Annual Report 2012/13

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technology

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ABN 34 093 877 331

Seeing Machines Limited

Annual Financial Report

For the year ended
30 June 2013

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Corporate Information

ABN 34 093 877 331

This annual report covers Seeing Machines Limited as a consolidated entity. The Group's functional and presentation currency is AUD($).

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 3. The directors' report is not part of the financial report.

Directors	Terry Winters	Non Executive Chairman
	Ken Kroeger	Managing Director
	David Gaul	Non Executive Director
	Alexander Zelinsky	Non Executive Director
	Michael Roberts	Non Executive Director – appointed 13 January 2013
	Rob Sale	Non Executive Director – not re-elected at AGM 28 November 2012
	Trent Victor	Non Executive Director – resigned 30 September 2012

Company Secretary
Allistar Twigg

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Braddon ACT 2612

Principal place of business
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Share Register
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Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.

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Bankers
Commonwealth Bank of Australia Limited
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Auditors
Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600

Directors' Report

Your directors submit their report for the year ended 30 June 2013.

DIRECTORS

The names of the Company's directors in office during the year and until the date of this report are listed below. All directors were in office for this entire period covered by the report unless otherwise stated.

Terry Winters	Executive Chairman	
Ken Kroeger	Managing Director	
David Gaul	Non Executive Director	
Alexander Zelinsky	Non Executive Director	
Michael Roberts	Non Executive Director	Appointed 13 January 2013
Rob Sale	Non Executive Director	Not re-elected at AGM 28 November 2012
Trent Victor	Non Executive Director	Resigned 30 September 2012

REVIEW OF OPERATIONS

Financial Results

Total revenue for the year increased by A$4,911,515 (63% over the prior year) to A$12,735,741 (2012: A$7,824,226):

- Revenue from sale of DSS, license fees, services and *faceLAB®* and *faceAPI™* was A$11,692,298 (2012: A$7,031,353); and
- Other income was A$1,043,443 (2012: A$792,873) primarily due to the recovery of R&D tax offsets refund from the Australian Government and favourable foreign exchange variations.

Cost of Goods Sold (COGS) increased to A$4,199,601 (2012: A$2,715,786) due primarily to:

- a change in product mix resulting from higher DSS sales;
- the increased sale of services including consulting; and
- consistent *faceLAB®* and *faceAPI™* sales.

Operational expenses increased by 17% to A$7,981,797 (2012: A$6,843,517) due primarily to supporting the significant growth in revenue through additional customer fulfilment and support infrastructure and personnel.

The Company achieved a net profit of A$558,951 for the year ended 30 June 2013, an improvement by A$2,293,784 on the prior year's net loss (2012: loss of A$1,734,833).

The Company had A$835,001 in cash at 30 June 2013 compared to A$578,022 at 30 June 2012 and debtors of $3,700,648 compared to A$1,627,314 in the previous year and completed a capital raising during the year realising $1,923,188.

The increase in profit was due largely to the significant growth in demand for DSS by the world's largest mining and resource companies. The growth in revenue allowed the company to maintain its strategy of investing in R&D, increasing global business development activities, expanded field support capabilities and improving our data reporting capabilities.

Operational Highlights

Driver Safety Solutions (DSS)

The DSS business unit achieved an 84% increase in revenues over the previous year to A$9,203,301 (2012: A$4,989,483). The installed base of DSS units grew rapidly following the successful release in 2012 of the company's 3rd generation ruggedised product. A number of blue chip mining customers continued their adoption of DSS as their preferred fatigue and distraction detection monitoring system. The increase in revenue this year is as a result on our activities in growing the market and does not include any revenue from the alliance with Caterpillar Global Mining LLC announced in May 2013.

North America continues to have the largest number of deployed systems but significant deployments in Australia and South America have expanded our profile around the world.

The strategy for commercialisation of the DSS technology remains strongly focused on the global mining and resource sectors through both direct sales and channel partners. We are very pleased with the business progress made by our Latin American channel partner who delivered our largest single order in 2013.

The DSS pipeline continues to grow, offering further opportunity for profitable growth in the current and future years. The Company's strategy is to derive revenue from:

- product (equipment) sales and recurring maintenance;
- specialist services to support the operation of the DSS; and
- specialist fatigue and distraction data management, analysis and reporting services.

Successfully executing phase one of the Caterpillar Global Mining strategic alliance is a strong focus this year as the number of customers we can reach through the Caterpillar dealer network will be a key driver of revenue over the coming years.

We remain committed to growing the services side of the business particularly through our data management, analysis and reporting services made possible through the DSSi database analysis and reporting suite.

Seeing Machines blue chip customers currently include:

- Freeport-McMoRan (installations in United States, Peru, Chile and Indonesia);
- BHP Billiton (installations in Australia, United States, South Africa, Chile);
- Teck Energy (installations in Canada);
- Cloud Peak Energy (installations in Wyoming USA); and
- Toll Mining Services (installations in Australia in Queensland, Western Australia and South Australia).

There are currently over 22,000 mining Haul Trucks in operation around the world. This number is growing at an estimated 7-8% per year. However, less than 2,500 of the Haul Trucks in operation have any Fatigue and Distraction Detection and Management systems installed, creating a substantial opportunity for the Company.

At 30 June 2013, Seeing Machines had over 1,372 systems installed in Haul Trucks and other mining related vehicles. The Company had an order backlog of over 132 units as at 30 June 2013.

faceAPI™

faceAPI™ revenue remained constant during the year at A$437,635 (2012: A$440,789). The majority of the revenue generated to date has been achieved though developers license sales and a small number of production licenses.

This and other *faceAPI™* revenue is expected to remain steady during 2014 through both current and new licensing agreements.

faceLAB®

faceLAB® sales for the year of A$1,609,667 were consistent with the 2012 year of A$1,601,081. The revenue remained flat in the lead-up to the release of exciting new product capabilities resulting from the Company's increased R&D investment. R&D efforts over the last year continued the prior year's development of a new set of revolutionary eye gaze tracking algorithms that will be introduced across all of the Company's commercial offerings during 2014.

TrueField Analyzer® (TFA)

The Company continues to actively support the work of the ANU College of Medicine, Biology and Environment to prepare for the commercialisation of the TFA. In June 2013 the Company was successful in obtaining Victorian Government funding to assist with market validation studies. Following on from these studies, we expect to review our commercial licensing strategy and in 2014 will announce the results from that review.

Core Technology Team Integration Services

The wider adoption of the *faceAPI™* developer and production licenses has created a market demand for our core technology team to provider integration services to third parties.

The company has generated revenues of $441,695 from these services during the 2013 year and expects for this to continue in future years.

Future Strategy

The Company continues to organise itself around business units that each bring together a particular technology and market focus aligned with the company's commercial offerings. The Seeing Machines business comprises three divisions: the Driver Safety Solutions group will be responsible for the aftermarket specific technical and business related aspects of vehicle occupant safety and driver awareness; the Consumer face and eye-tracking group which will manage development and sales of all non-vehicle operator related technology; and the Core Technology group, which will manage R&D and IP protection functions for both groups, the development of future OEM/in-vehicle driver safety and communication systems as well as generate revenues from our technology integration services.

Seeing Machines immediate priorities in this financial year are as follows:

- To successfully implement phase one of the Caterpillar Global Mining strategic alliance, by supplying and supporting our Fatigue Monitoring Systems within the Caterpillar dealer network
- To progress the other phases of the alliance, including the joint product development and technology licensing opportunities.
- To continue to grow the mining opportunities outside the Caterpillar alliance to:
    - enable the Company to meet demand from its current and expected customers;
    - further improve product ruggedness and reliability;
    - reduce cost of goods (COGS) to streamline production and increase product margins;
    - to continue development and enhancement of the DSSi product and service to support existing customers and to underpin the Company's services offering.

The Company continues its plans to migrate to a fully outsourced DSS manufacturing and logistics model. A select group of manufacturers are being evaluated based on their ability to provide world-class ruggedised DSS products and scale to meet our rapid growth in unit sales in the current and future financial years.

R&D and Product Development

R&D activities relating to the consumer face tracking group of products include a variety of initiatives aimed at increasing the software's ability to capture and interpret all aspects of human facial characteristics.

Additional R&D outcomes from these initiatives will include the porting of the algorithms to "lighter footprint" processors typically used in today's smart phones and tablets.

Beyond the resources sector, Seeing Machines is working collaboratively with a number of tier-one automotive manufacturers in the development of in-vehicle driver monitoring systems.

Some of these developments are being driven by the pending arrival of semi-autonomous passenger cars and the advancement of the next generation of active passenger safety systems intended to respond to the risk posed by in-car communications, internet and entertainment systems. The company sees these as long term high value opportunities.

Chief Executive Officer

The Company's Chief Executive Officer for the full financial year to 30 June 2013 was Ken Kroeger.

Company Secretary

The Company Secretary for the full financial year to 30 June 2013 and at the date of this report is Allistar Twigg.

Staff

At 30 June 2013 the Group had 47 full-time employees (33 employees at 30 June 2012).

Outlook

2013 has been a significant year in the company's history with its highest profit, driven by significant revenue growth. This growth reflects the company's investment in commercializing its products and expanding its technology applications.

During the period Seeing Machines has expanded its business development teams, improved its technology, reviewed new market opportunities and further developed its service and reporting offerings.

This focus and approach has seen Seeing Machines form a strategic alliance with the world's leading manufacturer of mining equipment, Caterpillar Global Mining LLC, which represents a significant step forward in the company's evolution.

The successful execution of the Fatigue Monitoring Systems supply and support phase of this alliance, together with our existing sales pipeline, gives the Board confidence of continued strong revenue growth in 2014 along with improved overall financial performance.

The names and particulars of the directors of the Company are set out in the following table. The directors were in office for the entire period unless otherwise stated.

Name and qualifications	Experience and special responsibilities
Terry Winters FAICD	Chairman and Chair of the Audit Committee Terry is widely known as a strategic leader having served as chairman and director of several Australian and international listed and private companies and charities. He has led companies from start-up to successful realisation events and is currently chairman of Australian Home Care Services, Converge International and Intelledox and is a director of Future Fibre Technologies and Many Rivers Microfinance. Terry led the team that created Optus Communications, Australia's second telecommunications carrier. Prior to this he founded Link Telecommunications, a business that grew to over $200 million in revenues with over 1,000 employees. In addition, he spent 13 years on various boards of the Multiple Sclerosis Society in Australia. During this time he led the creation of a 'for profit' subsidiary, achieving revenues today of greater than A$100m. He also served on several boards of Opportunity International, a global microfinance organisation, including a period as its global chairman.
David Gaul FAICD	Non-executive director and member of the Audit and Nominations Committee Mr Gaul is co-founder, non-executive director and past President of CEA Technologies, a highly successful technology company that designs and develops radar and communications technology. David was the Australian Technology Entrepreneur of the Year in 2003 and Australian Export Hero 2009/2010. David has over 20 years experience in high-tech commercialism. David is a founding fellow of the Australian Institute of Company Directors.
Ken Kroeger	Managing Director Ken comes from a long technology and commercialisation background with exposure to a wide variety of industry sectors. He was the founder of international simulation & training business Catalyst Interactive; with offices in three countries and over 100 employees. The organisation was highly recognised for innovation & high customer service levels and was sold to Halliburton subsidiary, Kellogg, Brown and Root in 2008. Ken has held multiple board directorships, and enjoys mentoring a number of start-up entrepreneurs through his Directorship at Lighthouse Innovations and remains involved in aged care services company HealthCube.

Name and qualifications	Experience and special responsibilities
Dr Alexander Zelinsky Ph.D, B.Math(Hons), FIEEE, FTSE, FAICD, FIEAust.	Non-executive director and member of the Remuneration Committee Dr Alex Zelinsky is currently Chief Defence Scientist of Australia and leads DSTO, the national defence science agency. Prior to this, Alex was Group Executive, Information Sciences at CSIRO. Alex is a co-founder of Seeing Machines and was the company's first CEO. Alex was also Professor and Head of Department of Information Engineering at the Australian National University. Alex is extensively published and is internationally recognised as a leader in the fields of robotics and computer vision. He has worked in the computer industry and has had extensive international experience as a project leader developing cutting edge technology. Alex has received numerous international awards and recognition for his work. In 2005 Alex received the prestigious Australian Academy of Technological Sciences and Engineering Clunies-Ross Award for successful innovation involving the application of science and technology for the benefit of Australia. The World Economic Forum named Alex as a Technology Pioneer in 2003, 2004 and 2005. He has also been named in Australia's top 100 list of Influential Engineers since 2009. In 2013 Alex was awarded the Pearcey Medal for Lifetime Achievement - Australia's top ICT industry award.
Mike Roberts (since 13 January 2013)	Mike Roberts is a London-based private investor who has been an active shareholder in the Company since the 2005 IPO. Prior to joining the Board, Mike spent 15 years at JPMorgan in the Emerging Markets Group. At JPMorgan, Mike's responsibilities were primarily in the trading, sales and placement of corporate debt in the Eastern Europe, Africa and Middle East regions. Mike holds a BA in Economics and MSc in Investment Management.
Allistar Twigg	Company Secretary Allistar has an extensive and varied background spanning careers in the Air Force, merchant banking, as a barrister in private practice, as a company secretary and corporate counsel. His experience includes founder of and senior positions in IT companies and the Air Force legal reserve, advising across a broad range of high-level strategic and management issues, and specialisations in corporations law, commercial law and aviation law. Since 2001, Allistar has been semi-retired, sitting on a number of boards and providing occasional consultancy advice. He currently sits on the board of one other (proprietary) company, and is the secretary of another (proprietary) company.

Principal Activities

The Company's principal activities during the year were:

- development and sale of the DSS™ Product Suite to detect and manage driver fatigue and distraction, including continued market development to secure sustainable channels to market for the product;
- development and sale of the faceAPI™ Developer Licenses and the development of commercial opportunities for Production Licenses for applications developed using faceAPI™;
- development, sale and distribution of the faceLAB® product;
- continued support for the work of the Australian National University Research School of Biology in finalizing the science underpinning the Company's TrueField Analyzer® medical device to assist doctors detect and manage glaucoma and other eye diseases; and
- research and development of the Company's core vision processing technologies to support the development and refinement of the Company's products.

Changes in State of Affairs

During the financial year there was no other significant change in the state of affairs of the Company other than those referred to in the financial statements or notes thereto.

Subsequent Events After the Balance Date

Following the year end, Research and Development expenditure claims have been finalised and submissions lodged with AusIndustry. As a result, and subject to assessment by AusIndustry and the Australian Taxation Office, refundable tax offsets totaling $1.04 million are expected to be received in October 2013.

Environmental Regulations

The Company holds no licences issued by relevant Environmental Protection Authorities and there have been no known breaches of any environmental regulations.

Dividends

No dividends or distributions have been made to members during the year ended 30 June 2013 and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2013.

Share Options

(i) Share options granted during or since the end of the year

No share options were granted during the year.

(ii) Shares Issued as a Result of the Exercise of Options

During the year no Ordinary Shares have been issued as a result of the exercise of options under the Employee Share Options Scheme.

Since the end of the financial year there have been no shares issued by the Board as a result of the exercise of options under the Employee Share Options Scheme.

Unissued Shares

As at the date of this report there were 615,415 unissued ordinary shares under options (615,415 at the reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the issue of any other registered scheme.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (Seeing Machines Limited and the US subsidiary Seeing Machines Inc), the Company Secretary's, and all executive officers of the Company against a liability incurred as such a Director, secretary, or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors Meetings

During the 2013 financial year, 13 Board meetings were held. The following table sets out the number of Directors' meetings each Director was eligible to attend and the number of meetings they actually attended[1].

Director	Meetings Eligible to Attend	Meetings Attended
Terry Winters	13	13
Ken Kroeger	13	12
David Gaul	13	12
Alexander Zelinsky	13	13
Michael Roberts	7	7[2]
Rob Sale	4	3[3]
Trent Victor	2	0[4]

[1] Attendance via telephone conference call included.
[2] Michael Roberts was elected on 13 January 2013.
[3] Rob Sale was not re-elected at the AGM on 28 November 2012.
[4] Trent Victor resigned on 30 September 2012.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young. The signed declaration is included after this report.

Non-Audit Services

There were no non-audit services provided by the Company's auditor, Ernst & Young.

Signed at Canberra this 6th day of September 2013 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Terry Winters
Chairman

Ken Kroeger
Managing Director

Ernst & Young
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Auditor's Independence Declaration to the Directors of Seeing Machines Limited

In relation to our audit of the financial report of Seeing Machines Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ben Tansley
Partner
Canberra
6 September 2013

Statement of Financial Position

AS AT 30 JUNE 2013	Note	Consolidated 2013 A$	Consolidated 2012 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	835,001	578,022
Trade and other receivables	14	3,700,648	1,627,314
Inventories	15	859,343	86,151
Other current assets	16	91,637	222,139
TOTAL CURRENT ASSETS		5,486,629	2,513,626
NON-CURRENT ASSETS			
Property, plant and equipment	17	382,052	256,254
Intangible assets	18	1,016,043	479,573
TOTAL NON-CURRENT ASSETS		1,398,095	735,827
TOTAL ASSETS		6,884,724	3,249,453
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	2,499,882	1,486,621
Provisions	20	640,247	533,245
TOTAL CURRENT LIABILITIES		3,140,129	2,019,866
NON-CURRENT LIABILITIES			
Provisions Non-Current	21	10,432	79,438
TOTAL NON-CURRENT LIABILITIES		10,432	79,438
TOTAL LIABILITIES		3,150,561	2,099,304
NET ASSETS		3,734,163	1,150,149
EQUITY			
Contributed equity	22	17,049,175	15,024,112
Accumulated losses	23	(14,013,117)	(14,567,460)
Other reserves	23	698,105	693,497
TOTAL EQUITY		3,734,163	1,150,149

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

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Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013	Note	Consolidated 2013 A$	Consolidated 2012 A$
Continuing operations			
Sale of goods and licence fees		10,880,145	6,079,526
Rendering of services		812,153	951,827
Revenue		11,692,298	7,031,353
Cost of Sales		(4,199,601)	(2,715,786)
Gross Profit		7,492,697	4,315,567
Other income	7	1,034,398	759,620
Finance income		9,045	33,253
Research and Development Expenses		(1,400,225)	(1,604,493)
Distribution Expenses		(854,360)	(625,739)
Marketing expenses		(1,631,107)	(1,256,879)
Occupancy and facilities expenses		(812,207)	(745,730)
Administration expenses		(3,236,352)	(2,609,021)
Finance costs		(16,410)	(1,655)
Other expenses	8	(31,136)	-
Profit / (Loss) from continuing operations before income tax		554,343	(1,735,077)
Income tax expense	9	-	-
Profit / (Loss) from continuing operations after income tax		554,343	(1,735,077)
Net Profit / (Loss) for the year		554,343	(1,735,077)
Profit / (Loss) attributable to equity holders of parent		554,343	(1,735,077
Other comprehensive income – amounts maybe reclassified subsequently to profit and Loss			
Foreign currency translation		4,608	244
Other comprehensive income net of tax		4,608	244
Total comprehensive income		558,951	(1,734,833)
Total comprehensive income attributable to equity holders of the parent		558,951	(1,734,833)
Earnings per share for profit attributable to the ordinary equity holders of the company:	11		
· Basic earnings per share		0.0012	(0.0042)
· Diluted earnings per share		0.0012	(0.0042)

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013	Note	Contributed Equity A$	Accumulated Losses A$	Foreign Currency Translation A$	Employee Equity Benefits Reserve A$	Total Equity A$
At 1 July 2011		14,813,612	(12,832,383)	44,994	648,259	2,674,482
Profit / (Loss) for the year		-	(1,735,077)	-	-	(1,735,077)
Other comprehensive income net of tax		-	-	244	-	244
Total comprehensive income		-	(1,735,077)	244	-	(1,734,833)
Transaction with owner in their capacity as owner						
Share issue		210,500	-	-	-	210,500
At 30 June 2012		15,024,112	(14,567,460)	45,238	648,259	1,150,149
At 1 July 2012		15,024,112	(14,567,460)	45,238	648,259	1,150,149
Profit / (Loss) for the year			554,343	-	-	554,343
Other comprehensive income		-	-	4,608	-	4,608
Total comprehensive income		-	554,343	4,608	-	558,951
Transaction with owner in their capacity as owner						
Share issue		2,049,124	-	-	-	2,049,124
Transaction costs		(24,061)	-	-	-	(24,061)
At 30 June 2013		17,049,175	(14,013,117)	49,846	648,259	3,734,163

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

Statement of Cash Flows

		Consolidated	
		2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	Note	A$	A$
Cash flows from operating activities			
Receipts from customers		9,781,434	6,971,333
Payment to suppliers and employees		(11,559,896)	(8,719,478)
Interest received		9,045	33,253
Interest paid		(16,410)	(1,655)
Payments received for Research and Development Costs		1,000,211	724,803
Net cash flows used in operating activities	24	(785,616)	(991,744)
Cash flows from investing activities			
Purchase of plant and equipment		(256,146)	(22,872)
Payments for intangible assets		(629,057)	(56,392)
Net cash flows used in investing activities		(885,203)	(79,264)
Cash flows from financing activities			
Proceeds from issue of shares		1,947,249	-
Costs of capital raising		(24,061)	-
Net cash flows from financing activities		1,923,188	-
Net increase / (decrease) in cash and cash equivalents		252,371	(1,071,008)
Net foreign exchange differences		4,608	244
Cash and cash equivalents at beginning of period		578,022	1,648,786
Cash and cash equivalents at end of period	13	835,001	578,022

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

Notes to the Financial Statements

1. Corporate Information

The consolidated financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 6 September 2013.

Seeing Machines Limited (the parent) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the AIM of the London Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Going Concern basis of accounting

The financial report has been prepared on the going concern basis. The Group has made a profit for the year of $554,343 (2012: Loss of $1,735,077). The Group has Accumulated Losses of $14,013,117 (2012: Accumulated Losses of $14,567,460). The balance of cash and cash equivalents at 30 June 2013 is $835,001 (2012: Cash and cash equivalents $578,022). The Group has prepared cash flow forecasts for the next twelve months that show that the Group will be able to meet its debts as and when they fall due. These cash flow forecasts are based on a number of assumptions in particular about the Group's ability to meet projected sales levels, and approval of the Research and Development Tax Incentive claim.

The directors are of the opinion that there are reasonable grounds to believe that the company will meet projected revenue, retain overheads at budget levels and receive the Research and Development Tax Incentive claim. As disclosed in Note 30, subsequent to year end, the Group will shortly lodge a Research and Development Tax Incentive claim for $1.04m. The directors are continuing to monitor cash flows on a weekly basis and tightly managing discretionary expenditure. On this basis the directors believe the adoption of the going concern basis of accounting is justified. However, should this position change the Group may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded assets nor to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards as issued by the Australian Accounting Standards Board and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

(b) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012:

- AASB 2011-9 – Amendments to Australian Accounting Standards – Presentation of other comprehensive income. This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be re-classified subsequently to profit and loss and those that will not. The application of this Standard has impacted our disclosure in the Statement of Comprehensive Income which have been noted by the Group.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2013. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 Jan 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013
AASB 12	*Disclosure of Interests in Other Entities*	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has determined that whilst the changes may impact on the disclosure of some items there will be no impact on the current accounting treatment of those items.	1 July 2013
AASB 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group has determined that whilst the changes may impact on the disclosure of some items there will be no impact on the current accounting treatment of those items.	1 July 2013

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		Consequential amendments were also made to other standards via AASB 2011-8.			
AASB 119	*Employee Benefits*	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - *Disclosures - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).	1 January 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*	1 January 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party	1 July 2013	There is not expected to be any impact on the group from these amendments.	1 July 2013

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
	124]	transactions.			
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	There is not expected to be any impact on the group from these amendments.	1 July 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss	1 Jan 2015	There is not expected to be any impact on the group from these amendments.	1 July 2015

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.			

3. Summary of significant accounting policies (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Seeing Machines Limited and its subsidiaries (as outlined in note 25) as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Seeing Machines Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note (e)).

The difference between the above items and the fair values of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured, until it is finally settled within equity.

(f) Segment Information – refer note 6

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and asses its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments that meet the qualitative criteria as prescribed by AASB 8 are reported separately. However an operating segment that does not meet the qualitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(g) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Seeing Machines Limited is Australian dollars ($). The United States subsidiary's functional currency is United States Dollars which is translated to presentation currency (see below).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency

The results of the United States subsidiary are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(g) Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in the United States subsidiary are taken to the foreign currency translation reserve. If a United States subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(h) Cash and cash equivalents – refer note 13

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(i) Trade and other receivables – refer note 14

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(j) Inventories - refer note 15

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, work in progress and finished goods – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Property, plant and equipment – refer note 17

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on the diminishing value or straight line basis using the following depreciation rates of the specific asset as follows:

Office furniture, fittings and equipment - 11.25% to 40%
Research and development software and equipment - 33.3%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(k) Property, plant and equipment – refer note 17 (continued)

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(m) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Seeing Machines Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(n) Intangibles – refer note 18

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(n) Intangibles – refer note 18 (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the intangible relates. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the company's intangible assets is as follows:

	Patents and Trademarks	**Licences**	**Development Costs of assets in use**
Useful lives	Finite	Finite	Finite
Amortisation Method used	15-20 years – Straight line	4–20 years – Straight line	3-5 years – Straight line
Internally generated/acquired	Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	When an indicator of impairment exists	When an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(o) Trade and other payables – refer note 19

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions and employee benefits – refer notes 20 and 21

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions – refer note 27

The Group provides benefits to employees (including KMP and directors in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Trinomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Seeing Machines Limited (market conditions).

The cost of equity–settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions and/or service conditions are fulfilled (the vesting period) ending on the date on which the relevant employees become fully-entitled to the award (the vesting date).

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(p) Share-based payment transactions – refer note 27 (continued)

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

i. The grant date fair value of the award.

ii. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

iii. The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or if otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 11).

(q) Contributed equity – refer note 22

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

(ii) Licence fees
Revenue from licence fees is recognised when there is persuasive evidence, usually in the form of a licence agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer. Licences granted to customers are perpetual licences for use of intellectual property (usually in the form of software) with no further work or processing required by the Group.

(iii) Rendering of services
Revenue from the support and consultancy is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(r) Revenue recognition (continued)

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer. As the contracts are reasonably short, there is only a small amount outstanding at reporting date, as such the level of judgement required is minimal. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iv) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(s) Income taxes and other taxes – refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(s) Income taxes and other taxes – refer note 9 (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Government grants

Government grants are recognised in the statement of financial position as a liability when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset (development expenditure), the fair value is credited to deferred income and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(u) Earnings per share – refer note 11

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Comparatives

Where necessary, comparatives have been reclassified to ensure consistency with current year disclosures.

Notes to the Financial Statements (continued)

4. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of this policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally forward exchange contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring exposure to interest rate risk and assessment of market forecasts for foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the use of future rolling cash flow forecasts.

Primary responsibility for identification and control of risk rests with the Board. The Board reviews and agrees policies for managing each of its risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency risk, credit allowances and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk
The Group's exposure to market interest rates relates to the Group's short-term cash holdings and cash flow hedges. The Group did not enter into any forward contracts during the 30 June 2013 financial year.

The Group's exposure to interest rate risk is minimal.

At reporting date the Group had the following mix of financial assets exposed to variable interest rates at the designated variable interest rate and are not designated in cash flow hedges:

	Consolidated	
	2013	**2012**
FOR THE YEAR ENDED 30 JUNE 2013	**A$**	**A$**
Financial Assets		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	819,224	556,724
Exposed to United States of America variable interest rate risk	15,777	21,298
Total cash and cash equivalents	835,001	578,022

Notes to the Financial Statements (continued)

4. Financial risk management objectives and policies (Continued)

Interest rate risk (continued)

The Group's policy is to not hedge against interest rate movements as funds held are in cash and short-term deposits.
At 30 June, 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax equity and profit would have been affected as follows:

	Post Tax Profit		Equity	
	Higher / (Lower)		Higher / (Lower)	
	2013	2012	2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	A$	A$	A$	A$
Consolidated				
+ 1% (100 basis points)	8,273	8,420	8,273	8,420
- .5% (50 basis points)	(4,137)	(4,210)	(4,137)	(4,210)

The movement in Profit is due to interest rate change on cash balance.

Foreign currency risk
As a result of significant sales in the United States and Europe (denominated in those currencies), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's statement of financial position can be affected by movement in exchange rates generally and the US$/A$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating US Dollar bank accounts. Approximately 71% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 48% of costs are denominated in the unit's functional currency.

The Group requires that on specific contracts with a value greater than A$200,000, the contract may be hedged to any level within the amount of the contract. Group policy is that forward exchange contracts are limited to a total of A$2,000,000.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivative to exactly match the terms of the hedged item to maximize hedge effectiveness. The Group did not enter into any forward contracts during the 30 June 2013 financial year. Further, for the purpose of settlement of accounts that will likely occur within three months, funds received may be held in a currency other than the unit's functional currency to settle such amounts.

At 30 June, 2013 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2013	2012
	A$	A$
Financial Assets		
Cash and cash equivalents (US$)	571,395	181,655
Trade and other receivables (US$)	2,330,391	1,425,452
Trade and other receivables (EUR)	141,603	124,004
Trade and other receivables (CAD)	44,908	-
	3,088,297	1,731,111
Financial Liabilities		
Trade and other payables (US$)	(549,351)	(13,620)
Trade and other payables (GBP)	(83,128)	(33,865)
	(632,479)	(47,485)
Net exposure	2,455,818	1,683,626

Notes to the Financial Statements (continued)

4. Financial risk management objectives and policies (Continued)

Foreign currency risk (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2013, had the Australian dollar moved against major trading currencies, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2013	2012	2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	A$	A$	A$	A$
Consolidated				
AUD / foreign currency +10%	(223,256)	(153,057)	(223,256)	(153,057)
AUD / foreign currency -5%	129,254	88,612	129,254	88,612

Management believes the reporting date risk exposures are representative of the risk exposure inherent in financial instruments.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each particular note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognized, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Capital management and liquidity risk

The Group's objective is to raise finance as and when needed by share placement. As at the balance date, the Group has not made use of bank overdrafts or bank loans. Funding may be sought through use of bank overdrafts, bank loans, share placement, finance leases or other credit lines.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may undertake future capital raising by way of issue of new shares. No changes were made in the objectives, policies or process for managing capital during the years ended 30 June 2013 and 2012.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities, including derivative financial instruments as of 30 June 2013. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2013.

Notes to the Financial Statements (continued)

4. Financial risk management objectives and policies (Continued)

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the table below reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as plant, equipment and investments in working capital (eg. inventories and trade receivables). To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Seeing Machines Limited has established risk reporting systems that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2013	<=6 months $	6 - 12 months $	> 1 year $	Total
Consolidated				
Financial assets				
Cash and cash equivalents	835,001	-	-	835,001
Trade and other receivables	3,700,648	-	-	3,700,648
	4,535,649	-	-	4,535,649
Consolidated				
Financial liabilities				
Trade and other payables	2,499,882	-	-	2,499,882
	2,499,882	-	-	2,499,882
Net inflow	2,035,767	-	-	2,035,767

Year ended 30 June 2012	<=6 months $	6 - 12 months $	> 1 year $	Total
Consolidated				
Financial assets				
Cash and cash equivalents	578,022	-	-	578,022
Trade and other receivables	1,627,314	-	-	1,627,314
	2,205,336	-	-	2,205,336
Consolidated				
Financial liabilities				
Trade and other payables	1,486,621	-	-	1,486,621
	1,486,621	-	-	1,486,621
Net inflow	718,715	-	-	718,715

The group monitors rolling forecasts of liquidity reserves on the basis of expected cash flows.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Notes to the Financial Statements (continued)

5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Significant accounting judgements

Capitalised development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(b) Significant accounting estimates and assumptions

Impairment of intangible assets and capitalised development costs
The Group determines whether intangible assets and capitalised development costs are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated.

Notes to the Financial Statements (continued)

5. Significant accounting judgements, estimates and assumptions (continued)

(b) Significant accounting estimates and assumptions (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Hull White method using a trinomial model, with the assumptions detailed in note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

6. Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) is assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the country of origin. The Group operates in two geographical segments, Australia and United States of America.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Notes to the Financial Statements (continued)

6. Segment information (continued)

(a) Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2013 and 30 June 2012.

FOR THE YEAR ENDED 30 JUNE 2013	Australia A$	United States A$	Total A$
Revenue			
Sales to external customers	11,692,298	-	11,692,298
Inter-segment sales	-	846,621	846,621
Total Segment Revenue	11,692,298	846,621	12,538,919
Inter-segment elimination			(846,621)
Total Consolidated Revenue			11,692,298
Result			
Segment results	495,996	58,347	554,343
Profit before income tax	495,996	58,347	554,343
Income tax expense	-	-	-
Net profit for the year	495,996	58,347	554,343
Assets and Liabilities			
Segment Non-Current Assets	1,384,613	13,482	1,398,095
Segment Assets	6,727,959	156,765	6,884,724
Total Assets	6,727,959	156,765	6,884,724
Segment Liabilities	(3,101,487)	(49,074)	(3,150,561)
Net Assets	3,626,472	107,691	3,734,163
Other Segment Information			
Capital expenditure	(875,286)	(9,917)	(885,203)
Depreciation and amortization	214,946	6,725	221,671

Notes to the Financial Statements (continued)

6. Segment information (continued)

FOR THE YEAR ENDED 30 JUNE 2012	Australia A$	United States A$	Total A$
Revenue			
Sales to external customers	7,026,528	4,825	7,031,353
Inter-segment sales	-	548,468	548,468
Total Segment Revenue	7,026,528	553,293	7,579,821
Inter-segment elimination			(548,468)
Total Consolidated Revenue			7,031,353
Result			
Segment results	(1,749,663)	14,586	(1,735,077)
Profit / (loss) before income tax	(1,749,663)	14,586	(1,735,077)
Income tax expense	-	-	-
Net profit / (loss) for the year	(1,749,663)	14,586	(1,735,077)
Assets and Liabilities			
Segment Non-Current Assets	717,192	18,635	735,827
Segment Assets	3,189,500	59,953	3,249,453
Total Assets	3,189,500	59,953	3,249,453
Segment Liabilities	(2,084,262)	(15,042)	(2,099,304)
Net Assets	1,105,238	44,911	1,150,149
Other Segment Information			
Capital expenditure	(76,547)	(2,717)	(79,264)
Depreciation and amortization	160,888	9,030	169,918

Notes to the Financial Statements (continued)

6. Segment information (continued)

(b) Segment revenue based on customer location

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of the customer.

	Consolidated	
	2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	A$	A$
Australia	2,723,276	2,520,715
North America	3,120,518	2,492,812
South America	2,415,057	703,105
Other geographical regions	3,433,447	1,314,721
Total revenue	11,692,298	7,031,353

(c) Segment revenue based on business units

Revenue from external customers by business units is detailed below. Business units reflect the group's major product streams.

	Consolidated	
	2013	2012
	A$	A$
DSS	9,203,301	4,989,483
FaceLAB	1,609,667	1,601,081
faceAPI	437,635	440,789
Core technology integration services	441,695	-
Total revenue	11,692,298	7,031,353

Revenue from one customer amounted to $2,231,835 (2012: $450,723) arising from sales by the DSS business unit.

7. Other Income

	Consolidated	
	2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	A$	A$
Other	1,000,211	724,804
Net gain on foreign exchange	34,187	34,816
	1,034,398	759,620

Refunds of $1,000,211 from the Australian Taxation Office were received during the year relating to Research and Development refundable tax offsets (2012: $702,803). These are included in Other Income, and result from Research and Development expenditure in the previous financial year. There are no conditions attached to this income.

Notes to the Financial Statements (continued)

8. Expenses

FOR THE YEAR ENDED 30 JUNE 2013	Consolidated 2013 A$	2012 A$
a. Other expenses		
Withholding taxes on foreign dealings	31,136	-
Total	31,136	-
b. Depreciation, impairment and amortisation expense		
Depreciation expense	130,348	125,517
Amortisation expense	46,825	44,401
Total	177,173	169,918
c. Employee benefits expense		
Wages and salaries	4,232,139	4,305,154
Wages and salaries capitalised	492,481	-
Share-based payment expense	57,415	23,735
Total	4,782,035	4,328,889

Notes to the Financial Statements (continued)

9. Income tax

FOR THE YEAR ENDED 30 JUNE 2013	Consolidated 2013 A$	2012 A$
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	475,434	65,294
Adjustments in respect of current income tax of previous years	27,009	-
Taxation loss not recognized	(27,009)	-
Tax loss utilized – not previously recognised	(475,434)	(65,294)
Deferred income tax		
Relating to the origination and reversal of timing differences	(172,254)	(104,519)
Temporary differences not recognised	172,254	104,519
Total	-	-
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Total accounting profit / (loss) before income tax	554,343	(1,735,077)
At the parents entity's statutory income tax rate of 30% (2012: 30%)	166,303	(520,523)
Non-assessable R&D Refundable Tax Credits		
Research and development – 2013 Total R&D Costs Claimed	816,593	667,400
Research and development – 2012 R&D tax credit (not assessable)	(300,330)	(203,171)
Research and development – “R&D Income”	(119,866)	-
Capitalised R&D Costs	(174,320)	-
Entertainment	-	591
Share based payments (equity settled)	17,225	7,121
Legal Fees	20,645	9,357
Temporary differences recognised	(61,540)	-
Temporary differences not recognised	110,724	104,519
Adjustments in respect of current income tax of previous years	27,009	(65,294)
Taxation loss not recognised	(27,009)	-
Taxation loss utilised – not previously recognised	(475,434)	-
Total	-	-

Notes to the Financial Statements (continued)

9. Income Tax (continued)

FOR THE YEAR ENDED 30 JUNE 2013	Consolidated Statement of Financial Position 2013 A$	2012 A$
(c) Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Interest receivable	(209)	(772)
Accelerated depreciation: plant and equipment	(20,462)	(23,940)
Intangible assets	(130,487)	(144,534)
Unrealised FX	(30,607)	(7,122)
Gross deferred tax liabilities	(181,765)	(176,368)
Set-off deferred tax assets	181,765	176,368
Net deferred tax liabilities	-	-

FOR THE YEAR ENDED 30 JUNE 2013	Consolidated Statement of Financial Position 2013	2012
(ii) Deferred tax assets		
Provision for Doubtful Debts	61,281	73,521
Accrued expenses	202,619	111,502
Provisions:		
Annual Leave	126,625	107,615
Long Service Leave	68,579	81,113
S. 40-880 Deduction	92,300	-
Gross deferred tax assets	551,403	373,751
Set-off deferred tax liabilities	(181,765)	(176,368)
Net deferred tax balance not brought to account	369,638	197,384
Tax losses	3,421,013	3,896,083
Losses not recognized	(3,421,013)	(3,896,083)
Net deferred tax asset	-	-

Notes to the Financial Statements (continued)

9. Income Tax (continued)

(d) Unrecognised temporary differences

At 30 June 2013 Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of $11,403,376 (DTA of $3,421,013) for which no deferred tax asset has been recognised on the statement of financial position (2012: Unrecognised tax losses of $12,986,943 and DTA of $3,896,083). These losses are available for recoupment subject to satisfaction of relevant statutory tests. As at 30 June 2013 there are unrecognised deductible temporary differences of $574,180 (DTA of $172,254) for which no deferred tax asset has been recognised on the statement of financial position (2012: unrecognised deductible temporary differences $348,397 and DTA of $104,519).

10. Dividends paid and proposed

No dividends or distributions have been made to members during the year ended 30 June 2013 and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2013.

11. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2013	2012
	A$	A$
For basic and diluted earnings per share:		
Net Profit / (Loss)	554,343	(1,735,077)
Net Profit / (Loss) attributable to ordinary equity holders of the company	554,343	(1,735,077)

(b) Weighted average number of shares

FOR THE YEAR ENDED 30 JUNE 2012	2013 Number	2012 Number
Weighted average number of ordinary shares for basic earnings per share	457,833,077	413,638,879
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for effect of dilution	457,833,077	413,638,879

There are no instruments (eg share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are un-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements (continued)

11. Earnings per share (continued)

(c) Information on the classification of securities

Options granted to employees (including KMP) as described in note 27 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. These shares have not been included in the determination of basic earnings per share.

12. Parent Entity Information

FOR THE YEAR ENDED 30 JUNE 2013	2013 A$	2012 A$
Information relating to Seeing Machines Limited		
Current assets	5,343,347	2,472,482
Total assets	6,727,959	3,189,675
Current liabilities	3,091,056	1,880,297
Total liabilities	3,101,488	2,084,263
Issued capital	17,049,175	15,024,112
Accumulated losses	(14,070,963)	(14,566,959)
Share based payment reserve	648,259	648,259
Total shareholders' equity	3,626,471	1,105,412
Profit (Loss) of the parent entity	495,996	(1,749,663)
Total comprehensive income of the parent entity	495,996	(1,749,663)

Notes to the Financial Statements (continued)

13. Current Assets – Cash and Cash Equivalents

	Consolidated 2013 A$	Consolidated 2012 A$
Cash at bank and in hand	706,732	453,373
Short-term deposits	128,269	124,649
	835,001	578,022

Reconciliation to Cash Flow Statement
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	706,732	453,373
Short-term deposits	128,269	124,649
	835,001	578,022

The short term deposits include an amount of $64,350 held as security by the bank against a guarantee for lease rental and is not available for use by the Group**.**

14. Current Assets – Trade and Other Receivables

	Consolidated 2013 A$	Consolidated 2012 A$
Trade receivables	3,896,740	1,806,899
Provision for doubtful debts	(204,269)	(182,158)
	3,692,471	1,624,741
Other receivables	8,177	-
Interest receivable	-	2,573
	3,700,648	1,627,314

(a) Allowances for impairment loss

Trade receivables are non-interest bearing and are generally 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision for impairment loss of $204,269 (2012: $182,158) has been recognised by the Group. See below for movement in the provision for impairment of receivables.

	Individually Impaired A$
At 1 July 2011	**47,995**
Charge for the year	182,158
Utilised	(30,000)
Unused amounts reversed	(17,995)
As at 30 June 2012	**182,158**
Charge for the year	379,415
Utilised	(167,248)
Unused amounts reversed	(190,056)
As at 30 June 2013	**204,269**

Notes to the Financial Statements (continued)

14. Current Assets – Trade and Other Receivables (continued)

(a) Allowances for impairment loss (continued)

The ageing analysis of trade receivables is as follows:

FOR THE YEAR ENDED 30 JUNE 2013	Total	0 - 30 days Not due	31 - 60 days Not due	31 – 60 Days PDNI*	61 - 90 days PDNI*	91+ days PDNI*	91+ days PDI
2013 Consolidated	3,896,740	2,943,420	-	340,397	293,124	115,530	204,269
2012 Consolidated	1,806,899	611,184	8,783	375,427	288,853	340,494	182,158

Receivables past due but not considered impaired are: Consolidated $749,051 (2012: $891,862). Payment terms on these amounts have not been re-negotiated. Direct contact has been made with relevant debtors and satisfaction has been gained that payment will be received in full. Receivables past due and impaired are $204,269 (2012: $182,158).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange risk

Detail regarding foreign exchange risk exposure is disclosed in note 4.

15. Current Assets - Inventories

	Consolidated	
	2013	2012
	A$	A$
Raw materials	192,990	57,018
Finished goods	349,485	29,133
Stock in transit	3,390	-
Work in progress	313,478	-
Total inventories at the lower of cost and net realizable value	859,343	86,151

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2013 totaled $3,259,552 (2012: $1,442,366) for the Group. This expense has been included in cost of sales.

16. Other Current Assets

	Consolidated	
	2013	2012
	A$	A$
Prepayments	91,637	222,139
Total	**91,637**	**222,139**

Notes to the Financial Statements (continued)

17. Non-current Assets – Property, Plant and Equipment

(a) Reconciliation of carrying amounts at the beginning and end of the year

CONSOLIDATED	Office Furniture, Fittings and Equipment A$	Research and Development Software and Equipment A$	Total A$
At 1 July 2012 net of accumulated depreciation and impairment	224,997	31,257	256,254
Additions	33,992	222,154	256,146
Depreciation charge for the year	(77,288)	(53,060)	(130,348)
At 30 June 2013 net of accumulated depreciation and impairment	181,701	200,351	382,052
At 30 June 2013			
Cost	1,007,873	441,793	1,449,666
Accumulated depreciation and impairment	(826,172)	(241,442)	(1,067,614)
Net carrying amount	181,701	200,351	382,052

CONSOLIDATED	Office Furniture, Fittings and Equipment A$	Research and Development Software and Equipment A$	Total A$
At 1 July 2011 net of accumulated depreciation and impairment	315,183	43,717	358,900
Additions	14,766	8,105	22,871
Depreciation charge for the year	(104,952)	(20,565)	(125,517)
At 30 June 2012 net of accumulated depreciation and impairment	224,997	31,257	256,254
At 30 June 2012			
Cost	973,881	219,639	1,193,520
Accumulated depreciation and impairment	(748,884)	(188,382)	(937,266)
Net carrying amount	224,997	31,257	256,254

Property, plant and equipment still in use that has been fully depreciated at 30 June 2013 has a cost of $161,721 (2012: $155,157).

Notes to the Financial Statements (continued)

18. Non-current Assets – Intangible Assets and Development Costs

(a) Reconciliation of carrying amounts at the beginning and end of the year

CONSOLIDATED	Development Costs A$	Patents, Licences and Trademarks A$	Total A$
At 1 July 2012 net of accumulated amortisation	-	479,573	479,573
Additions	581,067	47,990	629,057
Amortisation	-	(92,587)	(92,587)
At 30 June 2013 net of accumulated amortisation	581,067	434,976	1,016,043
At 30 June 2013			
Cost	581,067	802,303	1,383,370
Accumulated amortisation	-	(367,327)	(367,327)
Net carrying amount	581,067	434,976	1,016,043

CONSOLIDATED	Development Costs A$	Patents, Licences and Trademarks A$	Total A$
At 1 July 2011 net of accumulated amortisation	-	467,582	467,582
Additions	-	56,392	56,392
Amortisation	-	(44,401)	(44,401)
At 30 June 2012 net of accumulated amortisation	-	479,573	479,573
At 30 June 2012			
Cost	-	754,313	754,313
Accumulated amortisation	-	(274,740)	(274,740)
Net carrying amount	-	479,573	479,573

(b) Description of Group's intangible assets

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Development costs represent costs incurred in the development phase of internal projects to bring the Group's products to sale. This intangible asset has been assessed as having a finite useful life and is amortised over a period of five years. Amortisation commences once the product is available for sale and future economic benefits from development can arise. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Notes to the Financial Statements (continued)

18. Non-current Assets – Intangible Assets and Development Costs (continued)

(ii) Patents, licenses and trademarks

Patents, licences and trademarks have been acquired and are carried at cost. These intangible assets have been determined to have useful lives between 4 and 20 years and are amortised using the straight line method over the relevant period. Patents, licences and trademarks are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(c) Impairment losses recognised

(i) Continuing operations

No impairment losses were recognised in the year to 30 June 2013 (2012: $0).

19. Current Liabilities – Trade and Other Payables

	Consolidated	
	2013 A$	2012 A$
Trade payables	1,025,633	381,515
Other payables	1,474,249	1,105,106
Total	**2,499,882**	**1,486,621**

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Foreign exchange, interest rate and liquidity risk

Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 4.

20. Current Liabilities – Provisions

	Consolidated	
	2013 A$	2012 A$
Annual Leave	422,084	358,717
Long service leave	218,163	174,528
Total	**640,247**	**533,245**

(a) Nature and timing of provisions

Refer to Note 3(p) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of the provisions.

21. Non-current Liabilities – Provisions

	Consolidated	
	2013 A$	2012 A$
Long service leave	10,432	79,438
Total	**10,432**	**79,438**

Notes to the Financial Statements (continued)

21. Non-current Liabilities – Provisions (continued)

(a) Nature and timing of provisions

Refer to note 3(p) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of the provision.

22. Contributed Equity

	Consolidated	
	2013	2012
FOR THE YEAR ENDED 30 JUNE 2013	A$	A$
Ordinary shares	17,049,175	15,024,112
	17,049,175	15,024,112

	Consolidated	
	2013	2012
(a) Ordinary shares		
Issued and fully paid	480,507,968	413,638,879

Fully paid shares carry one vote per share and carry the right to dividends.

	Shares	A$
At 1 July 2011	408,908,546	14,813,612
Share issue	4,730,333	210,500
At 30 June 2012	413,638,879	15,024,112
Share issue	66,869,089	2,049,124
Transaction costs	-	(24,061)
At 30 June 2013	480,507,968	17,049,175

23. Retained Earnings and Reserves

(a) Movements in Retained earnings and reserves

Refer to the Statement of Changes in Equity for movements in retained earnings (accumulated losses) and other reserves.

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 27 for further details of the plan.

Notes to the Financial Statements (continued)

24. Cash Flow Statement Reconciliation

FOR THE YEAR ENDED 30 JUNE 2013	Consolidated 2013 A$	2012 A$
(a) Reconciliation of net profit / (loss) after tax to net cash flows from operations		
Net profit / (loss)	554,343	(1,735,077)
Depreciation	130,348	125,517
Amortisation	46,825	44,401
Net loss on foreign exchange (unrealised)	(102,023)	4,607
Share-based payments	57,415	23,735
Bad debts	167,248	-
Doubtful debt expense	22,111	182,158
Foreign tax withholdings	31,136	-
Changes in assets / liabilities		
(Increase) / decrease in inventories	(773,192)	246,001
(Increase) / decrease in trade and other receivables	(2,073,344)	(72,039)
Decrease / (increase) in other assets	130,502	(22,798)
Increase / (decrease) in provisions	37,996	50,800
Increase / (decrease) in trade and other payables	985,019	160,951
Net cash used in operating activities	(785,616)	(991,744)
(b) Non-cash financing activities		
Issue of shares under Executive Share Plan	101,875	210,500

25. Related Party Disclosure

(a) Subsidiary

The consolidated financial statements include the financial statements Seeing Machines Limited and subsidiary details as follows:

Name	Country of Incorporation	% Equity Interest 2013	2012	Investment (A$) 2013	2012
Seeing Machines Incorporated	United States	**100%**	**100%**	**770,307**	**770,307**
Seeing Machines Executive Share Plan Pty Ltd	Australia	**100%**	-	**100**	-
Seeing Machines Share Plans Trust	Australia	**100%**	-	**10**	-
Truefield Ophthalmic Devices Pty Ltd	Australia	**100%**	-	**12**	-

Seeing Machines Incorporated was incorporated in Delaware, United States on 21 April 2008.
Seeing Machines Executive Share Plan Pty Limited was incorporated in the Australian Capital Territory, Australia on 20 May 2013.
Seeing Machines Executive Share Plans Trust was settled in the Australian Capital Territory, Australia on 31 May 2013.
Truefield Ophthalmic Devices Pty Limited was incorporated in Victoria, Australia on 9 April 2013.

Notes to the Financial Statements (continued)

25. Related Party Disclosure (continued)

(b) Key management personnel

Details relating to key management personnel, including remuneration paid are included in note 26.

(c) Transactions with related parties

In 2011, Seeing Machines Limited (the parent entity) converted an intercompany loan in its subsidiary, Seeing Machines Inc. to equity as per note 25(a) above. In 2013, Seeing Machines Limited paid Seeing Machines Inc. an amount of $802,073 (2012: $548,468) for provision of services. The services include consultancy and agency commission and transactions were made at arm's length at normal market price and on commercial terms. At 30 June 2013 Seeing Machines Limited owed Seeing Machines Inc. an amount of $122,077 (2012: $19,846).

(d) Director-related transactions

i) Shareholdings of Directors

Shares in Seeing Machines Limited

30 June 2013	Balance 01 July 12	Granted as Remuneration	On Exercise of options	Net change other	Balance 30 June 13
Directors					
T Winters	-	-	-	1,632,166	1,632,166
K Kroeger	-	-	-	1,592,357	1,592,357
D Gaul[1]	2,155,779	241,935	-	955,414	3,353,128
M Roberts[6]	11,921,450	-	-	2,500,000	14,421,450
A Zelinsky	21,448,632	-	-	796,178	22,244,810
Total	**35,525,861**	**241,935**	**-**	**7,476,115**	**43,243,911**

30 June 2012	Balance 01 July 11	Granted as Remuneration	On Exercise of options	Net change other	Balance 30 June 12
Directors					
T Winters	-	-	-	-	-
K Kroeger	-	-	-	-	-
D Gaul	2,020,948	134,831	-	-	2,155,779
R Sale[2 3]	5,487,808	259,662	-	-	5,747,470
T Victor[3]	236,236	134,831	-	-	371,067
W Mobbs[4 5]	793,785	3,227,527	-	-	4,021,312
A Zelinsky	21,448,632	-	-	-	21,448,632
Total	**29,987,409**	**3,756,851**	**-**	**-**	**33,744,260**

Notes

1. D Gaul holds 2,155,799 shares through Jaiclimb Pty Limited.
2. R Sale's shares are 2,745,715 shares held in the name of Caffe Pty Ltd ATF the R C Sale Superannuation Fund and 2,621,369 shares held by Rob's wife Paula Kay Sale and 380,386 held in his own name.
3. R Sale and T Victor ceased being directors during the 30 June 2013 financial year.
4. W Mobbs holds shares in the name of William Mobbs ATF The Bilbo Super Fund.
5. W Mobbs ceased being a director during the 30 June 2012 financial year.
6. M Roberts was appointed a director during the 30 June 2013 financial year and held shares before his appointment.

Notes to the Financial Statements (continued)

25. Related Party Disclosure (continued)

(d) Director-related transactions (continued)

ii) Other Director related transactions

All transactions with director-related entities were made under normal commercial terms and conditions.

26. Key management personnel

(a) Details of Key Management Personnel

i) *Directors*

Terry Winters	Chairman
Ken Kroeger	Managing Director & CEO
David Gaul	Director (non-executive)
Alexander Zelinsky	Director (non-executive)
Mike Roberts	Director (non-executive) – appointed 13 January 2013
Rob Sale	Director (non-executive) – not re-elected at AGM 28 November 2012
Trent Victor	Director (non-executive) – resigned 30 September 2012

ii) *Executives*

Nick Langdale-Smith	Sales and Marketing Director
Jochen Heinzmann	DSS Product Manager
Tim Edwards	Principal Engineer
Sebastian Rougeaux	Principal Research Scientist
Paul Johnson	Global Sales Director
James Walker	Chief Financial Officer

(b) Compensation for Key Management Personnel

	Consolidated	
	2013	**2012**
	A$	**A$**
Short-term employee benefits	1,332,176	1,258,844
Post-employment benefits	96,371	102,724
Share-based payments and executive share plan	36,915	118,750
Total	**1,465,462**	**1,480,318**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Notes to the Financial Statements (continued)

27. Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2013 A$	2012 A$
Expense arising from share-based payment transactions under executive share plan	57,415	23,735
Total expense arising from share-based payment transactions	**57,415**	**23,735**

(b) Type of share-based payment plan

Employee Share Option Scheme (ESOS)

Eligible employees are invited to participate in the ESOS from time to time. The exercise price for each option is equal to the market value of the shares on the date of the invitation to apply for Options.

Most of the options on issue at the end of the year ended 30 June 2005 were under the previous ESOS (old ESOS) which remains active. Under this scheme options vest in tranches based on the completion of one year, two years and three years service with no performance criteria.

Options were also granted to the CEO and the Operations Manager, vested in tranches on the completion of one, two and three years of service and additionally based on the success of the IPO (SM ESOS). These options were issued under the old ESOS, with vesting conditions as noted.

Further, options granted to ANU researchers vest on the basis of project milestones and these options were not issued under an ESOS scheme (ANU ESOS).

No further options have been granted under the old ESOS, SM ESOS or ANU ESOS during the year.

A further scheme (new ESOS) was implemented on 28 June 2006 and options granted under this scheme are included in the total of options outstanding as at the date of the report. These options were granted on, or after, 1 July 2006. The basis of this plan is that:

- Options are granted with an exercise price equal to, or greater than, the market value of the shares at grant date;
- 50% of options vest after 18 months and the remaining 50% after 3 years
- 50%-100% of options are subject to performance hurdles based on company financial performance.

The contractual life of options granted under the old ESOS, the SM ESOS and ANU ESOS varies with all options expiring on 30 June 2010 and under the new ESOS the life is seven years. There are no cash settlement alternatives for the schemes. There were no options granted, under new ESOS, in the year to 30 June 2013.

Notes to the Financial Statements (continued)

27. Share-based payment plans (continued)

(c) Summaries of options granted under ESOS

FOR THE YEAR ENDED 30 JUNE 2013	2013 No.	2013 WAEP (cents)	2012 No.	2012 WAEP (cents)
Outstanding at the beginning of the year	615,415	8.44	615,415	8.44
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	615,415	8.44	615,415	8.44
Exercisable at the end of the year	615,415		615,415	

The outstanding balance at the end of the year is represented by:

- 615,415 options over ordinary shares with an exercise price of 8.44 cents each, exercisable upon meeting the above conditions (new ESOS) and until 1 July 2013;

(d) Weighted average remaining contractual life
The weighted average remaining contractual life for share options outstanding at 30 June 2013 is 1 day (2012: 1 year).

(e) Range of exercise price
The exercise price for all options outstanding at 30 June 2013 was 8.44 cents (2012: 8.44 cents).

(f) Weighted average fair value

There were no options granted during the current year or prior year.

(g) Option pricing model: ESOS
The fair value of the equity-settled share options granted under the new ESOS is estimated as at the grant date using the Hull White method using a trinomial lattice model taking into account the terms and conditions upon which the options were granted.

Notes to the Financial Statements (continued)

27. Share-based payment plans (continued)

(g) Option pricing model: ESOS (continued)

The following table lists the inputs to the model used for the year ended 30 June 2009 the last year in which options were issued:

	Grant 5 January 2009
Share price at grant date (cents)	3.70
Option exercise price (cents)	6.49
Risk free interest rate (%)	2.00
Expected life of option (years)	6.9
Dividend yield (%)	0
Exercise multiple	2.2
Volatility (%)	215

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on expected exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using AIM indices for similar industries. The expected volatility therefore reflects the assumption that the chosen industry volatilities will be similar to that of Seeing Machines Limited, which may also not necessarily be the actual outcome.

28. Commitments

(a) Leasing commitments

Operating lease commitments – Group as lessee
The Group has two operating leases on property in Australia. One lease has a remaining term less than a year and will not be renewed.

Future minimum rental payments under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2013	2012
	A$	A$
Within one year	249,773	290,261
After one year but not more than five years	493,871	104,949
Total	**743,644**	**395,210**

Finance leases and hire purchase commitments – Group as lessee
The Group has no finance leases or hire purchase commitments for items of property, plant and equipment.

29. Contingencies

(a) Contingent asset relating to R&D Refundable Tax Offsets

A contingent asset exists with respect to refundable tax offsets under the Government R&D scheme. The value of this asset has not been brought to account as its realisation is dependent on assessments by AusIndustry and the Australian Taxation Office. The estimated value of this claim for 2012-13 is approximately A$2.32 million, resulting in estimated refundable offsets of A$1.04 million, which will be brought to account as income when received except to the extent it relates to costs which have now been capitalised. This is expected to be in the 2013-14 financial year.

Notes to the Financial Statements (continued)

30. Events after the reporting date

Subsequent to the end of the financial year, Research and Development expenditure claims have been finalised and submissions will be lodged with AusIndustry. As a result, and subject to assessment by AusIndustry and the Australian Taxation Office, refundable tax offsets totaling $1,045,000 are expected to be received in October 2013.

31. Auditor's remuneration

The auditor of Seeing Machines Limited is Ernst & Young.

	Consolidated	
	2013	**2012**
	A$	**A$**
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	93,765	84,980
• Other services in relation to the entity and any other entity in the consolidated group:		
- Tax compliance	-	20,845
	93,765	105,825

Directors' Declaration

In accordance with a resolution of the directors of Seeing Machines Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements and notes of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

      (ii) Complying with Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*.

   (b) The financial statements and notes comply with the international financial reporting standards as disclosed in note 3 (b); and

   (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Regulations 2001 for the financial year ending 30 June 2013.

On behalf of the Board

Chairman

Canberra, 6 September 2013

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Independent auditor's report to the members of Seeing Machines Limited

Report on the financial report

We have audited the accompanying financial report of Seeing Machines Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Opinion

In our opinion:

a. the financial report of Seeing Machines Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3(b).

Ernst + Young

Ernst & Young

Ben Tansley
Partner
Canberra
6 September 2013