



23 September 2009

Seeing Machines Limited

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

Seeing Machines Limited (AIM: SEE), a leading developer of advanced computer based imaging software systems, announces final results for the year ended 30 June 2009.

Financial Highlights

- Revenue increased by A\$826,024 to A\$5,225,771 (2008: A\$4,399,747);
- Other income increased to A\$304,575 (2008: A\$271,975), helped by favourable foreign exchange movements;
- Gross profit increased by A\$425,108 to A\$3,051,569 (2008: 2,626,461); and
- Net loss of A\$5,609,112 (2008: Profit A\$326,744) principally due to a one off write down of intangible assets of A\$5,043,984.

Operational Highlights

- Marketing of DSS in the global commercial transport and mining sectors;
- Release of the first commercial version of faceAPI in August 2008 with sales of over A\$250,000;
- Release of faceLAB® 5 in February 2009;
- Continued progress towards commercialization of the TrueField Analyzer®; and
- Restructure of the business in February 2009 to focus on cash generative operations and to conserve cash reserves.

Nick Cerneaz, CEO, stated. "The second half of the year saw the business adversely affected by the global economic crisis particularly its impact on our DSS and faceLAB businesses. In light of this the Company was restructured in February 2009 to align its revenue and cost base to preserve cash and focus on cash generating operations. We started seeing signs of recovery in the last quarter and believe the Company is well placed to record positive operational performance going forward following the write down of the intangible assets."

The Seeing Machines Annual Report for 2008-2009 is available for download from the Company's website www.seeingmachines.com and will be posted to shareholders in October 2009. Extracts from the Annual Report are set out below.

Enquiries:

Seeing Machines Limited www.seeingmachines.com	Nick Cerneaz, CEO	+61 (0) 2 6103 4700
Grant Thornton Corporate Finance (Nomad)	Fiona Owen / Robert Beenstock	+44 (0) 20 7383 5100
Daniel Stewart & Company plc	Martin Lampshire	+44 (0) 20 7776 6550
Walbrook PR Ltd	Ben Knowles Helen Westaway	+44 (0) 20 7933 8780 Mob. +44 (0) 7900 346 978 ben.knowles@walbrookpr.com helen.westaway@walbrookpr.com

DIRECTORS REPORT (extract)

Review of Operations

Financial Results

Total revenue for the year increased by A\$826,024 to A\$5,225,771 (2008: A\$4,399,747) whilst revenue from sale of goods and license fees was A\$4,824,535 (2008: A\$3,880,726). Rendering of services (contract) income of A\$96,661 (2008: A\$247,046) is down due to Seeing Machines involvement in the AutoCRC project being largely completed and on-going work with Hella KGaA Hueck & Co on hold due to the global economic crisis and its impact on the automotive industry. Other income was A\$304,575 (2008: A\$271,975) up largely due to favourable foreign exchange movements on sales and purchases.

Operational expenditure for the year was A\$5,790,899 up by A\$1,717,896 on the prior year (A\$4,073,003). Total expenses were A\$10,834,883 due to a one-off write-down of intangible assets of A\$5,043,984. The increase in operational expenditure was due primarily to increased marketing costs including the costs of goods sold commensurate with the higher revenue from sale of goods and the full year costs of the US sales office.

The Company made an operational loss of A\$565,128 for the year ended 30 June 2009 a worsening over the prior year where a profit of A\$326,444 was recorded. The Company is reporting a net loss of A\$5,609,112 for the year ended 30 June 2009. This result is principally due to the write-down of intangible assets totalling A\$5,043,984. The operational loss was due largely to lower than expected revenue in the DSS and faceLAB® businesses which were adversely impacted by the global economic crisis and in particular the slow-down in the automotive industry and in the case of faceLAB® a reduced amount of funding available for R&D projects.

The Company had A\$679,166 in cash at 30 June 2009 compared to A\$2,771,247 at 30 June 2008. Net assets reduced to A\$1,593,783 at 30 June 2009 compared to A\$7,090,437 at 30 June 2008. This reduction is largely due to the write-down of assets of A\$5,043,984 and the reduction in cash reserves.

Although total revenue increased year on year the growth in revenue was adversely impacted by the global economic crisis leading to lower than expected revenue in a number of business segments. A corporate restructure announced in February was undertaken to address some of these adverse impacts. Furthermore the directors believe that the write-down in the value of intangible assets is appropriate given the current uncertain economic times. A significant benefit of this write-down is that it provides the Company with a foundation for recording positive operational performance in future years.

Operational Highlights

Highlights for the year ended 30 June 2009 included:

- the continued efforts to market the DSS in the global commercial transport and mining sectors;
- the development of new analytical tools for the DSS which provide fleet managers with deeper insight into issues of driver drowsiness and distraction within their;
- the release of faceLAB® 5 in February 2009;
- the release of the first commercial version of faceAPI in August 2008;
- the continued progress towards commercialization of the TrueField Analyzer®; and
- the relocation of the Company from the Australian National University campus to more suitable commercial premises in Braddon.

Driver State Solution (DSS)

The DSS achieved revenue of A\$2,224,810 (2008: A\$1,429,793). Although up by A\$795,017 (56%) over the prior year this revenue growth was slower than management had anticipated due primarily to the effects of the global economic crisis and the impacts on the automotive industry and the United States economy in particular.

The downturn in the automotive industry saw a pause in our work with Hella KGaA Hueck & Co and progress on the OEM version of the DSS as automotive OEM's cutback on capital expenditure. We are seeing the first signs that this work may get back on track during the coming year.

The weakness in the US economy has also adversely impacted the take-up of the DSS in the US in the prime target markets of commercial fleets and mining operations as companies have been reluctant to make the capital expenditure required for the DSS. Again we are just starting to see the signs that things may improve in 2010 notably in the mining industry, though continued global economic weakness may impact the timing of that. During the last part of the financial year we sold systems to organisations in Indonesia, Botswana, Mexico and Italy and we have also seen strong interest from Australia, the US and South America where there are very significant mining operations in a number of countries including Brazil, Chile and Peru.

The Company has focused ongoing DSS development work on improved data analysis and reporting tools and integration of the systems into customer's operations. This includes the integration of the DSS with the telemetry, communications and real-time reporting systems of multiple fleet management system vendors particularly for road transport and mine management operations. The changes made to the product throughout the year have continued to mature the DSS from its origins as a sensor of the driver's state (circa 2007) to an integrated solution for managing fatigue in fleet operations, particularly in road transport and mining operations. The new modes of driver alerts and the use of telematics technologies to alert fleet dispatchers of critical situations is particularly relevant to the risk mitigation efforts of all transport fleet managers. The system has also been independently certified according to various applicable electrical and safety standards.

The focus during 2010 will be to:

- secure DSS sales opportunities in private fleets and mining operations, with emphasis on converting the existing portfolio of pilot deployments, to significantly grow the DSS revenue and customer base;
- increase our DSS sales force in targeted verticals;
- appoint strategic partners and distributors to service particular geographic regions and verticals that are difficult for the Company to pursue directly for reasons including language, cultural and geographic constraints, for example;
- continue to develop the product so that it remains the leading fatigue solution in its target markets; and
- be ready to move back into the OEM space when the opportunity arises.

faceLAB®

faceLAB® achieved sales of A\$2,377,689, slightly down on the prior record year which saw sales in excess of A\$2.5 million. Like the DSS, faceLAB® sales were adversely impacted by the global financial crisis with many potential sales being lost at the last minute due to funding being delayed or curtailed. During the last quarter of the year there were signs that this was turning around with a reduced rate of potential sales being lost in this fashion.

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.

In February 2009 faceLAB® version 5 was released. Key features of this release include:

- 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.

Also coinciding with the release of faceLAB® version 5 was the debut of EyeWorks a new rich visual analysis tool from US company Eye Tracking Inc and which is sold under an exclusive arrangement as the analysis suite for faceLAB®. This provides us with a real point of distinction in the growing on-screen analysis market.

faceAPI™

Seeing Machines released the first commercial version of the faceAPI product in August 2008 and sales in excess of a quarter of a million dollars were achieved in the first year of release. Developer licences have been sold to companies developing applications across a broad spectrum of fields including:

- 3D displays;
- Video games;
- Augmented reality;
- Interactive advertising;
- Teleconferencing;
- Virtual worlds;
- Robotics; and
- Human computer interaction.

The strategy with faceAPI is to derive revenues through two streams:

- developer license sales; and
- production license sales.

Developers need to acquire production licenses before they are able to distribute their applications to customers.

TrueField Analyzer®

The Company has progressed the development work required to bring the TrueField Analyzer® (TFA) to market and we are aiming to launch the product this year. At the date of this report there remains however a number of unresolved issues that must be addressed before launching the TFA for commercial sale and consequently there exists a possibility that its introduction may be delayed. We are aiming to have those matters resolved allowing the release of the TFA at the next major industry meeting in October 2009.

During the year the TFA has been exhibited at many relevant industry conferences to build awareness and accelerate the update of the product following its launch. Such events included: Veterans' of Foreign Wars (VFW) Meeting in Orlando FL (August 2008), American Academy of Ophthalmology (AAO) Annual Meeting in Atlanta GA (November 2008), Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Ft Lauderdale FL (May 2009), and the World Glaucoma Congress (WGC) in Boston MA (July 2009).

Through the year a number of academic journal papers have been prepared by our research colleagues at the Australian National University (the first has been accepted for publication at the date of this report). A series of academic conference presentations have been made at relevant industry meetings (ARVO, AAO and WGC) and have been well received, including a presentation at the AAO annual meeting (Nov 2008) delivered by the technology's inventor that earned a "Best Paper" award at the meeting.

Initial uptake of the TFA following its launch will be encouraged through support for independent luminary clinical evaluation and then subsequently commercialized through partnership or technology licensing to one of the large medical device OEMs.

James Fulton Muir
Chairman

Nick Cerneaz
Chief Executive Officer and Director

Balance Sheet

As at 30 June 2009

	Note	Consolidated		Parent	
		2009 A\$	2008 A\$	2009 A\$	2008 A\$
ASSETS					
Current Assets					
Cash and cash equivalents	12	679,166	2,771,247	648,371	2,765,564
Trade and other receivables	13	748,550	866,949	1,242,479	872,458
Inventories	14	259,728	288,243	249,225	288,243
Derivative financial instruments	15	-	12,297	-	12,297
Other current assets		44,972	77,611	44,972	77,611
Total Current Assets		1,732,416	4,016,347	2,185,047	4,016,173
Non-current Assets					
Investments in subsidiaries	16	-	-	174	174
Property, plant and equipment	17	302,549	259,906	300,733	259,906
Intangible assets	18	417,361	357,307	417,361	357,307
Capitalised development costs	18	-	5,849,250	-	5,849,250
Total Non-current Assets		719,910	6,466,463	718,268	6,466,637
TOTAL ASSETS		2,452,326	10,482,810	2,903,315	10,482,810
LIABILITIES					
Current Liabilities					
Trade and other payables	19	606,370	830,285	598,806	830,285
Provisions	20	232,571	223,353	219,574	223,353
Total Current Liabilities		838,941	1,053,638	818,380	1,053,638
Non-Current Liabilities					
Provisions	21	73,602	117,717	73,602	117,717
Government grants	22	-	2,221,018	-	2,221,018
Total Non-Current Liabilities		73,602	2,338,735	73,602	2,338,735
TOTAL LIABILITIES		912,543	3,392,373	891,982	3,392,373
NET ASSETS		1,539,783	7,090,437	2,011,333	7,090,437
EQUITY					
Contributed equity	23	9,646,776	9,646,776	9,646,776	9,646,776
Accumulated losses	24	(8,887,593)	(3,278,481)	(8,373,775)	(3,278,481)
Reserves	24	780,600	722,142	738,332	722,142
TOTAL EQUITY		1,539,783	7,090,437	2,011,333	7,090,437

The above balance sheet should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 A\$	2008 A\$	2009 A\$	2008 A\$
Continuing operations					
Sale of goods and license fees		4,824,535	3,880,726	4,824,535	3,880,726
Rendering of services		96,661	247,046	96,661	247,046
Revenue		4,921,196	4,127,772	4,921,196	4,127,772
Cost of sales		(1,869,627)	(1,501,311)	(2,045,658)	(1,501,311)
Gross Profit		3,051,569	2,626,461	2,875,538	2,626,461
Other Income	7	304,575	271,975	304,575	271,975
Deferred Grant income – net off against impairment		2,245,642	-	2,245,642	-
Marketing expenses		(2,190,407)	(705,407)	(1,560,424)	(705,407)
Occupancy and facility expenses		(498,958)	(344,171)	(491,360)	(344,171)
Administrative expenses		(1,222,774)	(1,466,384)	(1,170,506)	(1,466,384)
Impairment of development costs		(7,289,626)	-	(7,289,626)	-
Other expenses	8	(9,133)	(55,730)	(9,133)	(55,730)
Profit (Loss) before income tax		(5,609,112)	326,744	(5,095,294)	326,744
Income tax expense	9	-	-	-	-
Net Profit (Loss) for the year		(5,609,112)	326,744	(5,095,294)	326,744
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:	11				
Basic earnings per share		(1.906)	0.111		
Diluted earnings per share		(1.906)	0.111		

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

Statement of changes in equity

For the year ended 30 June 2009

Note	Consolidated						Total Equity A\$
	Contributed Equity A\$	Accumulated Losses A\$	Foreign Currency Translation A\$	Employee Equity reserve A\$	Cash flow hedge reserve A\$		
At 1 July 2007	6,553,932	(3,605,225)	-	679,722	-	3,628,429	
Profit/(Loss) for the year	24	-	326,744	-	-	326,744	
Total Income and Expenditure for the year		-	326,744	-	-	326,744	
Share Issue	23	3,199,282	-	-	-	3,199,282	
Transaction costs	23	(106,438)	-	-	-	(106,438)	
Share based payments	24	-	-	30,123	-	30,123	
Net gain on cash flow hedges	24	-	-	-	12,297	12,297	
At 30 June 2008		9,646,776	(3,278,481)	-	709,845	12,297	7,090,437
Profit/(Loss) for the year	24	-	(5,609,112)	-	-	-	(5,609,112)
Total Income and Expenditure for the year		-	(5,609,112)	-	-	-	(5,609,112)
Foreign currency translation	24	-	-	42,268	-	-	42,269
Share based payments	24	-	-	28,487	-	-	28,487
Transfer to income statement	24	-	-	-	(12,297)	-	(12,297)
At 30 June 2009		9,646,776	(8,887,593)	42,268	738,332	-	1,539,783

Note	Parent					Total Equity A\$
	Contributed Equity A\$	Accumulated Losses A\$	Employee Equity reserve A\$	Cash flow hedge reserve A\$		
At 1 July 2007	6,553,932	(3,605,225)	679,722	-	3,628,429	
Profit/(Loss) for the year	24	-	326,744	-	326,744	
Total Income and Expenditure for the year		-	326,744	-	326,744	
Share Issue	23	3,199,282	-	-	3,199,282	
Transaction costs	23	(106,438)	-	-	(106,438)	
Share based payments	24	-	-	30,123	30,123	
Net gain on cash flow hedges	24	-	-	-	12,297	
At 30 June 2008		9,646,776	(3,278,481)	709,845	12,297	7,090,437
Profit/(Loss) for the year	24	-	(5,095,294)	-	-	(5,095,294)
Total Income and Expenditure for the year		-	(5,095,294)	-	-	(5,095,294)

Share based payments	24	-	-	28,487	-	28,487
Transfer to income statement	24	-	-	-	(12,297)	(12,297)
At 30 June 2009		9,646,776	(8,373,775)	738,332	-	2,011,333

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

Cash flow Statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 A\$	2008 A\$	2009 A\$	2008 A\$
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		5,201,832	3,688,380	5,201,832	3,688,380
Grants received (inclusive of GST)		100,787	754,337	100,787	754,337
Payments to suppliers and employees (inclusive of GST)		(5,059,772)	(3,666,404)	(4,571,947)	(3,671,913)
Interest received		106,987	118,682	106,987	118,682
Net cash flows from operating activities	25	349,834	894,995	837,659	889,486
Cash flows from investing activities					
Proceeds from sale of plant and equipment		500	1,586	500	1,586
Purchase of plant and equipment		(195,067)	(140,505)	(192,912)	(140,505)
Purchase of intangibles		(97,235)	(104,553)	(97,235)	(104,553)
Costs incurred on research and development		(2,139,285)	(2,334,396)	(2,139,285)	(2,334,396)
Acquisition of subsidiary	25	-	-	-	(174)
Net cash flows used in investing activities		(2,431,087)	(2,577,868)	(2,428,932)	(2,578,042)
Cash flows from financing activities					
Loans to Group		-	-	(472,282)	-
Proceeds from issue of shares		-	3,199,282	-	3,199,282
Transaction costs on issue of shares		-	(106,438)	-	(106,438)
Net cash flows from financing activities		-	3,092,844	(472,282)	3,092,844
Net increase/(decrease) in cash and cash equivalents		(2,081,253)	1,409,971	(2,063,555)	1,404,288
Net foreign exchange differences		(10,828)	(14,152)	(53,636)	(14,152)
Cash and cash equivalents at the beginning of the period		2,771,247	1,375,428	2,765,564	1,375,428
Cash and cash equivalents at end of period	12	679,166	2,771,247	648,373	2,765,564

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

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