

Appendix 4D

Half-year Report
31 December 2014

Smart Parking Limited
ABN 45 119 327 169

Results for announcement to the market

Financial Results	% change	Dec 2014 \$	Dec 2013 \$
Revenue from ordinary activities	Down 6.2%	10,667,610	11,371,387
Total Revenue	Down 5.2%	10,820,337	11,410,463
Profit/(loss) after tax attributable to members	Down 210.4%	(4,256,435)	(1,371,320)
Net Profit/(loss) for the period attributable to members	Down 612.2%	(3,977,128)	(558,422)

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

Net Tangible Asset Backing	Dec 2014	Dec 2013
Net tangible asset backing per ordinary security	3.76 cents	3.80 cents

Other explanatory notes
Refer to the Directors Report for an explanation of the operational and financial results of the Company.

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

Smart Parking Limited and its Controlled Entities

ABN 45 119 327 169

Interim Financial Report

For the half-year ended 31 December 2014

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Smart Parking Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your Directors present their report together with the consolidated financial statements for the half-year ended 31 December 2014.

Directors

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

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

Principal activities

The Group operates two divisions:

- **Technology:** Sale of car parking technology hardware, software and associated products and services.
- **Parking Management:** UK based parking management solutions, predominantly in the retail sector. The division also includes revenue from technology sales in Europe.

Review of Operations

The consolidated entity's operating loss after income tax for the half year ended 31 December 2014 was \$4,256,435, compared to a loss for the half year ended 31 December 2013 of \$1,371,320.

The following adjusts for amortisation and one-off items:

	2014 \$	2013 \$
Net loss for the half year after tax	(4,256,435)	(1,371,320)
Exclusion of amortisation and non-recurring costs (net of tax):		
Amortisation	429,736	429,856
One-off items:		
Impairment of goodwill	-	858,074
Reversal of impairment of net asset adjustment receivable	-	(850,930)
Gain on financial assets through profit and loss	-	(119,118)
Gain from disposal of assets classified as held for sale	-	(556,827)
Restructuring and other non-recurring costs *	953,405	254,754
Interest revenue	(152,727)	(39,076)
Interest expense	1,630	47,313
Net loss before amortisation and non-recurring costs	(3,024,391)	(1,347,274)

Directors' Report (continued)

Review of Operations (continued)

* Includes costs related to a dispute with a former Director, Mr Dickson, who was the sole shareholder of Smart Parking Limited (UK) (formerly Town and City Parking Limited) prior to it being acquired by Smart Parking Limited on 9 January 2012. Further information is set out in note 11 to the financial statements.

As at 31 December 2014, the Group had cash on hand (excluding cash held on behalf of customers) of \$7.6m (30 June 2014: \$11.5m).

The Group had net operating cash outflows (including movements in cash held on behalf of customers) for the half year ended 31 December 2014 of \$1.2m (2013: inflow \$0.4m).

The Net loss before amortisation and non-recurring costs of \$3.0m was \$1.7m unfavourable to 2013 as a result of lower than expected sales in the Technology Division and the loss of two clients which tendered their business in the Parking Management Division during the half year ended 31 December 2013.

Technology Division – Sales of \$1.3m (2013: \$1.6m).

The company completed the roll out of Stage 1 of a Smart parking solution to Westminster City Council in London. Stage 1 involved the roll out of 3,000 parking sensors comprising 3 milestones and the provision of ongoing parking data to Westminster. The results for the half year ended 31 December 2014 include the balance of the revenue and costs associated with the implementation. The company is currently in discussion with Westminster regarding a potential Stage Two of this project. The company has secured contracts with Transport for London and Flinders University (Adelaide) which will be recognised as revenue in the second half of the 2015 financial year following implementation of these projects.

In line with the company's strategy following the capital raising in March 2014 the company has expanded the number of trials in its target markets of New Zealand, Australia and the United Kingdom.

While the market opportunity remains attractive the conceptual nature of the technology results in sales cycles being longer than anticipated.

Recurring revenue from maintenance and data charges of \$0.6m increased 27% (up 31% allowing for the effect of foreign exchange movements) on the prior year.

The operating costs for the half year ended 31 December 2014 increased as a result of implementation costs related to Westminster City Council, increased sales and marketing costs, and increased product development and operational capacity.

Parking Management Division – Sales of \$9.9m (2013: \$10.2m). The loss of two clients which tendered their business during the half year ended 31 December 2013 led to a reduction in EBITDA from \$0.2m to a break even result in the current half year.

The restructuring of this division continued into the 2015 financial year with the consolidation of all functions into a single, centrally located office near Birmingham (UK). The results for the half year ending 31 December 2014 include expenses related to this office relocation. The company remains focused on improving returns within this division which is now under new leadership. There is a strong focus on improving yields across the business' current estate. The implementation of a more streamlined operating structure, more efficient use of technology and the ongoing cost reduction program is expected to drive improved results in 2015.

Directors' Report (continued)

Auditor's Independence Declaration

The Auditor's Independence Declaration on page 4 forms part of the Directors' Report for the half-year ended 31 December 2014.

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

A handwritten signature in black ink, appearing to read 'Christopher Morris', written over a horizontal line.

Christopher Morris
Chairman

24 February 2015

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**Auditor's Independence Declaration
To the Directors of Smart Parking Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Smart Parking Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Climpson
Partner

Melbourne, 24 February 2015

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Independent Auditor's Review Report To the Members of Smart Parking Limited

We have reviewed the accompanying half-year financial report of Smart Parking Limited ("the Company"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Smart Parking Limited 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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Smart Parking Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Smart Parking Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

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 Smart Parking Limited is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Climpson
Partner

Melbourne, 24 February 2015

Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2014

	Notes	Half Year	
		2014	2013
		\$	\$
Revenue from continuing operations	3	10,820,337	11,410,463
Raw materials and consumables used		(739,599)	(765,452)
Employee benefits expense		(6,257,785)	(5,772,146)
Depreciation and amortisation expense		(1,318,033)	(1,164,120)
Rental and operating lease costs		(1,357,780)	(1,480,148)
Share-based payments expense		(117,876)	(99,378)
Finance and interest expense		(50,345)	(109,022)
Reversal of Impairment/(Impairment) of other receivable		-	850,930
Impairment of goodwill		-	(858,074)
Gain from disposal of assets classified as held for sale		-	556,827
Other expenses	4	(5,235,354)	(3,941,200)
Loss before income tax		(4,256,435)	(1,371,320)
Income tax expense		-	-
Loss for the half-year		(4,256,435)	(1,371,320)
Other comprehensive income			
Exchange differences on translation of foreign operations		279,307	812,898
Other comprehensive income for the year, net of tax		279,307	812,898
Total comprehensive income, for the half-year		(3,977,128)	(558,422)
Total comprehensive income for the half-year attributable to the owners of Smart Parking Limited		(3,977,128)	(558,422)
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company.			
- basic earnings/(loss) per share		(\$0.01)	(\$0.01)
- diluted earnings/(loss) per share		(\$0.01)	(\$0.01)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	13,973,953	15,559,700
Trade and other receivables		4,746,182	5,312,575
Inventories		1,401,984	1,396,274
Income tax receivable		1,786	1,166
Total Current Assets		20,123,905	22,269,715
Non-current Assets			
Receivables		67,413	98,837
Property, plant and equipment	6	4,144,878	4,538,420
Intangible assets	7	4,446,876	4,742,933
Total Non-current Assets		8,659,167	9,380,190
TOTAL ASSETS		28,783,072	31,649,905
LIABILITIES			
Current Liabilities			
Trade and other payables		12,464,695	11,317,696
Borrowings	8	147,845	202,622
Deferred revenue		81,485	177,388
Provisions		591,923	633,501
Total Current Liabilities		13,285,948	12,331,207
Non-current Liabilities			
Borrowings	8	60,441	22,763
TOTAL LIABILITIES		13,346,389	12,353,970
NET ASSETS		15,436,683	19,295,935
EQUITY			
Contributed equity		57,751,202	57,751,202
Accumulated losses		(45,519,555)	(41,263,120)
Reserves		3,205,036	2,807,853
TOTAL EQUITY		15,436,683	19,295,935

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	Note	Contributed equity \$	Reserves \$	Retained earnings \$	Total \$
Balance at 1 July 2014		57,751,202	2,807,853	(41,263,120)	19,295,935
Total comprehensive income for the half-year					
Loss for the half-year		-	-	(4,256,435)	(4,256,435)
Other comprehensive income for the half-year		-	279,307	-	279,307
Total comprehensive income for the half-year		-	279,307	(4,256,435)	(3,977,128)
Transactions with owners, recorded directly in equity					
Contributions by owners					
Share-based payment transactions		-	117,876	-	117,876
Total transactions with owners		-	117,876	-	117,876
Balance at 31 December 2014		57,751,202	3,205,036	(45,519,555)	15,436,683
		Contributed equity \$	Reserves \$	Retained earnings \$	Total \$
Balance at 1 July 2013		45,594,329	2,033,744	(34,237,409)	13,390,664
Total comprehensive income for the half-year					
Loss for the half-year		-	-	(1,371,320)	(1,371,320)
Other comprehensive income for the half-year		-	812,898	-	812,898
Total comprehensive income for the half-year		-	812,898	(1,371,320)	(558,422)
Transactions with owners, recorded directly in equity					
Contributions by owners					
Share-based payment transactions		-	99,378	-	99,378
Total transactions with owners		-	99,378	-	99,378
Balance at 31 December 2013		45,594,329	2,946,020	(35,608,729)	12,931,620

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

		Half Year	
	Note	2014 \$	2013 \$
Cash flows from operating activities			
Cash receipts in the course of operations		12,379,171	13,554,737
Cash payments in the course of operations		(13,701,937)	(13,193,128)
Interest and other finance costs paid		(1,630)	(47,313)
Interest received		129,539	40,021
Income taxes paid		(620)	(48)
Net cash flows inflow/(outflow) from operating activities		(1,195,477)	354,269
Cash flows from investing activities			
Proceeds from financial assets at fair value through profit or loss		-	145,812
Proceeds from disposal of assets		88,277	-
Proceeds from assets classified as held for sale		-	1,184,143
Purchase of plant and equipment		(504,105)	(1,393,448)
Net cash flows inflow/(outflow) from investing activities		(415,828)	(63,493)
Cash flows from financing activities			
Proceeds from sale of forfeited shares		-	2,267,407
Receipts from borrowings		-	1,000,000
Hire purchase payments		(113,507)	(114,359)
Net cash flows inflow/(outflow) from financing activities		(113,507)	3,153,048
Net increase in cash and cash equivalents		(1,724,812)	3,443,824
Cash and cash equivalents at beginning of the half-year		15,559,700	4,599,719
Effects of exchange rate changes on cash and cash equivalents		139,065	192,813
Cash and cash equivalents at end of the half-year	5	13,973,953	8,236,356

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

Notes to the Financial Statements

Note 1 – Basis of preparation

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

These financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any publications made by Smart Parking Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. The half-year financial statements do not include full disclosures of the type normally included in annual financial statements. The accounting policies adopted are consistent with those of the previous financial year except where otherwise disclosed.

Going concern

The Group had net cash outflow from operations of \$1,195,477 (including movements in cash held on behalf of customers) for the half year ended 31 December 2014.

The Directors believe the Group can continue to pay its debts as and when they fall due for the following reasons:

- The Group has a cash position as at 31 December 2014 of \$13,973,953, which is \$7,597,572 net of cash collected and counted on behalf of customers, the associated liability for this is included in other payables.

Accordingly the Directors believe there exists a reasonable expectation that the Group can continue to pay its debts as and when they fall due, and the financial report has been prepared on a going concern basis.

Note 2 – Segment information

a) Description of segments

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

The Board considers the business from a product perspective and has identified two reportable segments. Technology consists of car parking technology products and solutions sold globally and Parking Management consists of the business which operates in the United Kingdom.

Notes to the Financial Statements (continued)

Note 2 – Segment information (cont'd)

b) Segment information provided to the board

The segment information provided to the Board for the reportable segments for the half-year ended 31 December 2014 is as follows:

	Technology	Parking Management	Total
Half-year - 2014	\$	\$	\$
Total segment revenue	1,324,147	9,941,352	11,265,499
Inter-segment revenue	(597,889)	-	(597,889)
Revenue from external customers	726,258	9,941,352	10,667,610
Adjusted EBITDA	(1,680,373)	(43,361)	(1,723,734)
Half-year - 2013			
Total segment revenue	1,644,656	10,175,190	11,819,846
Inter-segment revenue	(448,459)	-	(448,459)
Revenue from external customers	1,196,197	10,175,190	11,371,387
Adjusted EBITDA	(550,160)	180,201	(369,959)
Total segment assets			
31 December 2014	2,833,964	20,515,577	23,399,541
30 June 2014	3,271,509	16,839,510	20,111,019

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, acquisition costs and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and realised/unrealised gains/(losses) on financial assets. 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.

Notes to the Financial Statements (continued)

Note 2 – Segment information (cont'd)

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

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

	Note	2014 \$	2013 \$
Adjusted EBITDA		(1,723,734)	(369,959)
Intersegment eliminations		(787,047)	(1,214,819)
Interest revenue		152,727	39,076
Interest expense		(1,630)	(47,313)
Depreciation		(888,297)	(734,264)
Amortisation		(429,736)	(429,856)
Reversal of Impairment/(Impairment) net asset adjustment receivable		-	850,930
Impairment of goodwill		-	(858,074)
Share-based payments expense		(117,876)	(99,378)
Gain/(loss) on financial assets through profit and loss		-	119,118
Gain/(Loss) on disposal of fixed property, plant and equipment		(4,425)	5,553
Gain on disposal of assets classified as held for sale		-	556,827
Restructuring and non-recurring costs		(415,723)	(47,421)
Corporate EBITDA		(65,814)	745,685
Other		25,120	112,575
Loss before income tax from operations		(4,256,435)	(1,371,320)

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

Notes to the Financial Statements (continued)

Note 3 – Revenue and other income

	2014 \$	Half Year 2013 \$
From continuing operations		
Revenue		
Revenue from sale of goods and services	10,667,610	11,371,387
Interest revenue	152,727	39,076
Total revenue from continuing operations	10,820,337	11,410,463

Note 4 – Other expenses

Loss before income tax includes the following specific expenses:

	2014 \$	Half Year 2013 \$
Other expenses:		
- Audit fees	(27,772)	(23,000)
- ASX and share registry expense	(50,105)	(46,934)
- Cash collection fees	(417,596)	(395,967)
- Consultants expense	(103,217)	(14,620)
- Impairment of trade debtors	29,059	(27,720)
- Foreign exchange loss (net)	(1,359)	(17,640)
- Insurance	(184,333)	(164,743)
- IT Support	(199,957)	(207,046)
- Legal fees	(471,810)	(268,967)
- Licencing Authority fees	(648,126)	(476,933)
- Gain/(Loss) on disposal of fixed property, plant and equipment	(4,425)	5,553
- Motor vehicle expense	(207,624)	(203,775)
- Repairs and maintenance	(447,362)	(442,274)
- Staff recruitment	(109,132)	(57,875)
- Support and development	(32,077)	(15,386)
- Gain/(losses) on financial assets through profit or loss	-	119,118
- Travel and accommodation	(392,319)	(221,943)
- Telephone and communications	(141,057)	(136,089)

Note 5 – Cash and cash equivalents

	31 Dec 2014 \$	Consolidated 30 Jun 2014 \$
Current		
Cash at bank and in hand	13,973,953	15,559,700

Cash at bank includes cash of \$6,376,381 (30 June 2014: \$4,024,600) that Smart Parking Limited (UK) has collected and counted on behalf of customers, the associated liability for this is included in other payables.

The company completed a capital raising for \$12.1m (net of costs) in March 2014.

Notes to the Financial Statements (continued)

Note 6 - Property, plant and equipment (non-current)

	Motor Vehicles	Office Equipment	Plant and Equipment	Leasehold Improvem- -ents	Total
	\$	\$	\$	\$	\$
Consolidated					
Year ended 30 June 2014					
At 30 June 2014					
Cost or fair value	924,932	367,193	7,392,011	404,025	9,088,161
Accumulated depreciation & impairment	(313,628)	(239,826)	(3,909,334)	(86,953)	(4,549,741)
Net book amount	611,304	127,367	3,482,677	317,072	4,538,420
Half-year ended 31 December 2014					
Opening net book amount	611,304	127,367	3,482,677	317,072	4,538,420
Additions	48,384	18,285	272,812	15,019	354,500
Disposals	(4,812)	-	(46,926)	(5,419)	(57,157)
Depreciation charge for the year	(94,301)	(13,423)	(766,529)	(14,044)	(888,297)
Foreign exchange translation	27,971	5,539	148,831	15,071	197,412
Closing net book amount	588,546	137,768	3,090,865	327,699	4,144,878
At 31 December 2014					
Cost or fair value	998,888	402,072	7,977,446	430,833	9,809,239
Accumulated depreciation & impairment	(410,342)	(264,304)	(4,886,581)	(103,134)	(5,664,361)
Net book amount	588,546	137,768	3,090,865	327,699	4,144,878

Notes to the Financial Statements (continued)

Note 7 - Intangible assets (non-current)

	Software \$	Developed Technology \$	Goodwill \$	Other intangible assets \$	Total \$
At 30 June 2014					
Cost	758,021	5,690,731	13,768,829	23,611	20,241,192
Accumulated amortisation and impairment	(619,756)	(2,710,364)	(12,157,505)	(10,634)	(15,498,259)
Net book amount	138,265	2,980,367	1,611,324	12,977	4,742,933
Half-year ended 31 December 2014					
Opening net book amount	138,265	2,980,367	1,611,324	12,977	4,742,933
Additions	9,944	37,700	-	-	47,644
Disposals	-	-	-	-	-
Exchange differences	6,020	-	79,504	511	86,035
Impairment charge	-	-	-	-	-
Amortisation charge	(26,012)	(401,536)	-	(2,188)	(429,736)
Closing net book amount	128,217	2,616,531	1,690,828	11,300	4,446,876
At 31 December 2014					
Cost	781,051	5,728,431	13,938,859	24,638	20,472,979
Accumulated amortisation and impairment	(652,834)	(3,111,900)	(12,248,031)	(13,338)	(16,026,103)
Net book amount	128,217	2,616,531	1,690,828	11,300	4,446,876

Notes to the Financial Statements (continued)

Note 8 – Borrowings

	Consolidated	
	Dec 2014	Jun 2014
	\$	\$
Secured		
Current hire purchase liabilities	147,845	202,622
Non-current hire purchase liabilities	60,441	22,763
	208,286	225,385

Hire purchase liabilities are effectively secured as the rights to the hire purchased assets recognised in the financial statements revert to the hire purchase lessor in the event of default.

Note 9 – Equity securities issued during the half year

There has been no equity securities issued during the year (2013: nil).

Note 10 – Dividends

No dividends were paid or declared during the period.

Note 11 – Events subsequent to Reporting Date

A former Director, Mr Dickson, was the sole shareholder of Smart Parking Limited (UK) (formerly Town and City Parking Limited) prior to it being acquired by Smart Parking Limited on 9 January 2012.

The sale and purchase agreement (SPA) for such acquisition provided Smart Parking Limited with the right to transfer a number of shares held by Mr Dickson in Smart Parking Limited in certain circumstances (Relevant Shares). Smart Parking Limited's right to transfer the Relevant Shares was triggered in circumstances where (i) the reviewed net asset position of Smart Parking Limited (UK) showed a shortfall as compared with the position that had been represented by Mr Dickson; and (ii) the financial performance of Smart Parking Limited (UK) for the calendar year 2012 did not meet certain levels such that the shortfall would otherwise have been compensated by deduction from deferred consideration (in the form of an earn out) payable to Mr Dickson. The net asset adjustment as reviewed by Smart Parking Limited (UK) auditors showed a considerable shortfall of \$3,304,313. The financial performance of Smart Parking Limited (UK) during calendar year 2012 did not meet the levels required under the SPA for the payment of any deferred consideration to Mr Dickson. The shortfall in net asset value could therefore not be compensated by deduction from any deferred consideration that would otherwise have been payable to him. Consequently, the Relevant Shares were transferred by Smart Parking Limited. The Relevant shares were subsequently sold on 14 November 2013 for \$2,267,407. After costs the profit earned was \$850,930.

Mr Dickson disputes the calculation of the net asset adjustment and the lack of deferred consideration (first earn out) as well as Smart Parking Limited's right to deal with the shares. On the 14th January 2014 Mr Dickson filed a claim in the English High Court seeking a number of declarations from the court, including that an independent expert be appointed to review the net asset position of Smart Parking Limited (UK) at the relevant time and that Smart Parking Limited was not permitted to exercise its remedies under the SPA to deal with the Relevant Shares.

The Company is vigorously defending such claims.

Notes to the Financial Statements (continued)

Note 11 – Events subsequent to Reporting Date (cont'd)

In addition, on 19th June 2014 the Company filed a claim in the English High Court against Mr Dickson and Lochwheel Limited, a company at the relevant time controlled by Mr Dickson, under the SPA for indemnification and compensation for losses suffered by Smart Parking Limited and Smart Parking Limited (UK) as a result of Mr Dickson and Lochwheel's breaches of the SPA.

On the 12th January 2015 Mr Dickson and Smart Parking Limited entered into an agreement under which all outstanding disputes would be resolved through an expert determination. The claims Mr Dickson and Smart Parking had filed against each other in the English High Court have been stayed until 13 March 2015 pending the parties agreeing terms with the relevant experts. A provision for expected costs associated with the expert determination has been included in the financial statements for the half year ended 31 December 2014. Smart Parking expects the expert determination to be completed by mid 2015.

Note 12 – Contingent Liabilities

The group had contingencies at 31 December 2014 in respect of:

(a) Contingent liabilities

On the 14th January 2014 Mr Dickson filed a claim in the English High Court seeking a number of declarations from the court, including that an independent expert be appointed to review the net asset position of Smart Parking UK at the relevant time and that Smart Parking Ltd was not permitted to exercise its remedies under the SPA to deal with the Relevant Shares. The Company was vigorously defending such claims.

On 19th June 2014 the Company filed a claim in the English High Court against Mr Dickson and his company, Lochwheel Limited, under the SPA for indemnification and compensation for losses suffered by Smart Parking Ltd and Smart Parking UK as a result of Mr Dickson and Lochwheel's breaches of the SPA.

Other than estimated legal fees and expenses no further contingencies in relation to the abovementioned proceedings have been recognised in the financial statements as at 31 December 2014 as the outcome of Court proceedings was uncertain.

For information about the claim refer to note 28 in the Annual Report for the year ended 30 June 2014 and Note 11 above.

On the 12th January 2015 Mr Dickson and Smart Parking Limited entered into an agreement under which all outstanding disputes would be resolved through an expert determination. The claims Mr Dickson and Smart Parking had filed against each other in the English High Court have been stayed until 13 March 2015 pending the parties agreeing terms with an expert. A provision for expected costs associated with the expert determination has been included in the financial statements for the half year ended 31 December 2014. Smart Parking expects the expert determination to be completed by mid 2015.

Certain other commercial claims are made in the normal course of business against the group from time to time. In consultation with legal counsel it is not expected that any material liabilities will eventuate from such claims.

There have been no other changes in contingent liabilities since the last annual reporting period date, 30 June 2014.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard: *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half- year ended on that date;
and
- (b) there are reasonable grounds to believe that Smart Parking Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors and is signed for and on behalf of the directors by:



Mr Christopher Morris
Chairman

24 February 2015