



seeingmachines

11 March 2009

**Seeing Machines Limited
("Seeing Machines" or the "Company")**

REVIEWED INTERIM RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2008

Seeing Machines Limited (AIM: SEE) announces its reviewed interim results for the six months to 31 December 2008.

Financial Highlights

- overall revenue increased to A\$3.28m (2007: A\$1.31m);
- revenue from product sales was A\$2.81m an increase of 142% on the corresponding period to 31 December 2007 (2007: A\$1.16m);
- revenue now derived from three product streams faceLAB®, Driver State Sensor (DSS) and faceAPI;
- maiden half-year net profit of A\$358,099 (2007: net loss of A\$430,155).

Operational Highlights

- release of faceLAB® 4.6 in August 2008;
- release of the first commercial version of faceAPI in August 2008;
- release of analytical tools for the Company's key driver monitoring software DSS;
- successful trials of DSS in large truck fleets in North America;
- successful showcasing of the TrueField Analyzer (TFA) at the American Academy of Ophthalmology Meeting in Atlanta in November 2008;
- relocation of the Company from the Australian National University campus to more suitable premises in Braddon, ACT, Australia.

Subsequent to the period under review, the Company has released two trading statements to the market in light of the impact of the global economic downturn. These statements highlighted:

- sales growth of the driver monitoring product DSS had been slower than anticipated;
- revenues for the second half of the financial year difficult to predict due to delays in DSS contracts;
- restructure of the business to conserve cash and focus on cash generative operations;
- TFA, a device to detect glaucoma, expected to be launched commercially mid 2009.

Commenting on the interim results, Chief Executive Nick Cerneaz said "The pleasing aspect of these results is that we generated revenue from three product lines and we made a profit for the half-year, the first time the Company has recorded a profit at the half-year. Despite these results, with DSS revenue growth slower than anticipated and with the timing and level of second half revenues difficult to predict, we took the responsible course of action with the restructuring of the Company that was announced on 18 February 2009 to preserve cash and focus on the cash generative operations of the business. With the release of faceLAB® 5 last month, the growing interest from product developers in our faceAPI software, continued strong interest in the DSS and the release of TFA mid-year 2009, we believe the Company is well placed for future growth."

Extracts from the interim financial statements are set out below and a full copy is available from the Company website www.seeingmachines.com and is also available by request to the Company's Registered Office at Level 1, 11 Lonsdale St Braddon, ACT 2612, Australia.

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Enquiries:

Seeing Machines Limited www.seeingmachines.com	Nick Cerneaz, CEO	+61 (0) 2 6103 4700
Grant Thornton UK LLP	Fiona Owen	+44 (0) 20 7383 5100
SVS Securities plc	Ian Callaway	+44 (0) 20 7638 5600
Parkgreen Communications Ltd +44 (0) 20 7933 8780	Paul McManus: Ben Knowles:	+44 (0) 7980 541 893 Paul.mcmanus@parkgreenmedia.com +44 (0) 7900 346 978 Ben.knowles@parkgreenmedia.com

Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

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.

James Fulton Muir, AO	Non Executive Chairman
Nicholas Cerneaz	Executive Director
David Gaul	Non Executive Director
Robert Sale	Non Executive Director
Trent Victor	Non Executive Director
Alexander Zelinsky	Non Executive Director
William Mobbs	Non Executive Director

Review and results of Operations

Review of 1st half of our Ninth Year of Operations

The Company realised a profit in the six months to 31 December 2008. This was on the back of revenue from 3 separate product lines faceLAB®, DSS and faceAPI.

Operational highlights for the half-year include:

- release of faceLAB® 4.6 in August 2008;
- release of the first commercial version of faceAPI in August 2008;

- the release of analytical tools for the Company's key driver monitoring software DSS;
- a number of successful trials of the DSS have been conducted in large truck fleets in North America;
- a successful showcasing of the TrueField Analyzer at the American Academy of Ophthalmology Meeting (AAO) in Atlanta in November 2008;
- the relocation of the Company from the Australian National University campus to more suitable premises in Braddon, ACT, Australia.

Financial Results

Revenue from product sales for the half-year to 31 December 2008 was A\$2,815,965, A\$1,652,679 higher than the half-year ended 31 December 2007. This increase in revenue was due to several products (faceLAB®, DSS and faceAPI) contributing to revenue whereas in 2007 revenue was predominantly from faceLAB®. Other income for the half-year to 31 December 2008 was A\$402,011 up A\$253,116, on the corresponding period in 2007 due largely to foreign exchange fluctuations.

Net expenditure for the half-year was A\$2,878,936 up from A\$1,815,861 on the prior half-year. This was due to higher levels of activity, including the establishment of operations in the United States and higher depreciation and amortisation costs.

The Net Profit for the half-year to 31 December 2008 was A\$358,099 compared to a Net Loss of A\$430,155 for the half-year to 31 December 2007.

At 31 December 2008 cash on hand was A\$1,656,881 compared to A\$2,771,247 at 30 June 2008.

Operational Highlights

Driver State Sensor

During the half-year DSS generated revenue of A\$1.8 million overtaking faceLAB® as the Company's top revenue earner.

In March 2008 the Company signed the largest deal in its history with Dycom Industries for the DSS. During the first half of financial year 2009 the project with Dycom progressed and a number of other trials in private fleets in North America were commenced. A number of trials in mining operations were also progressed.

To aid with the analysis of the data collected by the DSS the Company produced and released the first version of the DSS Analyzer software enabling customers to extract fatigue and distraction events from the large volumes of driving data that the DSS collects. The Analyzer also generates statistical information on the occurrence of events and their geographic distribution.

The Company also continued to progress OEM opportunities for the DSS technology with German Tier 1 automotive supplier Hella KGaA Hueck & Co.

faceLAB®

faceLAB® 4.6 was released in August 2008. This version included link precision functionality which allows multiple versions of faceLAB to be linked together in precision mode.

The Company has completed the development of faceLAB® version 5 which was released in February 2009. Key features of faceLAB® 5 are:

- Multiple screen calibration - gaze intersections for each screen can be calibrated independently;
- Screen calibration is possible from faceLAB, WorldView and any third-party application using the Remoting Software Developer's Kit (SDK);
- Full remote control over a network connection with a private SDK to provide selected third-party developers access to these controls;

- Lip and eyebrow tracking;
- Support for Windows Vista.

Version 5 will also co-incide with the release of a new rich visual analysis tool developed by Eye Tracking Inc which will add significant impetus to the faceLAB® product offering in the expanding on-screen analysis market.

faceAPI

The first commercial version of the faceAPI was released in August 2008 and has attracted considerable interest since that time from developers across a broad cross section of industries. A cut-down version of the faceAPI is available for free download for non commercial use and full development licenses are also available. The Company's strategy is to derive revenues from this product in two ways:

1. through sales of the developer license; and
2. through production license sales.

Production licenses need to be acquired for applications using the faceAPI to be distributed to end users.

TrueField Analyzer®

The Company has largely completed the development work required to bring the Truefield Analyzer® (TFA) to market. The TFA was again shown at the American Academy of Ophthalmology Annual Meeting in Atlanta in November 2008 and also at the Veterans' of Foreign Wars Meeting in Orlando Florida in August 2008.

Our partners at the Australian National University Research School of Biological Sciences are completing their research program and the Company expects the TFA to be on the market during the 2009 calendar year.

The TFA will be on show in 2009 at the following events:

- Association for Research in Vision and Ophthalmology Annual Meeting in Ft Lauderdale Florida May 3-7 2009
- World Glaucoma Congress in Boston Massachusetts from July 8-11 2009
- American Academy of Ophthalmology Annual Meeting in San Francisco California from October 24-27 2009.

With continued efforts the Company expects to bring TFA to market in mid 2009.

Although we are pleased with the performance of the period under review the Company remains cautious going forward given the recent slowdown in revenue growth in the DSS business due to the global economic downturn and expects that in the second half of the financial year revenue growth may be harder to achieve. With this in mind we announced on the 18th February 2009 the restructure of Seeing Machines in order to put the Company on as sound a footing as possible to minimise the effects of this downturn.

Fulton Muir
Chairman

Nick Cerneaz
CEO

Balance Sheet

As at 31 December 2008

Consolidated

	31 December 2008 A\$	30 June 2008 A\$	31 December 2007 A\$
Note			
ASSETS			
Current Assets			
Cash and cash equivalents	1,656,881	2,771,247	3,235,364
Trade and other receivables	1,186,297	866,949	706,252
Inventories	223,965	288,243	213,567
Derivative financial instruments	-	12,297	-
Other	85,859	77,611	14,690
Total Current Assets	3,153,002	4,016,347	4,169,873
Non-current Assets			
Property, plant and equipment	360,807	259,906	231,476
Intangible assets	410,352	357,307	335,172
Capitalised development costs	6,756,955	5,849,250	4,749,985
Total Non-current Assets	7,528,114	6,466,463	5,316,633
TOTAL ASSETS	10,681,116	10,482,810	9,486,506
LIABILITIES			
Current Liabilities			
Trade and other payables	980,313	1,053,638	900,699
Total Current Liabilities	980,313	1,053,638	900,699
Non-Current Liabilities			
Government grants	2,182,624	2,221,018	2,147,137
Provisions	84,678	117,717	109,993
Total Non-Current Liabilities	2,267,302	2,338,735	2,257,130
TOTAL LIABILITIES	3,247,615	3,392,373	3,157,829
NET ASSETS	7,433,501	7,090,437	6,328,677
EQUITY			
Contributed equity	9,646,776	9,646,776	9,648,634
Accumulated losses	(2,920,382)	(3,278,481)	(4,035,380)
Other reserves	707,107	722,142	715,423
TOTAL EQUITY	7,433,501	7,090,437	6,328,677

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

Income statement

For the half-year ended 31 December 2008

Consolidated
Half-year ended
31 December 2008 31 December 2007

	Note	A\$	A\$
Continuing operations			
Sale of goods and license fees		2,815,965	1,163,286
Contract Income		19,642	73,525
Other Revenue	5	402,011	148,895
Revenue		3,237,618	1,385,706
Cost of sales		(784,262)	(392,010)
Employee benefits expenses	6	(1,078,271)	(783,352)
Depreciation and amortisation expense	6	(82,490)	(64,417)
Other expenses	6	(933,913)	(576,082)
Profit (Loss) before income tax		358,682	(430,155)
Income tax expense		(583)	-
Net Profit (Loss) for the period		358,099	(430,155)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		0.115	(0.156)
Diluted earnings per share		0.115	(0.144)

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

Statement of changes in equity

For the half-year ended 31 December 2008

Note	Consolidated Accumulated Losses reserve A\$	Consolidated Foreign Currency Translation A\$	Consolidated Employee Equity benefits reserve A\$	Consolidated Cash flow hedge A\$	Total Retained Losses and Reserves A\$
At 1 July 2007	(3,605,225)	-	679,722	-	(2,925,503)
Loss for the half-year	(430,155)	-	-	-	(430,155)
Total Income and Expenditure for the half-year	(430,155)	-	-	-	(430,155)
Share based payment	-	-	35,701	-	35,701
At 31 December 2007	(4,035,380)	-	715,423	-	(3,319,957)
At 1 July 2008	(3,278,481)	-	709,845	12,297	(2,556,339)

Exchange differences arising in translation of foreign operations	-	(21,075)	-	-	(21,075)
Transfer to profit and loss from equity on cash flow hedges	-	-	-	(12,297)	(12,297)
Income and Expenditure for the half-year recognised directly in equity	-	(21,075)	-	(12,297)	(33,372)
Profit for the half-year	358,099	-	-	-	358,099
Total Income and Expenditure for the half-year	358,099	-	-	-	358,099
Share based payment	-	-	18,337	-	18,337
At 31 December 2008	(2,920,382)	(21,075)	728,182	-	(2,213,275)

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statement

For the half-year ended 31 December 2008

	Note	Consolidated Half-year ended	
		31 December 2008 A\$	31 December 2007 A\$
Cash flows from operating activities			
Receipts from customers		2,854,633	926,432
Grants received		-	631,513
Payments to suppliers and employees		(2,559,400)	(1,688,542)
Interest received		80,769	39,204
Income Tax		(583)	-
Net cash flows from/(used in) operating activities		375,419	(91,393)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		454	1,241
Purchase of plant and equipment		(173,420)	(36,566)
Purchase of intangibles		(69,902)	(15,498)
Costs incurred on research and development		(1,225,842)	(1,092,550)
Net cash flows from/(used in) investing activities		(1,468,710)	(1,143,373)
Cash flows from financing activities			
Proceeds from issue of shares		-	3,199,282
Transaction costs on issue of shares		-	(104,580)
Net cash flows from financing activities		-	3,094,702
Net (decrease)/increase in cash and cash equivalents		(1,093,291)	1,859,936
Net foreign exchange differences		(21,075)	-

Cash and cash equivalents at the beginning of the period	2,771,247	1,375,428
Cash and cash equivalents at end of period	1,656,881	3,235,364

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.