1,525,009)
Balance 30 June	(49,545,129)	(48,148,406)

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

There were no dividends paid or proposed during the year.

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

The company has no dividend reinvestment plan in operation.

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

	Consolidated 2017 \$	2016 \$
Net tangible asset backing per ordinary share	\$0.0556	\$0.0325

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

	Consolidated 2017 \$	2016 \$
Basic profit/ (loss) per share (cents per share)	(0.42)	(0.51)
Diluted profit/ (loss) per share (cents per share)	(0.42)	(0.51)
Profit/ (loss) used in calculating EPS	(1,396,723)	(1,525,009)
Basic and diluted loss per share		
Profit/(Loss) used in calculating EPS		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 329,005,914	No. 296,174,197
<i>Reconciliation of basic and diluted loss per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings/(loss) per share:	(1,396,723)	(1,525,009)

The earnings per share calculation has not been adjusted for the 6,135,035 deferred share rights (2016: 5,792,283) as the company has made a loss in the current year and this would be considered antidilutive. These deferred share rights could potentially dilute basic earnings per share in the future.

8. Share Buyback (Appendix 4E item 14.2)

The company had no on-market buy back in operation during the year ended 30 June 2017 or the year ended 30 June 2016.

9. Segment information (Appendix 4E item 14.4)

a) Description of segments

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

The Board considers the business from a product perspective and has identified two reportable segments. Technology consists of car parking technology products sold globally and Parking Management consists of the business which operates in the United Kingdom and consists of the provision of car parking management services on behalf of third party car park owners and on sites leased by the Company and managed on its own behalf.

Corporate functions are not considered an operating segment and includes activities that are not allocated to other operating segments.

b) Segment information provided to the board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2017 is as follows:

	Technology	Parking Management	Total
Group - 2017	\$	\$	\$
Total segment revenue	5,146,223	20,964,343	26,110,566
Inter-segment revenue	(1,437,612)	-	(1,437,612)
Revenue from external customers	3,708,611	20,964,343	24,672,954
Adjusted EBITDA	(2,733,887)	6,485,154	3,751,267

The segment information provided to the Board for the reportable segments for the year ended 30 June 2016 was as follows:

	Technology	Parking Management	Total
Group - 2016	\$	\$	\$
Total segment revenue	5,580,325	28,379,930	33,960,255
Inter-segment revenue	(2,201,971)	-	(2,201,971)
Revenue from external customers	3,378,354	28,379,930	31,758,284
Adjusted EBITDA	(2,519,960)	5,347,259	2,827,299

c) Other segment information

(i) Segment revenue

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

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

	2017 \$	2016 \$
Total segment revenue	26,110,566	33,960,255
Intersegment eliminations	(1,437,612)	(2,201,971)
Interest revenue	168,266	46,867
	24,841,220	31,805,151

(ii) Adjusted EBITDA

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes the effects of costs incurred in the current period but not expected to occur in the future from the operating segments such as restructuring costs, acquisition costs, legal costs and goodwill impairments which are non-cash in nature. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

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

	2017 \$	2016 \$
Adjusted EBITDA	3,751,267	2,827,299
Intersegment eliminations	971,499	2,184,375
Interest revenue	168,266	46,867
Interest expense	(21,772)	(1,380)
Depreciation	(1,465,097)	(1,779,137)
Amortisation	(885,980)	(880,680)
Loss on disposal of fixed property, plant and equipment	(176,456)	(946,692)
Professional fees and settlement related to dispute	-	(831,073)
Provision for VAT (refer note 20)	(1,337,678)	-
Adjusted EBITDA for parent company	(2,061,301)	(2,795,898)
Other	(9,738)	(33,488)
Loss before income tax from continuing operations	(1,066,990)	(2,209,807)

10. Cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank and in hand	13,541,478	3,368,970
Cash held on behalf of customers	684,120	771,850
	14,225,598	4,140,820

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

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

Cash increased following the company successfully completing an underwritten capital raising for \$11.1m (net of costs) comprising a 1 for 7 accelerated non-renounceable pro rata entitlement offer and share placement. Further information on the capital raising is included in note 15.

11. Trade and other receivables

Current

Trade receivables	1,433,493	1,415,713
Provision for impairment of receivables	(24,923)	(45,053)
	1,408,570	1,370,660
Prepayments	1,311,894	1,321,479
Other receivables	2,947,188	2,574,243
	5,667,652	5,266,382
Non-current receivables	365,235	-
	6,032,887	5,266,382

12. Property, plant and equipment

	Motor Vehicles	Office Equipment	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Consolidated					
Year ended 30 June 2017					
At 1 July 2016					
Opening net book amount	47,813	80,034	3,621,087	424,141	4,173,075
Additions	42,270	31,319	1,158,163	6,646	1,238,398
Disposals	-	(1,221)	(143,023)	(35,220)	(179,464)
Depreciation charge for the year	(24,164)	(27,663)	(1,379,023)	(34,247)	(1,465,097)
Foreign exchange translation	(691)	(2,896)	(220,535)	(25,937)	(250,059)
Closing net book amount	65,228	79,573	3,036,669	335,383	3,516,853
At 30 June 2017					
Cost or fair value	377,507	287,928	7,574,594	467,118	8,707,147
Accumulated depreciation & impairment	(312,279)	(208,355)	(4,537,925)	(131,735)	(5,190,294)
Net book amount	65,228	79,573	3,036,669	335,383	3,516,853

13. Intangible assets

	Software \$	Developed Technology \$	Goodwill \$	Other intangible assets \$	Total \$
Year ended 30 June 2017					
Opening net book amount	107,110	1,452,485	1,606,073	4,237	3,169,905
Additions	186,423	-	-	-	186,423
Exchange differences	(4,256)	-	(98,837)	(281)	(103,374)
Amortisation charge	(46,971)	(835,848)	-	(3,161)	(885,980)
Closing net book amount	242,306	616,637	1,507,236	795	2,366,974
At 30 June 2017					
Cost	1,005,615	5,785,380	13,652,267	15,901	20,459,163
Accumulated amortisation and impairment	(763,309)	(5,168,743)	(12,145,031)	(15,106)	(18,092,189)
Net book amount	242,306	616,637	1,507,236	795	2,366,974

14. Trade and other payables

	Consolidated	
	2017 \$	2016 \$
Current		
Trade payables	2,471,186	2,380,298
Related party payables	58,505	23,146
Other payables	2,279,850	3,426,629
	4,809,541	5,830,073

All trade and other payables are expected to be settled within 12 months. Other payables includes \$684,120 (2016: \$771,850) payable to customers for cash that Smart Parking UK has collected and counted on behalf of customers, the associated cash for this is included in cash at bank. Refer to Note 10.

15. Equity securities issued during the year

Date	Details	No of shares	Issue price	\$
30 June 2016	Balance	296,174,197		57,751,202
30 November 2016	Share issue	39,733,669	\$0.20	7,946,734
20 December 2016	Share issue	18,307,495	\$0.20	3,661,499
	Less: Transaction costs arising on share issue			(493,716)
21 June 2017	Shares issued under deferred share and incentive plan	5,000,000		
30 June 2017	Balance	359,215,361		68,865,719

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

Refer to the attached Market Announcement and Investor Presentation.

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

Refer to the attached Market Announcement and Investor Presentation.

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

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

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

The Company did not acquire or dispose of any interests in Joint Ventures or Associates during the year.

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

Contingent Liabilities

The Company is aware of an Upper Tier Tribunal Ruling in the UK impacting the treatment of input VAT incurred on expenditure relating to the administration of Parking Breach Notice activities. The company has sought independent expert advice on the facts involved in this case and the potential implications of this tribunal decision on Smart Parking Limited (UK). The expert advice has found strong arguments in favour of Smart Parking Limited (UK) were it to litigate. The company is currently seeking to clarify its position and the application of the facts to Smart Parking Limited (UK) directly with HMRC, and is seeking to work collaboratively with HMRC to resolve its position amicably without litigation. Smart Parking intends to vigorously defend its position if an agreeable outcome cannot be reached. As at 30 June 2017 the company has booked an appropriate provision for VAT based on an assessment of probability adjusted outcomes as required under the accounting rules. If Smart Parking is unsuccessful in defending its position the maximum liability, net of the provision in FY17 is \$4.0m.

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

21. Reconciliation of cash flows from operating activities

Reconciliation of Cash Flow from Operations with
Loss after Income Tax

	2017	2016
	\$	\$
Profit/(Loss) after income tax for the period	(1,396,723)	(1,525,009)
Adjustments for:		
Loss on disposal of plant and equipment	176,456	946,692
Depreciation and amortisation expense	2,351,077	2,659,817
Impairment of trade receivables	24,179	(39,189)
Share-based payments expense	411,426	296,135
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Increase)/decrease in trade and term receivables	(34,897)	1,146,017
(Increase)/decrease in inventories	150,219	(268,730)
(Increase)/decrease in other current assets	(620,284)	(903,423)
Increase/(decrease) in trade payables and accruals	(916,407)	(10,944,399)
(Increase)/decrease in tax receivable and deferred tax	426,620	(562,236)
Net cash inflow /(outflow) from operations	571,666	(9,194,325)

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

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

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

Refer to the attached Market Announcement and Investor Presentation.

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

Refer to the attached Market Announcement and Investor Presentation.