



24 September 2007

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

**Audited Financial Results for the Year Ended 30 June 2007**

SEEING MACHINES (AIM:SEE) TODAY ANNOUNCES ITS AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007.

Financial Highlights

- Total revenue up by 7.4% to A\$2,645,504;
- Revenue from sale of goods A\$2,042,427;
- Contract income of A\$546,292 a ninefold increase over 2006;
- Net expenditure at A\$3,311,716; and
- Net loss at A\$466,953.

Operational Highlights

- excellent progress across all product development streams including faceLAB®, TrueField Analyzer® (TFA), Driver State Sensor (DSS) and faceAPI;
- award of a Commercial Ready Grant worth A\$2.1 million over 2 years for TrueField Analyzer® in August 2006;
- achieved A\$2 million in sales for faceLAB the company's flagship product;
- several new versions of faceLAB® released;
- first prize award of the Secrets of Australian ICT Innovation Award in the Health category for TrueField Analyzer® (TFA);
- successful debut of the TrueField Analyzer® at the Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Florida in May 2007;
- release of the DSS-R automotive product in November 2006 and DSS 2 in July 2007;
- the development of the next generation head tracking technology (the company's core vision processing technology) and filing of relevant patents to protect the new intellectual property;
- the release of the first generalized faceAPI product to the market, that makes our head and face tracking technology available to third parties under license and signing of a license agreement for that product.

Commenting on the results Nick Cerneaz, Chief Executive of Seeing Machines said "the year to 30 June 2007 represents an important period in the Company's evolution. We have invested heavily in the development of a series of new products based on our core technology as part of our continuing strategy to broaden the channels to market for our technology. In doing so we have expanded our product offering from essentially a single product (faceLAB) available at the time of the Company's listing on AIM in late 2005, to a multi faceted approach that includes the new DSS2 and generalized faceAPI products, both products released very recently (July 2007 and May 2007 respectively). Additionally the good progress of our TrueField Analyzer product

made through this period adds another important element to our efforts to broaden and grow our revenue base. The full year accounts to 30 June 2007 which record a loss of A\$466,953 and a net reduction in cash reserves of A\$1,031,625 to A\$1,375,428 reflect the investment made in these products through this period. Alongside those strategic investments in our product portfolio we have recorded a 7.4% increase in total revenue over the period as a result of maintaining good product sales through direct & channel partners and improvements in our revenue from contracted services in association with our products and their continued development. Through the 2007 financial year we have developed and delivered to the market a significant series of new and improved products, including the DSS2, faceAPI and faceLAB version 4.5 products, and continued the development and pre-commercialization of the TrueField Analyzer. With the proceeds of the fund raising announced separately today the Company is well placed to build on these foundations and to accelerate the commercialization of these new products and their businesses.”

The Seeing Machines Annual Report 2006-2007 including the audited Financial Statements is available for download from the investor section of the Company’s website [www.seeingmachines.com](http://www.seeingmachines.com).

The Director’s Review of Operations, Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Recognised Income and Expense and Cash Flow Statement follow:

## **REVIEW OF OPERATIONS**

### **Financial Results**

Total revenue for the year increased 7.4% to A\$2,645,504. Revenue from sale of goods was A\$2,042,427, a decrease of A\$364,801 (15%) over the previous year (A\$2,407,228). Contract Income of A\$603,077 represents a 9-fold increase of A\$546,292 over the prior year (A\$56,785) due to a number of automotive research contracts. Other income decreased to A\$199,259 from A\$628,841 in 2006 due to the completion of the Start Grant at 30 June 2006 and the capitalisation of the Commercial Ready Grant.

Net expenditure for the year was A\$3,311,716 up by A\$83,786 on the prior year (A\$3,227,930). Product development and technology research continued to be the main area of expenditure as the company moved forward with the development of key projects including TrueField Analyzer® our medical device to help doctors detect and manage glaucoma and other eye diseases, the Driver State Sensor , our sensing technology for automotive applications in the areas of fatigue and distraction detection, faceLAB® and the faceAPI™ products. Marketing costs including travel increased during the year mainly in support of the faceLAB® business. The cost of goods sold reduced in line with the decrease in sales of the faceLAB® product, and further development of manufacturing efficiencies for the product.

The company has capitalised certain of its development costs in line with the accounting standards.

The net loss for the year was A\$466,953 – up from A\$135,077 for the year ended 30 June 2006. The loss during this financial year is an indicator of the significant product development undertaken during the year. The company will be aggressively pursuing the commercialisation of all four product streams during FY2008.

The company had A\$1,375,428 in cash at 30 June 2007 compared to A\$2,407,053 at 30 June 2006. Cash has been utilised in both the payment to suppliers and employees in the generation of operating income and for the purchases of plant, equipment, intangible assets and development costs capitalised during the year. Net assets decreased to A\$3,628,429 at 30 June 2007 compared to A\$3,913,237 at 30 June 2006. This decrease is primarily due to the reported loss for the year.

## **Operational Highlights**

Highlights for the year ended 30 June 2007 included:

- excellent progress across all product development streams including faceLAB®, TrueField Analyzer® (TFA), Driver State Sensor (DSS) and faceAPI;
- award of a Commercial Ready Grant worth A\$2.1 million over 2 years for TrueField Analyzer® in August 2006;
- achieved A\$2 million in sales for faceLAB® the company's flagship product;
- introduction of a new version (v4.3) and an ancillary tool (faceLAB-LINK) for faceLAB® during the year (and a very significant new version v4.5 released in July 2007);
- first prize award of the Secrets of Australian ICT Innovation Award in the Health category for TrueField Analyzer® (TFA);
- successful debut of the TrueField Analyzer® at the Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Florida in May 2007;
- execution of a Master Development and Commercialization Agreement with the Australian National University giving the company first access rights to commercialize all future intellectual property that was developed within the University with any assistance provided by the company;
- release of the DSS-R automotive product in November 2006 generating both initial sales and promoting market interest and OEM negotiations for the technology (note also the new commercial version, the DSS 2, was released in July 2007);
- continuing strong relationship and progress with Hella KGaA Heuck & Co on the development of the driver monitoring system (for the detection of fatigue and distraction) targeted at the automotive Original Equipment Manufacturer (OEM) market;
- delivery of a Speed Sign Recognition System as part of the Automotive Cooperative Research Centre (AutoCRC) Vision Based Collision Avoidance Project;
- the development of the next generation head tracking technology (the company's core vision processing technology) and filing of relevant patents to protect the new intellectual property;
- the release of the first generalized faceAPI product to the market, that makes our head and face tracking technology available to third parties under license; and
- the signing of a licence agreement for the faceAPI product with a North American computer vision company.

## **faceLAB®**

faceLAB® achieved sales of A\$2 million during the year and in July 2007 passed the A\$10 million cumulative revenue milestone. The contraction in faceLAB® sales revenue in FY2007 over the previous year has been primarily due to the relatively modest improvements in the product during the prior year. The release of improvements made during this year, and principally the version 4.5 release in July 2007, which marks a significant improvement in the precision mode and high performance pupil tracking capabilities (derived from technology developments initially made in the TrueField Analyzer product) has already lead to a number of

new sales for the product and bodes well for continued improvements in the faceLAB® business ahead. As indicated above there were several releases of faceLAB® during the year:

- faceLAB® 4.3 released in October 2006
- faceLAB-Link released in March 2007
- and immediately following the close of the year, faceLAB® 4.5 was released in July 2007.

faceLAB® 4.3 introduced a new smaller form-factor hardware platform which reduces systems complexity and setup time and increases experimental flexibility.

faceLAB-Link brings dynamically expandable field of view capability to faceLAB® for the first time by enabling multiple faceLAB systems to be used simultaneously. faceLAB-Link systems can be configured to accommodate a full 360 degrees of head rotation – a world first for non-invasive eye tracking systems.

Most recently, faceLAB® 4.5 has introduced a new class of precision gaze tracking algorithms that take advantage of the research undertaken for the TFA medical device. The new algorithms track the gaze direction of each eye in true 3 dimensional space (3D), and enable a 1-click setup for subjects, including people wearing glasses. Tracking is performed from a single camera platform without the need for additional light sources to be placed around the screen. The volume of the tracking zone has been more than doubled, and this allows the subject more freedom of movement. The accuracy of the head-tracking has also been improved through the use of the precision eye-tracking data. These improvements place us very well to take on the rapidly growing market segment for on screen gaze tracking – a market segment outside the traditional faceLAB markets (which have always been pure human factors and a variety of research environments). Since the introduction of faceLAB® 4.5 in July 2007 initial sales have been made into this new market segment and we are pursuing further such opportunities as we seek to grow the revenue base for faceLAB® generally.

During the year faceLAB® was purchased by organisations such as Ford, MIT, Volvo, Nissan, Audi AG, US Department of the Air Force, United States Naval Academy, Cornell University and Queensland Academy of Sport.

### **TrueField Analyzer®**

The company has aggressively pursued its goal to release the first production version of the TFA during calendar year 2007. Real progress has been made and we have been greatly assisted by the award in August 2006 of an Australian Government Commercial Ready Grant, worth A\$2.1 million over 2 years to support the commercialization of the project.

In March 2007 the company was awarded first prize in the Secrets of Australian ICT Innovation Award for the TrueField Analyzer® in the Health category. In May 2007 the TFA debuted publicly to great acclaim at the Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Florida. This was the first public demonstration of the TFA to the Ophthalmology community which is the key initial market for the device when it is released commercially.

Key areas of work on the TFA throughout the year have been:

- scientific and clinical studies;
- software development;
- hardware design and development;
- regulatory approval;

- intellectual property protection;
- marketing and business development activities.

The main clinical study CT2 has continued at Canberra Eye Hospital we have completed testing of 82 glaucoma patients and 100 age matched normal subjects. A number of scientific studies have also been undertaken with the aim of identifying the best general testing protocol across the spectrum of normal and mild, moderate and severe glaucoma cases. Significant progress has been made on the software and hardware for the TFA and we have produced a series of pre production prototypes that has been used for demonstration purposes and extensive testing in the clinical study program at both the Canberra Eye Hospital and the Australian National University's Research School of Biological Sciences.

The company submitted an application for 510k marketing clearance to the United States Food and Drug Administration (FDA) during the year. We were advised on the 15<sup>th</sup> August 2007 that 510k Marketing Clearance had been granted for the Truefield Analyzer, permitting the introduction and marketing of the device for commercial sale within the US markets. This regulatory clearance marks a significant hurdle for the commercialisation of the TFA.

The company has achieved trademark protection for the TFA in Australia, the United States and a number of European and Asian countries. The TFA website was launched for the ARVO meeting. The company is in discussion with several of the leading OEM companies in the medical devices field who are interested in securing the rights to take the TFA to market.

The company is intending to launch the TFA commercially in the United States later this year and the next milestone in that plan will be the American Academy of Ophthalmology Annual Meeting in New Orleans in November 2007. This conference held annually is the largest US ophthalmology conference and a significant event for showcasing TFA to the industry.

## **Automotive**

The last year has seen a number of very significant developments in the automotive business segment in both product development and commercialisation. The Driver State Sensor (DSS) product/technology has been evaluated by a number of independent groups through the year and has consistently demonstrated its superior performance in the market (as a platform for driver monitoring to detect driver distraction and fatigue).

Trent Victor of Volvo Technology, and a director of Seeing Machines, who has been working with driving monitoring systems for over 10 years at Volvo, recently said of the DSS: "This technology has redefined state-of-the-art. Operating fully automatically, the DSS2 achieves a level of performance previously unseen and the technology now becomes a real contender for serial production systems."

The company has continued its collaboration through the year with Hella KGaA Heuck & Co (Hella) to bring an Original Equipment Manufacturer (OEM) version of the DSS to market. Hella is seeking to develop and supply advanced driver assistance systems to the global OEM passenger and freight vehicle markets and is looking to introduce the DSS for supply into these markets. The relationship has borne significant engineering development through the year and these product innovations have in turn supported significant product demonstrations and market development efforts with them OEM vehicle manufacturers in the market (Hella's customers). The parties continue to work together in a mutually beneficial approach to developing this market and realizing a return to the parties.

The company has continued its work with global oilfield services provider Schlumberger Inc., with DSS systems installed in trucks in Texas and Canada. Schlumberger is currently seeking to expand the deployment of DSS systems to their operations in other parts of the world.

The first commercial version of the product, the DSS2, was released to the market in July 2007 at the Driving Assessment Conference in Washington state, US. This version of the DSS is targeted at the fleet, OEM and research markets and since its release it has generated initial sales and very strong interest from the target markets and will enable the company to diversify its revenue base in 2008.

The company is a research participant in the Co-operative Research Centre for Advanced Automotive Technology Ltd. ("AutoCRC") and the leader of the Vision Based Collision Avoidance Project. The initial development undertaken under the banner of this project has been a speed sign recognition system and an in-car demonstrator version of this was delivered during the year and is currently being evaluated. The project will continue to run through FY2008 and beyond, and provides a platform for the company to both generate contract revenue and also to leverage the resources of the project participants to assist in the development of support technologies that enhance the offering of our other automotive products.

### **faceAPI™ /SDK**

Seeing Machines has released the first version of a generalized Application Programming Interface (API) which packages its core head, eye and facial tracking technology for sale to third party developers and OEMs. The launch of this product extends the initial business opportunities established by the company in previous years supplying our core technology within bespoke applications for use within a variety of markets, including robotics systems developers and sports training products. We will also release in the near future a developer version of the API, providing a platform for third party developers to rapidly integrate the technology into their products, enhancing the attractiveness of this solution system, and additionally providing an additional revenue stream for the company.

A licence agreement for the new faceAPI™ product was signed in May 2007 with a North American computer vision company who is using the company's head tracking technology in their application. Seeing Machines receives a royalty payment for each system sold.

Seeing Machines is currently pursuing several business development opportunities for this product.

### **Patents and Trademarks**

The company has continued its strategy to protect its core intellectual property through patents and trademarks.

Trademarks for the TFA have been sought and obtained in a number of jurisdictions including:

- Australia
- United States
- Europe
- Asia.

During the year the company lodged a patent for a new generation of head tracking technology (already incorporated into the DSS2 product). The company is currently lodging a number of key application patents, especially in the faceAPI™ business sector.

### Chief Executive Officer

The Company's Chief Executive Officer for the full financial year to 30 June 2007 and at the date of this report is Dr Nicholas Cerneaz.

### Company Secretary

The Company Secretary of the Company for the full financial year to 30 June 2007 and at the date of this report is Belinda Burgess. Belinda has over 10 years experience as a Commercial Manager of private and public corporations. She is currently Operations Manager of Seeing Machines. Prior to this, she was General Manager Commercial Services of a publicly listed technology company for four years.

### Staff

At 30 June 2007 the company had 39 employees (up from 34 at 30 June 2006) including 31 fulltime staff.

Additional staff were employed during the year to augment the sales team and the product development activities. The company continues to optimize the staff resources to meet the needs of the business and moving forward expects to further supplement our sales and marketing team to support the growth in saleable product coming online as a result of the product development work of this and the previous financial year.

In recognition of the key role played by staff in the success of the company the Board implemented an Employee Share Option Scheme in June 2006. In July 2006 20 staff members were granted options under this scheme.

## Income Statement

FOR THE YEAR ENDED 30 JUNE 2007		30 June 2007	30 June 2006
	Note	A\$	A\$
Sale of goods		2,042,427	2,407,228
Contract Income		603,077	56,785
<b>Revenue</b>	4(a)	<b>2,645,504</b>	2,464,013
Other income	4(b)	199,259	628,841
Change in inventories of finished goods and work in progress	4(c)	(561,055)	(713,770)
Employee benefits expense	4(d)	(1,395,088)	(1,548,728)
Depreciation and amortisation expense	4(e)	(286,947)	(140,437)
Research costs written-off	4(f)	0	0

Other expenses	4(g)	<b>(1,068,626)</b>	(763,100)
Finance costs	4(h)	<b>0</b>	(61,895)
<b>Loss before income tax</b>		<b>(466,953)</b>	(135,077)
Income tax relating to operations	5	-	-
Loss after tax from operations attributable to members		<b>(466,953)</b>	(135,077)
Loss per share (cents per share)	6		
<ul style="list-style-type: none"> <li>• basic for loss for the year attributable to ordinary equity holders of the company</li> <li>• diluted for loss for the year</li> </ul>		<b>(0.182)</b>	(0.059)
		<b>(0.182)</b>	(0.059)

# Balance Sheet

AS AT 30 JUNE 2007	Note	As at 30 June 2007 A\$	As at 30 June 2006 A\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8(b)	1,375,428	2,407,053
Trade and other receivables	9	350,813	639,373
Inventories	10	136,571	129,370
Other	11	34,825	39,381
<b>TOTAL CURRENT ASSETS</b>		<b>1,897,637</b>	3,215,177
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	244,953	251,648
Intangible assets	13	277,962	221,240
Capitalised development costs	13	3,719,471	1,404,971
Other		3,586	3,312
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,245,972</b>	1,881,171
<b>TOTAL ASSETS</b>		<b>6,143,609</b>	5,096,348
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	756,736	705,966
Deferred revenue		1,661,193	408,450
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,417,929</b>	1,114,416
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	97,251	68,693
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>97,251</b>	68,693
<b>TOTAL LIABILITIES</b>		<b>2,515,180</b>	1,183,109
<b>NET ASSETS</b>		<b>3,628,429</b>	3,913,239
<b>EQUITY</b>			
Contributed equity		6,553,932	6,528,748
Accumulated losses		(3,605,225)	(3,138,272)
Other reserves		679,722	522,761
<b>TOTAL EQUITY</b>		<b>3,628,429</b>	3,913,237

## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

	Issued Capital A\$	Accumulated Losses A\$	Employee Equity Benefits Reserve A\$	Total Equity A\$
<b>At 1 July 2005</b>	3,394,946	(3,003,195)	51,066	<b>442,817</b>
Loss for the year		(135,077)		<b>(135,077)</b>
Exercise of options	70,131		(28,363)	<b>41,768</b>
Issues of ordinary shares during the year				
Issue of share capital	3,848,550			<b>3,848,550</b>
Transaction costs	(1,234,880)			<b>(1,234,880)</b>
Conversion of Convertible Notes	450,000			<b>450,000</b>
Cost of share based payment			500,058	<b>500,058</b>
<b>At 30 June 2006</b>	6,528,748	(3,138,272)	522,761	<b>3,913,237</b>
Loss for the year		(466,953)		<b>(466,953)</b>
Exercise of options	15,000		(10,184)	<b>4,816</b>
Cost of share based payment	10,184		167,145	<b>177,329</b>
<b>At 30 June 2007</b>	6,553,932	(3,605,225)	679,722	<b>3,628,429</b>

## Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007 A\$	30 June 2006 A\$
Net income recognised directly in equity	0	0
Loss for the year	<b>(466,953)</b>	(135,077)
Total recognised income and expense for the year	<b>(466,953)</b>	(135,077)
Attributable to equity holders of the company	<b>(466,953)</b>	(135,077)

# Cashflow Statement

<b>FOR THE YEAR ENDED 30 JUNE 2007</b>		<b>30 June 2007 A\$</b>	<b>30 June 2006 A\$</b>
	<b>Note</b>		
<b>CASH FLOWS FROM /(USED IN) OPERATING ACTIVITIES</b>			
Receipts from customers		<b>3,232,553</b>	2,367,014
Grants received		<b>1,301,390</b>	930,843
Payments to suppliers and employees		<b>(3,016,722)</b>	(2,561,378)
Interest received		<b>87,902</b>	59,168
Finance costs paid		<b>0</b>	(83,421)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	8(a)	<b>1,605,123</b>	712,226
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchases of plant and equipment		<b>(150,707)</b>	(179,057)
Payments for intangible assets		<b>(76,762)</b>	0
Payments for research and development costs		<b>(2,424,279)</b>	(1,444,768)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(2,651,748)</b>	(1,623,825)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Exercise of options		<b>15,000</b>	41,769
Issue of shares		<b>0</b>	3,848,550
Costs of listing on AIM		<b>0</b>	(1,234,880)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>15,000</b>	2,655,439
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,031,625)</b>	1,743,840
Cash and cash equivalents at beginning of period		<b>2,407,053</b>	663,213
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	8(b)	<b>1,375,428</b>	2,407,053

--- ENDS ---

## Enquiries:

**Seeing Machines Limited**

Nick Cerneaz, CEO

+61 (0) 2 6125 6501

[www.seeingmachines.com](http://www.seeingmachines.com)

**Insinger de Beaufort**

Peter Ward

+44 (0) 20 7190 7015

**Parkgreen**

**Communications**

Ben Knowles

Erica Nelson

+44 (0) 20 7851 7480

## Notes to editors:

About Seeing Machines

Seeing Machines is an award winning Technology Company which focuses on vision based human machine interfaces. Formed in 2000 in Canberra, Australia, Seeing Machines' purpose is to commercialise its computer-vision across a range of industries and applications.

Seeing Machines deliver advanced computer vision solutions for researchers and developers in human factors, transportation safety, computer human interaction, robotics, medical research and psychology. The flagship product faceLAB® provides an automated and contact-free gaze and head tracking technology, it solves the problem of observing human behaviour naturally, non-intrusively and with a high degree of accuracy and usability. Building on these unique face tracking and pupil measurement and monitoring capabilities, the TrueField Analyzer® is new medical device to assist clinicians detect and manage eye diseases such as glaucoma.

The TrueField Analyzer® offers a new objective method to help doctors diagnose and manage a range of eye diseases including glaucoma, age related macular degeneration and diabetic retinopathy. Glaucoma affects about 2-3% of the population over 40 years of age and is a leading source of blindness. Unlike most other devices available to the clinician the TrueField Analyzer is a completely objective test and it is quick and easy for patients and technicians alike. The device measures both eyes concurrently and due to the reliability that arises from the objective nature of the test, it has the potential to become a new standard in the measurement of visual field defects and thus in the diagnosis and management of disease such as glaucoma.

More generally Seeing Machines' computer vision systems are able to measure the orientation and position of a human head, estimate eye-gaze direction, detect eye blinks and track other facial features. This functionality is achieved entirely through visual means, using video cameras connected to advanced image processing software, with no attachments required on the subject. Products such as faceLAB® are designed to allow human factors researchers and designers to assess the interaction of an operator in an environment and this finds application in designing operator environments, such as cockpits for cars, trucks, trains, and aeroplanes for instance, and other industrial design applications, as well as medical and psychological research situations. The technology has been developed into the Driver State Sensor (DSS2) product for application in monitoring vehicle drivers and if it detects drowsiness (fatigue) or that the driver is distracted and their attention has been diverted from the road, alarms are raised to alert the driver to these events. In larger deployments, such as in fleet and mining equipment operations, the data is available in both real-time and off-line modes for fleet management, driver training and awareness programs

The systems work in real-time, enabling the behaviour of subjects to be tracked in real-time. This technology is paving the way in promoting safer driving conditions and works to enhance the driving experience and to eliminate accidents caused through driver drowsiness or distraction.

There are many different sectors that can benefit from this revolutionary software, for which it has been developed, including: automotive; academic research; medicine/healthcare; defence; autostereoscopy (next generation displays); sport; and games.