Half-year Financial Report 31 December 2013

visionary technology

seeingmachines

ABN 34 093 877 331

Seeing Machines Limited

Half-year Financial Report

For the half-year ended 31 December 2013

Contents to Financial Report

Contents

Corporate Information

ABN 34 093 877 331

This half-year 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 & CEO	
	David Gaul	Non-Executive Director	
	Alexander Zelinsky	Non-Executive Director	Resigned 15 January 2014
	Michael Roberts	Non-Executive Director	
	Rudolph Burger	Non-Executive Director	Appointed 15 January 2014
	James Walker	Executive Director & CFO	Appointed 15 January 2014

Company Secretary Allistar Twigg

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Braddon ACT 2612

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Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.

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121 Marcus Clarke Street
Canberra ACT 2600

Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Terry Winters	Non-Executive Chairman	
Ken Kroeger	Managing Director & CEO	
David Gaul	Non-Executive Director	
Alexander Zelinsky	Non-Executive Director	Resigned 15 January 2014
Michael Roberts	Non-Executive Director	
Rudolph Burger	Non-Executive Director	Appointed 15 January 2014
James Walker	Executive Director & CFO	Appointed 15 January 2014

Review and results of operations

Review of the first half of the 2013 financial year

The Company achieved revenues of A$5,640,100 from the sale of goods and services and A$1,049,666 from other income resulting in total revenue for the half year to 31 December 2013 of A$6,689,766 (2012: A$5,693,634).

The first six months of trading in the 2014 financial year were a significant improvement over the corresponding period in the 2013 financial year. This was primarily driven by significant growth in demand for its DSS products, evidenced by both the large increase in sales revenue realised in the period from this source, but also the increase in orders on hand at period end, amounting to more than A$2.2 million in value.

The Company made a net loss of A$844,903 for the six months to 31 December 2013 compared to a net loss of A$317,919 for the period to 31 December 2012. The loss was a result of tight cash flow ahead of the raising which prevented the Company from paying for inventory that would otherwise have shipped in the first half. In January, the company shipped the majority of the December backlog, delivering total revenues for the month of A$2.1 million.

Operational highlights for the half-year include:

- >20% increase in sales, licensing and service income (A$5,640,100 compared to A$4,686,796 for 2012);
- Continued growth of the DSS pipeline with new customers and expansion at existing sites;
- Ongoing strong backlog of orders of A$2.2 million at end of first half to underpin next quarter revenues;
- Significant capital raising of A$26.17 million was completed in December 2013;
- Contracts were entering into with three Caterpillar mining dealerships to sell and maintain the DSS systems; and
- Strategic agreement with Royal Beuk, a leading European coach fleet operator, for the deployment of automated Fatigue Monitoring Systems to ensure driver alertness and safeguard in long haul coaches.

Financial Results

The Company achieved revenues of A$5,640,100 (2012: A$4,686,796) from sale of goods and services and A$1,049,666 (2012: A$1,006,838) from other income resulting in revenue for the half year to 31 December 2013 of A$6,688,538 (2012: A$5,693,634). Revenue for the half year for each of the three products; DSS, faceAPI and faceLAB, and Other Income compared to the same period last year is shown in the following table.

Product	31 December 2013 A$	31 December 2012 A$	Variance %
DSS	4,311,755	3,699,553	+17
faceLAB	817,647	693,870	+18
faceAPI	122,347	293,373	-58
Core technology integration services	388,351	0	n/a
Other income	1,049,666	1,006,838	+4
Total Revenue	6,689,766	5,693,634	+17

Cost of sales at A$2,317,165 (2012: A$1,799,296) was higher due to higher revenues and the proportionate cost was higher at 41% of revenue as compared to 38% of revenue for the corresponding period in 2012. This increase in cost of sales has resulted from the higher cost of the new ruggedised DSS version 3.1 product being produced in relatively small volumes via a bespoke manufacturing arrangement before the full, long-term outsourced manufacturer can commence production. Net expenditure for the half-year was A$5,217,505, up from A$4,212,257 for the period to 31 December 2012, reflecting the increased investment in research and development, and increased activity in DSS sales, distribution and marketing.

Cash reserves at 31 December 2013 were A$26,449,133 compared to A$835,001 at 30 June 2013 and A$927,518 at 31 December 2012. The significant increase was due to the proceeds from the share issue completed in November and December 2013.

Operational Highlights

DSS
DSS revenues were A$4,311,755 for the six months to 31 December 2013, reflecting a significant increase over A$3,699,553 achieved for the six months to 31 December 2012. This was the result of the strong demand for the product range following a successful recognition of the product in the mining industry, and the Company's success in growing its customer base with a broader geographic spread. Revenue was generated from:

- sales of DSS units;
- software licensing;
- installation services;
- maintenance and support fees;
- field support services; and
- DSSi information reporting services including event classification.

The Company is in the process of executing dealer agreements with the global mining centric Caterpillar dealerships. The revenue generated in the half year did not include any revenue from these dealerships.

In addition, the Company is close to finalising a new outsourced manufacturing agreement that will see the current cost of DSS 3.1 units reduce significantly and deliver scalability of supply to meet expected demand. It is expected that most of the benefits from this relationship will be reflected in the 2014-15 financial year.

The Group continues to extend the DSS system to other markets. DSS units installed in large road-legal transport trucks that operate on a combination of private mining roads and public highways in Australia is growing significantly. The Group also started its first long haul coach trial in Europe to expand the product offering into other sectors. This represents an entry into a new market for the product from which we expect ongoing uptake. The technology is also being modified for original equipment manufacturer (OEM) opportunities in the wider automotive market.

For the remainder of this financial year we will focus our energies on expansion of the DSS business through seeking to:

- close a number of significant deals in our sales pipeline that are expected to further entrench the DSS as the superior product for the mining industry;
- enter into more contracts with Caterpillar dealers around the world and assisting with sales through these channels;
- order and hold sufficient inventories to ensure the backlog of outstanding orders is cleared;
- further build the DSS team capability to support our customers in their use of the product; and
- continue ongoing R&D aimed at keeping the technology ahead of its competitors.

At 31 December 2013, Seeing Machines had 1,699 systems installed in haul trucks and other mining related vehicles. This represents a 23.8% increase from 30 June 2013. These systems were deployed in 77 customer sites in 16 countries. The Company had an order backlog of over 156 systems at 31 December 2013 of which 147 systems were shipped during January.

faceLAB
faceLAB achieved revenue of A$817,647 (2012: A$693,870) for the six months to 31 December 2013, an increment of 18% over the six months to 31 December 2012.

faceAPI
faceAPI achieved revenue of A$122,347 (2012: A$293,373) for the six months to 31 December 2013, a decrease of 58% over the six months to 31 December 2012.

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 provide integration services to third parties. We expect this to continue and become a larger contributor of revenue going forward. The company generated revenues of $388,351 from these services during the half year (2012: A$0).

TrueField
We are in the process of reviewing our commercial licensing strategy for Truefield and in 2014 will announce the results from this review in due course. The domain experts continue to believe that the product will have applicability beyond glaucoma in eye diseases such as Age Related Macular Degenerations and Diabetic Retinopathy.

We are continuing our R&D efforts on a new set of further improved eye gaze tracking algorithms that will be introduced across all of the Company's commercial offerings during 2014.

Summary
The Directors remain committed to delivering significant growth in shareholder value and expect revenue for the full year to 30 June 2014 to be in line with existing market expectations.

The additional capital raised over the past three months allows the Company to begin to accelerate investment, both capitalised and uncapitalised, in the areas targeted for growth. The Company will seek to leverage its current competitive advantage in order to more rapidly scale revenues in future years. The acceleration of investment in the second half is expected to result in a reported loss before tax for this financial year.

The Company is currently mid way through the preparation and review of detailed sector specific business cases that will determine the order and timing of future plans and investments and accordingly the Company expects to provide the market with a detailed update before the end of this financial year.

The demand for DSS products and services by the mining and resource industry is substantial and with the successful ongoing roll out across the Caterpillar network we expect this to continue and underpin most of the Company's revenue and profit growth over the next two to three years.

The Company will continue to develop new markets in road transport, bus and segments where machine and plant operators face significant risk of fatigue and distraction.

Terry Winters
Chairman
26 February 2014

Ken Kroeger
Managing Director & CEO

Condensed Statement of Financial Position

		Consolidated	
		31 DEC 2013	30 JUN 2013
AS AT 31 DECEMBER 2013	**Note**	**A$**	**A$**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	26,449,133	835,001
Trade and other receivables	7	2,190,019	3,700,648
Inventories	8	2,433,936	859,343
Other current assets		79,126	91,637
TOTAL CURRENT ASSETS		31,152,214	5,486,629
NON-CURRENT ASSETS			
Property, plant and equipment	9	493,276	382,052
Intangible assets	10	1,020,529	1,016,043
TOTAL NON-CURRENT ASSETS		1,513,805	1,398,095
TOTAL ASSETS		32,666,019	6,884,724
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,462,349	2,499,882
Provisions		580,430	640,247
Deferred revenue		135,417	-
Interest bearing loans and borrowings		7,196	-
TOTAL CURRENT LIABILITIES		3,185,392	3,140,129
NON-CURRENT LIABILITIES			
Provisions		128,251	10,432
Interest bearing loans and borrowings		47,196	-
TOTAL NON-CURRENT LIABILITIES		175,447	10,432
TOTAL LIABILITIES		3,360,839	3,150,561
NET ASSETS		29,305,180	3,734,163
EQUITY			
Contributed equity		43,862,759	17,049,175
Treasury shares		(644,160)	-
Accumulated losses		(14,858,020)	(14,013,117)
Other reserves		944,601	698,105
TOTAL EQUITY		29,305,180	3,734,163

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

Condensed Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	Note	Consolidated 2013 A$	2012 A$
Continuing operations			
Sale of goods and license fees		4,934,042	4,114,298
Rendering of services		706,058	572,498
Revenue		5,640,100	4,686,796
Cost of Sales		(2,317,165)	(1,799,296)
Gross Profit		3,322,935	2,887,500
Other income	4	1,049,666	1,006,838
Research and development expenses		(1,411,854)	(774,711)
Distribution and marketing expenses		(1,456,115)	(1,460,829)
Occupancy and facilities expenses		(442,649)	(371,206)
Administration and support expenses		(1,906,886)	(1,535,572)
Other expenses	5	-	(69,939)
Loss before income tax		(844,903)	(317,919)
Income tax expense		-	-
Loss from continuing operations after income tax		(844,903)	(317,919)
Loss for the period		(844,903)	(317,919)
Loss attributable to equity holders of parent		(844,903)	(317,919)
Other comprehensive income – amounts maybe reclassified subsequently to profit and loss			
Foreign currency translation		(1,913)	(3,520)
Other comprehensive income net of tax			
Total comprehensive income		(846,816)	(321,439)
Total comprehensive income attributable to equity holders of parent		(846,816)	(321,439)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.168)	(0.077)
· Diluted earnings per share		(0.167)	(0.077)

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

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	Contributed Equity A$	Treasury Shares A$	Accumulated Losses A$	Foreign Currency Translation Reserve A$	Employee Equity Benefits Reserve A$	Total Equity A$
At 1 July 2012	15,024,112	-	(14,567,460)	45,238	648,259	1,150,149
Loss for the half-year	-	-	(317,919)	-	-	(317,919)
Other comprehensive income	-	-	-	(3,520)	-	(3,520)
Total comprehensive income	-	-	(317,919)	(3,520)	-	(321,439)
Transaction with owner in their capacity as owner						
Shares Issued	2,064,539	-	-	-	-	2,064,539
At 31 December 2012	17,088,651	-	(14,885,379)	41,718	648,259	2,893,249
At 1 July 2013	17,049,175	-	(14,013,117)	49,846	648,259	3,734,163
Loss for the half-year	-	-	(844,903)	-	-	(844,903)
Other comprehensive income	-	-	-	(1,913)	-	(1,913)
Total comprehensive income	-	-	(844,903)	(1,913)	-	(846,816)
Transaction with owner in their capacity as owner						
Shares Issued	28,388,159	(644,160)	-	-	-	27,743,999
Capital Raising Costs	(1,574,575)	-	-	-	-	(1,574,575)
Employee Share Loan Plan	-	-	-	-	122,804	122,804
Share Options Issued	-	-	-	-	125,605	125,605
At 31 December 2013	43,862,759	(644,160)	(14,858,020)	47,933	896,668	29,305,180

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

Condensed Statement of Cash Flows

		Consolidated	
		2013	**2012**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	**Note**	**A$**	**A$**
Cash flows from operating activities			
Receipts from customers		7,496,080	4,860,046
Receipt of tax concession for research and development costs		1,045,089	-
Payments to suppliers and employees		(9,883,815)	(6,171,125)
Interest received		3,114	6,627
Interest Paid		(1,197)	-
Net cash flows used in operating activities		(1,340,729)	(1,304,452)
Cash flows from investing activities			
Purchase of plant and equipment		(195,099)	(143,116)
Payments for intangible assets		(37,717)	(16,415)
Net cash flows used in investing activities		(232,816)	(159,531)
Cash flows from financing activities			
Proceeds from issue of shares		27,576,080	1,832,414
Cost of capital raising		(383,318)	(15,415)
Repayment of borrowings		(3,171)	-
Net cash flows from financing activities		27,189,591	1,816,999
Net increase in cash and cash equivalents		25,616,045	353,016
Net foreign exchange differences		(1,913)	(3,520)
Cash and cash equivalents at beginning of period		835,001	578,022
Cash and cash equivalents at end of period		26,449,133	927,518

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

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

The financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 19 February 2014.

Seeing Machines Limited (the parent) is a 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 Company have not changed since the last annual report for the financial year ended 30 June 2013.

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* in order to fulfill the reporting requirements of Rule 18 of the London Stock Exchange's *AIM Rules for Companies* issued February 2010. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and considered together with any public announcements made by Seeing Machines Limited during the half-year ended 31 December 2013.

The condensed consolidated financial statements have been prepared on a historical cost basis. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013. In addition to that, the new standards adopted by the Group in this reporting period are listed below:

Reference	Title	Application date of standard	Application date for Group	Impact on the 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 January 2013	1 July2013	The adoption of these amendments had no material impact on the financial position or performance of the Group.
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	1 January 2013	1 July2013	The application of this standard is expected to impact over the disclosure in the financial statements.

Reference	Title	Application date of standard	Application date for Group	Impact on the Group
	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.			
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. **Consequential amendments were also made to other standards via AASB 2011-8.**	1 January 2013	1 July2013	The application of this standard is expected to impact over the disclosure in the financial statements.
AASB 119	**Employee Benefits** 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	1 July2013	The application of this standard has impacted over the classification of employee benefits in the financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Financial Instruments and subsequent measurement

Financial Liabilities

Initial Recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair values plus, in case of loans and borrowings, directly attributable transaction costs. The group's financial liabilities include trade and other payables and loan & borrowings.

1. Basis of preparation and accounting policies (continued)

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measures at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses area recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is in included in finance costs in the income statement.

(b) Treasury shares

Own instruments that are reacquired (treasury shares) are recognised at cost and deducted are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

2. Going concern basis of accounting

The financial report has been prepared on the going concern basis. The Group has made a loss for the half year of $844,903 (2012: $317,919). The Group has accumulated losses of $14,858,020 (30 June 2013: $14,013,117). The balance of cash and cash equivalents at 31 December 2013 is $26,449,133 (30 June 2013: $835,001). The ability of the Group to continue as a going concern is dependent on the Group's ability to meet its debts as and when they fall due.

The Group completed a capital raise of $26,169,424 (net of transaction costs) in November 2013. The first tranche of $6,010,224 was received in December 2013 and the balance of $20,159,193 (net of transaction costs) was held in trust with finCapp Limited until being physically received in January 2014.

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.

The directors are of the opinion that with the significant capital raise now completed there are reasonable grounds to believe that the company will meet projected revenue, timing of cash receipts and retain overheads at budgeted levels. On this basis the directors believe the adoption of the going concern basis of accounting is justified.

3. Operating segments

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 operational decision makers to make decisions about resources to be allocated to the segment and to assess 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.

Notes to the Financial Statements (continued)

3. Operating segments (continued)

(a) Segment revenue based on geographic segment

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	Australia A$	United States A$	Total A$
Revenue			
Sales to external customers	5,640,100	-	5,640,100
Inter-segment sales	-	501,420	501,420
Total Segment Revenue	5,640,100	501,420	6,141,520
Inter-segment elimination			(501,420)
Total Consolidated Revenue			5,640,100
Result			
Segment results	(733,347)	(111,556)	(844,903)
Loss before income tax	(733,347)	(111,556)	(844,903)
Income tax expense	-	-	-
Net loss for the year	(733,347)	(111,556)	(844,903)
Assets and Liabilities			
Segment Assets	32,578,872	87,147	32,666,019
Total Assets	32,578,872	87,147	32,666,019
Segment Liabilities	(3,164,380)	(196,459)	(3,360,839)
Net Assets	29,414,492	(109,312)	29,305,180
Other Segment Information			
Capital expenditure	(215,968)	(16,848)	(232,816)
Depreciation and amortization	(106,841)	(2,440)	(109,281)
Cash Flow Information			
Net cash flow used in operating activities	(1,374,531)	33,802	(1,340,729)
Net cash flow used in investing activities	(215,968)	(16,848)	(232,816)
Net cash flow from financing activities	27,189,591	-	27,189,591

Notes to the Financial Statements (continued)

3. Operating segments (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012	Australia A$	United States A$	Total A$
Revenue			
Sales to external customers	4,686,796	-	4,686,796
Inter-segment sales	-	369,699	369,699
Total Segment Revenue	4,686,796	369,699	5,056,495
Inter-segment elimination			(369,699)
Total consolidated revenue			4,686,796
Result			
Segment results	(291,628)	(26,291)	(317,919)
Loss before income tax	(291,628)	(26,291)	(317,919)
Income tax expense	-	-	-
Net loss for the year	(291,628)	(26,291)	(317,919)
Assets and Liabilities			
Segment Assets	4,787,064	86,457	4,873,521
Total Assets	4,787,064	86,457	4,873,521
Segment Liabilities	(1,965,171)	(15,100)	(1,980,271)
Net Assets	2,821,893	71,357	2,893,250
Other segment information			
Capital expenditure	159,531	-	159,531
Depreciation and amortization	118,473	3,112	121,585
Cash flow information			
Net cash flow used in operating activities	(1,278,161)	(26,291)	(1,304,452)
Net cash flow used in investing activities	(159,531)	-	(159,531)
Net cash flow used in financing activities	1,816,999	-	1,816,999

Notes to the Financial Statements (continued)

3. Operating segments (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	
	Dec 13	Dec 12
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	A$	A$
Australia	2,177,418	676,190
North America	1,687,557	1,555,350
South America	875,013	1,249,056
Other Geographical Locations	900,112	1,206,200
Total revenue	5,640,100	4,686,796

(c) Segment revenue based on products

Revenue from external customers by product is detailed below. This reflects the Group's major product streams.

	Consolidated	
	Dec 2013	Dec 2012
	A$	A$
Driver State Sensor	4,311,755	3,699,553
FaceLAB	817,647	693,870
FaceAPI	122,347	293,373
Core technology integration services	388,351	-
Total revenue	5,640,100	4,686,796

4. Other income

	Consolidated	
	Dec 2013	Dec 2012
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	A$	A$
Research and Development refundable tax offsets	909,672	1,000,211
Net gain on foreign exchange	125,889	-
Withholding tax credits on foreign dealings	10,756	-
Interest earned	3,349	6,627
	1,049,666	1,006,838

The movements in the exchange rates resulted in a net gain for the period in contrast to the loss in the previous year.

Notes to the Financial Statements (continued)

5. Other expenses

	Consolidated	
	Dec 2013	Dec 2012
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	A$	A$
Net gain/(loss) on foreign exchange	-	(66,939)
Withholding tax credits on foreign dealings	-	-
Total	-	(66,939)

6. Current assets - cash and cash equivalents

	Consolidated	
	Dec 2013	June 2013
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	A$	A$
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	5,161,038	706,732
Cash held in trust	21,182,538	-
Short-term deposits	105,557	128,269
	26,449,133	835,001

The cash held in trust relates to the second tranche proceeds from the capital raised. This amount was received by the Group in January 2014.

The short term deposits include an amount of $53,361 held as security by the bank against a guarantee for lease rentals and is not available for use by the Group.

7. Current assets – trade and other receivables

	Consolidated	
	Dec 2013	June 2013
FOR THE HALF- YEAR ENDED 31 DECEMBER 2013	A$	A$
Trade receivables	2,318,619	3,896,740
Provision for doubtful debts	(128,835)	(204,269)
	2,189,784	3,692,471
Other receivables	-	8,177
Interest receivable	235	-
	2,190,019	3,700,648

Notes to the Financial Statements (continued)

8. Inventories

	Consolidated	
	Dec 2013	June 2013
FOR THE HALF- YEAR ENDED 31 DECEMBER 2013	A$	A$
Raw Materials	473,516	192,990
Finished Goods	687,189	349,485
Stock in Transit	-	3,390
Work in progress	1,273,231	313,478
	2,433,936	859,343

Inventories recognised as an expense for the half year ended 31 December 2013 totalled $1,916,015 (December 2012: $1,263,016) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

9. Property, plant and equipment

During the six months ended 31 December 2013, the Group acquired assets with a cost of $193,896 (December 2012: $160,857). The majority of these purchases are related to development of the CAT online training module along with the research and development equipment. No disposals occurred in this period.

10. Intangibles

During the six months ended 31 December 2013, the Group spent $73,943 on intangibles (December 2012: $16,415). The majority of these purchases are related to the acquisition of the new and renewal of the existing patents. No patents were written-off during this period.

Notes to the Financial Statements (continued)

11. Financial Instruments

(a) Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2013:

Financial Assets:	Loan and Receivables A$	Available-for-sale A$	Fair value profit or loss A$	Fair value other comprehensive income A$
Total non-current	-	-	-	-
Trade and other receivables	2,190,019	-	-	-
Total current	**2,190,019**	**-**	**-**	**-**
Total	**2,190,019**	**-**	**-**	**-**
Financial Liabilities:				
Interest bearing loans and borrowings	47,196	-	-	-
Total non-current	**47,196**	**-**	**-**	**-**
Trade and other payables	2,462,349	-	-	-
Interest bearing loans and borrowings	7,196	-	-	-
Total current	**2,469,545**	**-**	**-**	**-**
Total	**2,516,741**	**-**	**-**	**-**

(b) Risk management activities

Other risk management activities

As a result of significant sales in 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 70% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 45% of the costs are denominated in the unit's functional currency. The Group doesn't enter into foreign currency forward contracts to hedge those exposures.

Notes to the Financial Statements (continued)

11. Financial Instruments (continued)

Fair values
As at 31 December 2013, the financial instruments held by the Group at carrying amounts reasonably represent their fair value.

12. Dividends paid

No dividends or distributions have been made to members during the half-year reporting and no dividends or distributions have been recommended or declared by the directors in respect of the half year- reporting period.

13. Shares issued during the half year

In December 2013, a capital raise was completed amounting to A$26,169,424 (net of transaction costs). Of this, A$6,010,224 was received prior to 31 December 2013 and the balance in January 2014. A total of 300,000,000 shares were issued under the capital raise at a strike price of 5 GB pence per share ($A0.091).

In September 2013, the Board approved the issue of 15,920,020 shares under the Executive Share Loan Plan at a strike price of between 3.5 GB pence per share and 7.0 GB Pence, a total value of A$644,160. These shares will vest on achievement of the conditions described in note 17. Commitments and contingencies

14. Leasing commitments

Operating lease commitments – Group as lessee
The Group has two operating leases on property in Australia. One of the leases has a remaining terms of less than one year.

Future minimum rental payments under non-cancellable operating leases as at 31 December are as follows:

	Consolidated	
	Dec 2013 A$	Dec 2012 A$
Within one year	204,758	267,123
After one year but not more than five years	389,653	-
Total	**594,411**	**267,123**

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.

Notes to the Financial Statements (continued)

15. Related party disclosure

(a) *Subsidiary*

The consolidated statements include the financial statements of Seeing Machines Incorporated, as wholly owned solidary of Seeing Machines Limited. In the six months to December 2013, Seeing Machines Limited paid Seeing Machines Inc., an amount of $454,522 (Half year to December 2012: $369,699) for provision of services. The service included consultancy and agency commission and transactions were made at arm's length at normal market rates and on commercial terms. Revenues received by subsidiary are eliminated on consolidation.

(b) *Director-related transactions*

(i) Shareholdings of Directors

Shares in Seeing Machines Limited

31 December 2013	Balance 01 July 13	Granted as Remuneration	Acquire or sold for cash	Net change other	Balance 31 Dec 13
Directors					
T Winters	1,632,166	-	-	-	1,632,166
K Kroeger	1,592,357	-	680,000	680,000	2,272,357
D Gaul	3,353,128	113,850	(466,978)	(353,128)	3,000,000
M Roberts	14,421,450	-	1,265,926	1,265,926	15,687,376
R Burger	-	-	-	-	-
J Walker	-	-	320,000	320,000	320,000
Total	**20,999,101**	**113,850**	**1,798,948**	**1,912,798**	**22,911,899**

(ii) Other Director-related transactions

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

16. Key management personnel

(a) *Details of Key Management Personnel*

(i) Directors

Terry Winters	Chairman (non-executive)
Ken Kroeger	Managing Director and CEO
David Gaul	Director (non-executive)
Alexander Zelinsky	Director (non-executive) – Resigned 15 January 2014
Michael Roberts	Director (non-executive)
Rudolph Burger	Director (non-executive) – Appointed 15 January 2014
James Walker	Executive Director and CFO – Appointed as a Director on 15 January 2014

(ii) Executives

Nick Langdale-Smith	Senior Vice President – Technology Business Group
Tim Edwards	Principal Engineer
Sebastien Rougeaux	Principal Research Scientist
Paul Johnson	Global Sales Director

Notes to the Financial Statements (continued)

16. Key management personnel (continued)

(b) *Compensation for Key Management Personnel*

	Six Months to December 2013 A$	Six Months to December 2012 A$
Short-term employee benefits	1,119,703	860,193
Post-employment benefits	-	-
Termination benefits	50,000	-
Share based payments	122,804	-
Total	**1,292,507**	**860,193**

17. Share based payments

(a) Recognised share based payment expenses

	Dec 2013 A$	Dec 2012 A$
Expense arising from the equity-settled share-based payment transactions.	125,605	-
Expense arising from the share-based payment transactions under the executive share plan.	122,804	-
Total	**248,409**	**-**

(b) Option pricing model

In relation to the capital raise completed in December 2013, finCapp Limited was granted share options. The options allow finCapp Limited the right to acquire 700,000 shares at 7.35 GB Pence and 2,300,000 shares at 7.38 GB Pence respectively within 12 months from the date of the capital raise. The value of these options was calculated using the Black & Scholes method.

(c) Employee share option scheme (ESOS)

The previous disclosed ESOS was replaced on 1 July 2013 with an Employee Share Loan Plan (ESLP) where eligible employees are invited to participate in the ESL from time to time.

(d) Employee share loan plan (ESLP)

Eligible employees are invited to participate in the ESLP from time to time. The share issue price is equal to the market value of the shares or as determined by the Board on the date of the invitation to apply for options over the shares. Under the terms of the ESLP, employees are provided with non-recourse loans which will be extinguished if the employee chooses to acquire the shares by applying the exercise price of the option at any time after the vesting date.

All the shares issued after 30 June 2013 are under the new ESLP. Under this scheme awards are delivered in the form of options over shares which vest over a period of three years subject to meeting performance measures. The Company uses Target Share Price (TSP) as the performance measure for the ESLP. The vesting schedule is as follows:

Notes to the Financial Statements (continued)

17. Share based payments (continued)

Relative TSP performance outcome	Percentage of award that will vest
Below the 90th percentile	0%
At the 90th percentile	50%
At the 95th percentile	75%
At the 100th percentile	100%

(a) Movements during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	December 2013 No.	December 2013 WAEP (cents)	December 2012 No	December 2012 WAEP (cents)
Outstanding at the beginning of the year	615,415	8.44	615,415	8.44
Granted during the year	18,920,020	5.56	-	-
Forfeited during the year	615,415	8.44	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	18,920,020	5.56	615,415	8.44
Exercisable at 31 December	3,000,000	13.57	615,415	8.44

18. Events after balance date

In December 2013 the Group completed a capital raise of $26,169,424 (net of transaction costs). The first tranche of $6,010,224 was received in December 2013 and the balance of $20,159,193 (net of transaction costs) was held in a trust account on behalf of the Group and received on 10 January 2014 subsequent to the issue of shares on 31 December 2013.

In November 2013 the Group announced an offer to existing shareholders to subscribe for 20 million ordinary shares. This offer closed on 31 January 2014 and was significantly oversubscribed. The shares under this offer will be issued in February 2014 and will increase the Group's cash reserves by £1,000,000.

Since the end of the financial period there has been no other matter or circumstance that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial periods.

Directors' Declaration

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

In the opinion of the directors:

(a) The financial statements and notes of Seeing Machines Limited presents fairly in all material aspects the financial position of the consolidated entity as at 31 December 2013 and its financial performance and cash flows for the half year ended on that date, in accordance with the accounting policies described in note 1 to the financial statements.

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

On behalf of the Board

Chairman

Canberra, 26 February 2014

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To the members of Seeing Machines Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Seeing Machines Limited, which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of Seeing Machines Limited, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Seeing Machines Limited does not present fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2013 and its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Ernst + Young

Ernst & Young
Canberra
26 February 2014