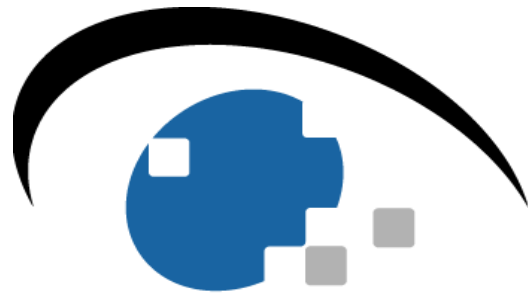


Annual Report 2008/09

visionary technology





seeingmachines

ABN 34 093 877 331

Seeing Machines Limited

Annual Financial Report

**For the year ended
30 June 2009**



Seeing Machines Limited - Annual Report
ABN 34 093 877 331

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Corporate Information

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

A description of the Company's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 4. The directors' report is not part of the financial report.

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

Company Secretary Belinda Burgess

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Braddon ACT 2612

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

Solicitors Deacons
1 Alfred Street
Circular Quay NSW 2000

Bankers Commonwealth Bank of Australia Limited
University Drive
Canberra ACT 2600

Auditors Ernst & Young
51 Allara Street
Canberra ACT 2600



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Directors' Report

Your directors submit their report for the year ended 30 June 2009.

DIRECTORS

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

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

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;



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Directors' Report (continued)

- 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;



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Directors' Report (continued)

- 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.



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Directors' Report (continued)

Chief Executive Officer

The Company's Chief Executive Officer for the full financial year to 30 June 2009 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 2009 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 2009 the Company had 22 fulltime employees and a further 4 parttime employees (down from 35 employees at 30 June 2008).

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

Name and qualifications	Experience and special responsibilities
James Fulton Muir AO HonDUniv (ANU)	Chairman and Chairman of the Audit Committee Mr Muir has had a distinguished career in banking, government and international relations. He has held senior positions in major Australian banks, including Westpac and St George Building Society. He has been the New South Wales State Government Commissioner for North America, and also economic adviser to the Chief Minister of the Australian Capital Territory Government. He is a Director of a number of companies, Chair of ANU Enterprise and Australian Scientific Instruments. Until recently he held several roles with the Australian National University, including Member of the University Council and Chair of Finance Committee. Fulton was appointed an Officer of the Order of Australia (AO) for Services to Commerce and the Community in 1992.
David Gaul	Non-executive director and member of the Nominations Committee Mr Gaul is co-founder, non-executive director and past President of CEA Technologies, a highly successful technology company that designs and develops radar and communications technology. David was the Australian Technology Entrepreneur of the Year in 2003 and has over 20 years experience in high-tech commercialism. David is a founding fellow of the Australian Institute of Company Directors.
William Mobbs MBA, BSc, MAICD	Non-executive director and member of the Audit Committee Mr Mobbs is the former CEO and co-founder of ITL Limited, an ASX listed company, with over 14 years experience developing, manufacturing, marketing and selling product into the global medical and healthcare industry. William has a strong track record for successfully turning product R&D into commercial outcomes in the medical and healthcare markets.



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Directors' Report (continued)

Name and qualifications	Experience and special responsibilities
Rob Sale	<p>Non-executive director and member of the Remuneration Committee</p> <p>Mr Sale is the Managing Director of Diversionary Therapy Technologies Pty Ltd, a medical devices company. Rob has a long track record of success in establishing and developing technology start-ups. He grew Abacus Data Systems, an Australian IT services and software development company from 20 to over 100 staff and contractors, ultimately negotiating the sale of the business in 1999. Rob is a member of the CSIRO Sector Advisory Committee on Information Technology, Communications and Services and sits on one of CSIRO's technology company boards. CSIRO is one of Australia's largest and most diverse scientific and research organisations.</p>
Dr Trent Victor Ph. D., M. Sc.	<p>Non-executive director and member of the Nomination Committee</p> <p>Dr Victor is Product Area Manager for Driver Environment at Volvo Technology. Volvo Technology is a research and innovation company in the Volvo Group where new technologies, products and businesses are developed. Trent is responsible for co-ordination of research, innovation and product integration in the driver's environment. He also has specific expertise in driver awareness products, such as drowsiness alert, distraction alert, interaction support (workload management), attention-sensitive driving support, impairment detection and distraction evaluation tools. Trent has been the key person behind Volvo's involvement in Seeing Machines, ever since Volvo's first research contract with the Australian National University in the 1990s.</p>
Dr Alexander Zelinsky Ph.D, B.Math(Hons), FIEEE, FTSE, FAICD, FIEAust.	<p>Non-executive director and member of the Remuneration Committee</p> <p>Dr Zelinsky is currently Group Executive, Information Sciences and Technology, and Director, Information Communication Technology (ICT) Centre. Prior to this Alex was a co-founder and CEO of Seeing Machines. Alex was also Professor and Head of Department of Information Engineering at the Australian National University. Alex is extensively published and is internationally recognised as a leader in the fields of robotics and computer vision. He has worked in the computer industry and has had extensive international experience as a project leader developing cutting edge technology. Alex has received numerous international awards and recognition for his work. In May 2005 Alex received the prestigious Australian Academy of Technological Sciences and Engineering Clunies-Ross Award for successful innovation involving the application of science and technology for the benefit of Australia.</p>
Dr Nicholas Cerneaz D.Phil, B.E.(Hons), B.Sc	<p>Executive director</p> <p>Dr Cerneaz joined Seeing Machines in 2005 to take responsibility for the commercialisation of the company's glaucoma diagnostic technology. Nick brings to Seeing Machines significant industry experience developing and commercialising medical software and devices. Most recently Nick was the Chief Operations Officer at CTI Mirada Solutions and formerly Vice President of Engineering at Mirada Solutions Limited an Oxford UK based medical software company spun out from Oxford University in 1997. Nick was instrumental in building Mirada from its start-up origins through to a trade sale to CTI Molecular Imaging, which was itself acquired by Siemens Medical Systems, Inc in 2005.</p>



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Directors' Report (continued)

Principal Activities

The Company's principal activities during the year were:

- development and sale of the Driver State Solution (DSS) products to detect driver distraction and drowsiness and continued market development to secure a sustainable channel to market for the products and technologies;
- development, sale and distribution of its faceLAB® product;
- development and sales of the faceAPI product and development of commercial opportunities to license and deploy the product;
- development of the TrueField Analyzer® medical device to assist doctors detect and manage glaucoma and other eye diseases; and
- research and development of the Company's core vision processing technologies to support the development and refinement of the Company's products.

Changes in State of Affairs

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

Subsequent Events After the Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any 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 years.

Future Developments

The Company will continue to progress the activities described in this report most notably:

- the development and commercialisation of the Driver State Sensor Solution (DSS); and
- the development and sale of its faceLAB® product;
- the development and commercialisation of the faceAPI product; and
- the development and commercialisation of the TrueField Analyzer® (TFA);

Environmental Regulations

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

Dividends

No dividends or distributions have been made to members during the year ended 30 June 2009 and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2009.

Share Options

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

On 5 January 2009 4,682,474 options were issued under the Employee Share Options Scheme.

No further options were granted during the year.



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Directors' Report (continued)

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

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

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

(iii) Share options on issue at the date of the report

As at the date of this report there were 25,732,554 options issued (25,732,554 at the reporting date).

Unissued Shares

As at the date of this report there were 25,732,554 unissued ordinary shares under options (25,732,554 at the reporting date).

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

Indemnification of Directors and Officers

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

Directors Meetings

During the 2009 financial year 15 Board meetings were held. The following table sets out the number of Directors' meetings each Director was eligible to attend and the number of meetings they actually attended.

Director	Meetings Eligible to Attend	Meetings Attended
James Fulton Muir	15	15
David Gaul	15	15
William Mobbs	15	12
Rob Sale	15	13
Trent Victor	15	11
Alexander Zelinsky	15	12
Nicholas Cerneaz	15	15

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's Independence Declaration

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



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Directors' Report (continued)

Non-Audit Services

The following non-audit services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and other services	A\$25,469
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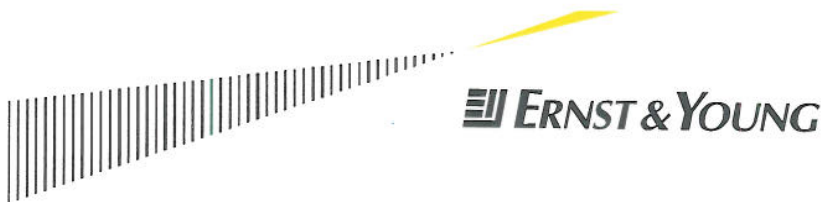
Signed at Canberra this 23rd day of September 2009 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Handwritten signature of James Fulton Muir.

James Fulton Muir
Chairman

Handwritten signature of Nicholas Cerneaz.

Nicholas Cerneaz
Chief Executive Officer
and Director



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

In relation to our audit of the financial report of Seeing Machines Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "James Palmer".

James Palmer
Partner
Canberra
23 September 2009



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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.



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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	Accumulated Losses	Foreign Currency Translation	Employee Equity reserve	Cash flow hedge reserve		
	A\$	A\$	A\$	A\$	A\$	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	Accumulated Losses	Employee Equity reserve	Cash flow hedge reserve			
	A\$	A\$	A\$	A\$	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	-	(5,095,294)	-	-	-	(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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Notes to the Financial Statements

1. Corporate Information

The financial report of Seeing Machines Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 23rd September 2009.

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 Group are described in the Directors' Report.

2. Going Concern basis of accounting

The financial report has been prepared on the going concern basis. The Group has made a loss for the year of \$5,609,112 (2008: Profit of \$326,744). The Group has Accumulated Losses of \$8,887,593 (2008: Accumulated Losses of \$3,278,481). The balance of cash and cash equivalents at 30 June 2009 is \$679,166 (2008: Cash and cash equivalents \$2,771,247). 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 has prepared cash flow forecasts for the next twelve months that show that the Group will be able to meet its debts as and when they fall due. These cash flow forecasts are based on a number of assumptions in particular about the Group's ability to meet projected sales levels.

The Directors are confident that the Group will meet the projected sales levels and on this basis the Directors believe the adoption of the going concern basis of accounting is justified. However, should this position change the Group may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded assets nor to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Summary of significant accounting policies

Basis of preparation

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

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

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2009. These are outlined in the table below.



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Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The standards are disclosure standards so will have no direct impact on the amounts included in the Group's financial statements. The amendments may have an impact on the Group's disclosures.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements however, the Group has determined the amendments will not impact on the current accounting treatment as the nature of the share based arrangements do not fall within the scope of the amendments.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009



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Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree’s net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group’s income statement.	1 July 2009



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Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p> <p>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.</p> <p>The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].</p>	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.</p> <p>Refer to AASB 2008-5 above for more details.</p>	1 July 2009	Refer to AASB 2008-5 above for more details.	1 July 2009



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Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a ‘carry-over basis’ rather than at fair value.</p>	1 July 2009



Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). <p>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Seeing Machines Limited and its subsidiaries (as outlined in note 26) as at 30 June each year (the Group).

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

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

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

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

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



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The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see note (d)).

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment reporting – refer note 6

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments will most likely be reported. 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.

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

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

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



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Notes to the Financial Statements (continued)

(g) Cash and cash equivalents – refer note 12

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

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

(h) Trade and other receivables – refer note 13

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

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

(i) Inventories - refer note 14

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

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

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

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

(j) Derivative financial instruments and hedging – refer note 15

The Group uses derivative financial instruments (including forward currency contracts) to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability (*Seeing Machines Limited does not currently have any fair value hedges*);
- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction (*Seeing Machines Limited has cash flow hedge*); or
- hedges of a net investment in a foreign operation (*Seeing Machines Limited does not hedge its net investment in the United States operation*).



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Hedges that meet the strict criteria for hedge accounting are accounted as follows:

(i) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs or inventory purchases) when the forecast transaction occurs.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

At each balance date, the Group measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to other income/expense in the income statement. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the income statement.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

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

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

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

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

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

Derecognition

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



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Notes to the Financial Statements (continued)

(l) Leases

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

(i) Group as a lessee

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

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

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

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

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

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

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

(n) Intangibles – refer note 18

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the intangible relates. Such intangibles are not amortised. The useful life of an intangible asset



Notes to the Financial Statements (continued)

with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

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

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

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

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

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

(o) Trade and other payables – refer note 19

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

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

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

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



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

Employee leave benefits

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

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

(ii) Long service leave

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

(q) Share-based payment transactions – refer note 28

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

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

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

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

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

- (i) The grant date fair value of the award.
- (ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- (iii) The expired portion of the vesting period.

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

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



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

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

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

(r) Contributed equity – refer note 23

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

(s) Revenue recognition

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

(i) Sale of goods

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

(ii) Licence fees

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

(iii) Rendering of services

Revenue from the support and consultancy is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer.

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

(iv) Interest revenue

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

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

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



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

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

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

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

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

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

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

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

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

Other taxes

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

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

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

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

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



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Notes to the Financial Statements (continued)

(u) Government grants – refer note 22

Government grants are recognised in the balance sheet as a liability when the grant is received.

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

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

(v) Earnings per share – refer note 11

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

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

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



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Notes to the Financial Statements (continued)

4. Financial risk management objectives and policies

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

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

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

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

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates to the Group's short-term cash holdings and cash flow hedges.

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

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

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Financial Assets				
Cash and cash equivalents				
Exposed to Australian variable interest rate risk	562,207	2,681,111	562,207	2,681,111
Exposed to United States of America variable interest rate risk	116,959	90,136	86,164	84,453
Total cash and cash equivalents	679,166	2,771,247	648,371	2,765,564

The Group's policy is to not hedge against interest rate movements as funds held are in cash and short-term deposits.

At 30 June, 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax equity and profit would have been affected as follows:



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Notes to the Financial Statements (continued)

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Consolidated				
+ 1% (100 basis points)	16,246	27,712	-	(444)
- .5% (50 basis points)	(8,123)	(13,856)	-	222
Parent				
+ 1% (100 basis points)	15,807	27,656	-	(444)
- .5% (50 basis points)	(7,903)	(13,827)	-	222

The movement in Profit is due to interest rate change on cash balance. The movement in equity is due to the increase/decrease in the fair value of derivative instruments designated as cash flow hedges.

Foreign currency risk

As a result of significant sales in the United States and Europe (denominated in the local currency), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's balance sheet can be affected by movement in the US\$/A\$ exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by entering into forward contracts.

Approximately 95% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 74% of costs are denominated in the unit's functional currency.

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

It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivative to exactly match the terms of the hedged item to maximize hedge effectiveness.

Further, for the purpose of settlement of accounts that will likely occur within three months, funds received may be held in a currency other than the unit's functional currency to settle such amounts.

At 30 June, 2009 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated		Parent	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Financial Assets				
Cash and cash equivalents (US\$)	116,959	90,136	86,164	84,626
Trade and other receivables (US\$)	374,349	533,478	868,278	538,988
Trade and other receivables (EUR)	144,792	128,287	144,792	128,287
Trade and other receivables (GBP)	-	98,468	-	98,468
	636,100	850,369	1,099,234	850,369
Financial Liabilities				
Trade and other payables (US\$)	44,844	81,683	44,844	81,683
Trade and other payables (EUR)	-	-	-	-
Trade and other payables (GBP)	30,084	26,717	30,084	26,717
	74,928	108,400	74,928	108,400
Net exposure	561,172	741,969	1,024,306	741,969



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Notes to the Financial Statements (continued)

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

At 30 June 2009, had the Australian dollar moved against major trading currencies, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movement:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Consolidated				
AUD/foreign currency +10%	(51,015)	(67,452)	-	28,332
AUD/foreign currency -5%	29,535	39,051	-	(15,583)
Parent				
AUD/foreign currency +10%	(93,118)	(67,452)	-	28,332
AUD/foreign currency -5%	53,910	39,051	-	(15,583)

Management believe the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Credit risk

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

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

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

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

Capital management and liquidity risk

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

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities, including derivative financial instruments as of 30 June 2009. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.



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Notes to the Financial Statements (continued)

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
6 months or less	606,370	830,285	598,807	830,285
Over six months	-	-	-	-
	606,370	830,285	598,807	830,285

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

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

	<=6 months \$	6 - 12 months \$	> 1 year \$	Total
Year ended 30 June 2009				
Consolidated Financial assets				
Cash and cash equivalents	679,166	-	-	679,166
Trade and other receivables	748,550	-	-	748,550
	1,427,716	-	-	1,427,716
Consolidated Financial liabilities				
Trade and other payables	606,370	-	-	606,370
	606,370	-	-	606,370
Net Maturity	821,346	-	-	821,346

	<=6 months \$	6 - 12 months \$	> 1 year \$	Total
Year ended 30 June 2009				
Parent Financial assets				
Cash and cash equivalents	648,371	-	-	648,371
Trade and other receivables	1,242,479	-	-	1,242,479
	1,890,850	-	-	1,890,850
Parent Financial liabilities				
Trade and other payables	598,806	-	-	598,806
	598,806	-	-	598,806
Net Maturity	1,292,044	-	-	1,292,044

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

Fair value

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



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Notes to the Financial Statements (continued)

5. Significant accounting judgements, estimates and assumptions

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

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

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

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in the financial period.

Capitalised development costs

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

Taxation

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

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

(ii) Significant accounting estimates and assumptions

Impairment of intangible assets and capitalised development costs

The Group determines whether intangible assets and capitalised development costs are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated. An impairment loss of \$5,043,984 was recognised in the current year in respect of capitalised development costs.



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Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Hull White method using a trinomial model, with the assumptions detailed in note 28. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

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

6. Segment information

The Group's primary reporting segment is geographical. Secondary segment information is business segments.

The Group operates in two geographical segments, Australia and United States of America.

The Group operates in one business segment, being research, development and production of computer vision technology in Australia. The Group has a number of products developed from common core technology. The products are marketed internationally.

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

Geographical segments

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

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2009 and 30 June 2008.



Notes to the Financial Statements (continued)

6. Segment information (continued)

Year ended 30 June 2009	Australia A\$	United States A\$	Total A\$
Revenue			
Sales to external customers	4,921,196	-	4,921,196
Inter-segment sales	-	249,229	249,229
Total Segment Revenue	4,921,196	249,229	5,170,425
Inter-segment elimination			(249,229)
Total consolidated revenue			4,921,196
Result			
Segment results	(5,095,294)	(513,818)	(5,609,112)
Profit/(loss) before income tax	(5,095,294)	(513,818)	(5,609,112)
Income tax expense	-	-	-
Net profit/(loss) for the year	(5,095,294)	(513,818)	(5,609,112)
Assets and Liabilities			
Segment Assets	2,409,387	42,939	2,452,326
Total Assets	2,409,387	42,939	2,452,326
Segment Liabilities	891,983	20,560	912,543
Total Liabilities	891,983	20,560	912,543
Other segment information			
Capital expenditure (a)	2,429,432	2,155	2,431,587
Deferred grant income – net off against impairment	2,245,642	-	2,245,642
Depreciation and amortisation	(878,540)	(370)	(878,910)
Impairment losses	(7,289,626)	-	(7,289,626)
	(b)		
Cash flow information			
Net cash flow from operating activities	837,659	(487,825)	349,834
Net cash flow from investing activities	(2,428,932)	(2,155)	(2,431,087)
Net cash flow from financing activities	(472,282)	472,282	-

- (a) To comply with the requirements of AASB 114.57, the Group has included the cost of segment assets acquired by way of business combinations
- (b) For the purpose of reconciling total cash flows to the cash flow statement, this column includes unallocated cash flows that relate to unallocated revenues, expenses, assets and liabilities.



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Notes to the Financial Statements (continued)

6. Segment information (continued)

Year ended 30 June 2008	Australia A\$	United States A\$	Total A\$
Revenue			
Sales to external customers	4,127,772	-	4,127,772
Inter-segment sales	-	-	-
Total Segment Revenue	4,127,772	-	4,127,772
Inter-segment elimination			-
Total consolidated revenue			4,127,772
Result			
Segment results	326,744	-	326,744
Profit/(loss) before income tax	326,744	-	326,744
Income tax expense	-	-	-
Net profit/(loss) for the year	326,744	-	326,744
Assets and Liabilities			
Segment Assets	10,477,127	5,683	10,482,810
Total Assets	10,477,127	5,683	10,482,810
Segment Liabilities	7,084,928	5,509	7,090,437
Total Liabilities	7,084,928	5,509	7,090,437
Other segment information			
Capital expenditure (a)	2,579,454	-	2,579,454
Depreciation and amortisation	355,088	-	355,088
	(b)		
Cash flow information			
Net cash flow from operating activities	889,486	5,509	894,995
Net cash flow from investing activities	(2,578,042)	174	(2,577,868)
Net cash flow from financing activities	3,092,844	-	3,092,844



Notes to the Financial Statements (continued)

7. Other Income

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Government grants	-	81,234	-	81,234
Deferred grant income	76,163	52,088	76,163	52,088
Interest earned	76,427	136,572	76,427	136,572
Net gain on foreign exchange	151,985	-	151,985	-
Other	-	2,081	-	2,081
	304,575	271,975	304,575	271,975

Government grants relating to market development were received during the 2008 year. There are no unfulfilled conditions or contingencies attached to those grants.

8. Expenses

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
(a) Other expenses				
Net loss on foreign exchange	-	53,441	-	53,441
Net loss on disposal of property, plant and equipment	9,133	2,289	9,133	2,289
	9,133	55,730	9,133	55,730
(b) Depreciation, impairment and amortisation expense				
Depreciation	142,821	121,676	142,451	121,676
Impairment of capitalised development costs	7,289,626	-	7,289,626	-
Amortisation of intangible assets included in cost of sales	736,089	233,412	736,089	233,412
	8,168,536	355,088	8,168,536	355,088
(c) Employee benefits expense				
Wages and salaries	3,689,387	3,117,013	3,373,866	3,117,013
Share-based payment expense	28,487	30,123	12,350	30,123
Employee benefits capitalised	(1,744,295)	(1,661,054)	(1,744,295)	(1,661,054)
	1,973,579	1,486,082	1,641,921	1,486,082
(d) Research and development costs				
Research and development costs charged directly to cost of sales in the income statement	177,524	323,387	177,524	323,387
Amortisation of previously capitalised research and development related intangibles	736,089	233,412	736,089	233,412
	913,613	556,799	913,613	556,799



Notes to the Financial Statements (continued)

9. Income tax

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
(a) Income tax expense				
The major components of income tax expense are:				
<i>Income Statement</i>				
<i>Current income tax</i>				
Current income tax charge	(817,555)	(631,547)	(658,725)	(631,547)
Adjustments in respect of current income tax of previous years	11,402	(237,480)	11,402	(237,480)
Taxation loss not recognised	806,153	869,027	647,323	869,027
<i>Deferred income tax</i>				
Relating to the origination and reversal of temporary differences	1,047,892	587,434	1,041,274	587,434
Temporary differences not recognised	(1,047,892)	(587,434)	(1,041,274)	(587,434)
Income tax expense reported in the income statement	-	-	-	-
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Total accounting profit (loss) before income tax	(5,609,112)	326,744	(5,095,294)	326,744
At the parent entity's statutory income tax rate of 30% (2008: 30%)	(1,682,734)	98,023	(1,528,588)	98,023
Research and development deduction	(162,269)	(443,832)	(162,269)	(443,832)
Entertainment	199	418	199	418
Share based payments (equity settled)	3,705	9,036	3,705	9,036
Legal fees	(1,645)	1,248	(1,644)	1,248
Temporary differences not recognised	1,047,892	(587,434)	1,041,274	(587,434)
Taxation loss not recognised	806,153	869,027	647,323	869,027
Foreign tax rate adjustment	(11,301)	-	-	-
Other	-	53,514	-	53,514
Aggregate income tax expense	-	-	-	-



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Notes to the Financial Statements (continued)

	2009 Current Income Tax A\$	2009 Deferred Income Tax A\$	2008 Current Income Tax A\$	2008 Deferred Income Tax A\$
(c) Recognised deferred tax assets and liabilities				
Consolidated				
Opening balance	-	-	-	-
Charged to income	(806,153)	(1,047,892)	(869,027)	587,434
Temporary difference not recognised	-	1,047,892	-	(587,434)
Taxation loss not recognised	806,153	-	869,027	-
Closing balance	-	-	-	-
Parent				
Opening balance	-	-	-	-
Charged to income	(647,323)	(1,041,274)	(869,027)	587,434
Temporary difference not recognised	-	1,041,274	-	(587,434)
Taxation loss not recognised	647,323	-	869,027	-
Closing balance	-	-	-	-

	Consolidated Balance Sheet		Parent Balance Sheet	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
(d) Deferred income tax at 30 June relates to the following:				
<i>(i) Deferred tax liabilities</i>				
Interest receivable	1,609	10,776	1,609	10,776
Accelerated depreciation: plant and equipment	-	1,587	-	1,587
Intangible assets	51,156	57,177	51,156	57,177
Development costs	-	1,754,774	-	1,754,774
Gross deferred tax liabilities	52,765	1,824,314	52,765	1,824,314
Set-off of deferred tax assets	(52,765)	(1,824,314)	(52,765)	(1,824,314)
Net deferred tax liabilities	-	-	-	-



Notes to the Financial Statements (continued)

	Consolidated Balance Sheet		Parent Balance Sheet	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
<i>(ii) Deferred tax assets</i>				
Equity raising costs	52,503	148,810	52,503	148,810
Accrued expenses	75,780	30,235	73,345	30,235
Government grants	-	666,305	-	666,305
Provisions:				
Annual Leave	55,956	67,005	51,771	67,005
Long Service Leave	36,182	35,315	36,182	35,315
Depreciation: plant and equipment	3,593	-	3,593	-
Gross deferred tax assets	224,014	947,670	217,394	947,670
Set-off of deferred tax liabilities	(52,765)	(1,824,314)	(52,765)	(1,824,314)
Net deferred tax balance not brought to account	(171,249)	876,644	(164,629)	876,644
Tax losses	3,228,584	2,422,431	3,069,754	2,422,431
Losses not recognised	(3,228,584)	(2,422,431)	(3,069,754)	(2,422,431)
Net deferred tax asset	-	-	-	-

(e) Unrecognised temporary differences

At 30 June 2009, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries as the Group has no liability for additional taxation should unremitted earnings be remitted (2008: \$nil).

10. Dividends paid and proposed

No dividends or distributions have been made to members during the year ended 30 June 2009 and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2009.

11. Earnings per share

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2009 A\$	2008 A\$
<i>For basic and diluted earnings per share:</i>		
Net (Loss) Profit	(5,609,112)	326,744
Net (Loss) Profit attributable to ordinary equity holders of the parent	(5,609,112)	326,744



Notes to the Financial Statements (continued)

(b) Weighted average number of shares

	2009 Number	2008 Number
Weighted average number of ordinary shares for basic earnings per share	294,293,356	294,293,356
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for effect of dilution	294,293,356	294,293,356

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

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

(c) Information on the classification of securities

Options granted to employees (including KMP) as described in note 28 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. These shares have not been included in the determination of basic earnings per share.

12. Current assets – cash and cash equivalents

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Cash at bank and in hand	363,079	615,388	332,284	609,705
Short-term deposits	316,087	2,155,859	316,087	2,155,859
	679,166	2,771,247	648,371	2,765,564

Reconciliation to Cash Flow Statement

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

Cash at bank and in hand	363,079	615,388	332,284	609,705
Short-term deposits	316,087	2,155,859	316,087	2,155,859
	679,166	2,771,247	648,371	2,765,564

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

13. Current assets – trade and other receivables

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Trade receivables	708,033	803,499	708,033	803,499
Other receivables	35,155	27,529	35,155	27,529
Interest receivable	5,362	35,921	5,362	35,921
Receivable - subsidiary	-	-	493,929	5,509
	748,550	866,949	1,242,479	872,458



Notes to the Financial Statements (continued)

(a) Allowances for impairment loss

Trade receivables are non-interest bearing and are generally 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$nil (2008: \$nil) has been recognised by the Group and \$nil (2008: \$nil) by the Company in the current year.

There has been no movement in the provisions for impairment loss this year.

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days Not due	31-60 days Not due	31-60 days PDNI*	61-90 days PDNI*	91+ days PDNI*
2009 Consolidated	708,033	407,350	5,946	92,005	179,937	22,795
2009 Parent	708,033	407,350	5,946	92,005	179,937	22,795
2008 Consolidated	803,499	362,403	34,567	130,889	146,069	129,571
2008 Parent	803,499	362,403	34,567	130,889	146,069	129,571

* Past due not impaired ('PDNI')

Receivables past due but not considered impaired are: Consolidated \$202,732 (2008: \$406,529); Parent \$202,732 (2008: \$406,529). Payment terms on these amounts have not been re-negotiated. Direct contact has been made with relevant debtors and satisfaction has been gained that payment will be received in full.

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

(b) Related party receivable

The amount owed by the related party (\$493,929) is owed by a wholly owned subsidiary. This amount is non-interest bearing and due and payable on demand.

(c) Fair value and credit risk

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

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

(d) Foreign exchange risk

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

14. Current assets - inventories

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Raw materials	241,256	270,147	241,256	270,147
Finished goods	18,472	18,096	7,969	18,096
	259,728	288,243	249,225	288,243

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 totalled \$659,140 (2008: \$734,200) for the Group and for the company. This expense has been included in the cost of sales line item as a cost of inventories.



Notes to the Financial Statements (continued)

15. Current assets – derivative financial instruments

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Current Assets				
Forward currency contracts – cash flow hedges	-	12,297	-	12,297
	-	12,297	-	12,297

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

In order to protect against exchange rate movements, the Group has entered into a forward exchange contract to sell US\$. This contract hedges highly probable forecasted revenue and timed to mature when payments are scheduled to be made. The cash flows are expected to occur within four months after year-end.

	Notional amounts		Average Exchange Rate	
	2009 US\$	2008 US\$	2009	2008
Sell US\$/Buy A\$				
Maturity 2 months	-	300,000	-	0.9183

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast revenue and any gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the revenue is received the amount recognised in equity is adjusted to the revenue account in the profit and loss statement.

Movement in forward currency contract cash flow hedge reserve

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Opening balance	12,297	-	12,297	-
Charged to equity	(12,297)	12,297	(12,297)	12,297
Closing balance	-	12,297	-	12,297

(b) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management has established limits to mitigate exposure; such limits are described in Note 4.

16. Non-current assets – Investment in subsidiary

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Investment in controlled entities (note 26) – at cost	-	-	174	174



Notes to the Financial Statements (continued)

17. Non-current assets – Property, plant and equipment

Reconciliation of carrying amounts at the beginning and end of the year

	Office Furniture, Fittings and Equipment A\$	Consolidated Research and Development Software and Equipment A\$	Total A\$
Year ended 30 June 2009			
At 1 July 2008 net of accumulated depreciation and impairment	214,561	45,345	259,906
Additions	195,097	-	195,097
Disposals	(9,633)	-	(9,633)
Depreciation charge for the year	(109,425)	(33,396)	(142,821)
At 30 June 2009 net of accumulated depreciation and impairment	290,600	11,949	302,549
At 30 June 2009			
Cost	764,108	154,975	919,083
Accumulated depreciation and impairment	(473,508)	(143,026)	(616,534)
Net carrying amount	290,600	11,949	302,549
Year ended 30 June 2008			
At 1 July 2008 net of accumulated depreciation and impairment	172,634	72,319	244,953
Additions	125,058	15,447	140,505
Disposals	(3,252)	(624)	(3,876)
Depreciation charge for the year	(79,879)	(41,797)	(121,676)
At 30 June 2008 net of accumulated depreciation and impairment	214,561	45,345	259,906
At 30 June 2008			
Cost	587,975	152,825	740,800
Accumulated depreciation and impairment	(373,414)	(107,480)	(480,894)
Net carrying amount	214,561	45,345	259,906



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Notes to the Financial Statements (continued)

	Office Furniture, Fittings and Equipment A\$	Parent Research and Development Software and Equipment A\$	Total A\$
Year ended 30 June 2009			
At 1 July 2008 net of accumulated depreciation and impairment	214,561	45,345	259,906
Additions	192,907	-	192,907
Disposals	(9,633)	-	(9,633)
Depreciation charge for the year	(109,051)	(33,396)	(142,447)
At 30 June 2009 net of accumulated depreciation and impairment	288,784	11,949	300,733
At 30 June 2009			
Cost	761,918	154,975	916,893
Accumulated depreciation and impairment	(473,134)	(143,026)	(616,160)
Net carrying amount	288,784	11,949	300,733

	Office Furniture, Fittings and Equipment A\$	Parent Research and Development Software and Equipment A\$	Total A\$
Year ended 30 June 2008			
At 1 July 2007 net of accumulated depreciation and impairment	172,634	72,319	244,953
Additions	125,058	15,447	140,505
Disposals	(3,252)	(624)	(3,876)
Depreciation charge for the year	(79,879)	(41,797)	(121,676)
At 30 June 2008 net of accumulated depreciation and impairment	214,561	45,345	259,906
At 30 June 2008			
Cost	587,975	152,825	740,800
Accumulated depreciation and impairment	(373,414)	(107,480)	(480,894)
Net carrying amount	214,561	45,345	259,906



Notes to the Financial Statements (continued)

18. Non-current assets – Intangible assets and development costs

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

	Development Costs A\$	Consolidated Patents, Licenses and Trademarks A\$	Total A\$
Year ended 30 June 2009			
At 1 July 2008 net of accumulated depreciation and impairment	5,849,250	357,307	6,206,557
Additions	2,139,285	97,234	2,236,519
Amortisation	(698,909)	(37,180)	(736,089)
Impairment	(7,289,626)	-	(7,289,626)
At 30 June 2009 net of accumulated depreciation and impairment	-	417,361	417,361
At 30 June 2009			
Cost	-	572,388	572,388
Accumulated depreciation and impairment	-	(155,027)	(155,027)
Net carrying amount	-	417,361	417,361
Year ended 30 June 2008			
At 1 July 2007 net of accumulated depreciation and impairment	3,719,471	277,962	3,997,433
Additions	2,334,396	108,140	2,442,536
Amortisation	(204,617)	(28,795)	(233,412)
At 30 June 2008 net of accumulated depreciation and impairment	5,849,250	357,307	6,206,557
At 30 June 2008			
Cost	6,209,407	475,154	6,684,561
Accumulated depreciation and impairment	(360,157)	(117,847)	(478,004)
Net carrying amount	5,849,250	357,307	6,206,557



Notes to the Financial Statements (continued)

	Development Costs A\$	Parent Patents, Licenses and Trademarks A\$	Total A\$
Year ended 30 June 2009			
At 1 July 2008 net of accumulated depreciation and impairment	5,849,250	357,307	6,206,557
Additions	2,139,285	97,234	2,236,519
Amortisation	(698,909)	(37,180)	(736,089)
Impairment	(7,289,626)	-	(7,289,626)
At 30 June 2009 net of accumulated depreciation and impairment	-	417,361	417,361
At 30 June 2009			
Cost	-	572,388	572,388
Accumulated depreciation and impairment	-	(155,027)	(155,207)
Net carrying amount	-	417,361	417,361

	Development Costs A\$	Parent Patents, Licenses and Trademarks A\$	Total A\$
Year ended 30 June 2008			
At 1 July 2007 net of accumulated depreciation and impairment	3,719,471	277,962	3,997,433
Additions	2,334,396	108,140	2,442,536
Amortisation	(204,617)	(28,795)	(233,412)
At 30 June 2008 net of accumulated depreciation and impairment	5,849,250	357,307	6,206,557
At 30 June 2008			
Cost	6,209,407	475,154	6,684,561
Accumulated depreciation and impairment	(360,157)	(117,847)	(478,004)
Net carrying amount	5,849,250	357,307	6,206,557

(b) Description of the Group's intangible assets

(i) *Development costs*

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

(ii) *Patents, licenses and trademarks*

Patents, licences and trademarks have been acquired and are carried at cost. These intangible assets have been determined to have useful lives between 4 and 20 years and are amortised using the straight line method over the relevant period. Patents, licences and trademarks are subject to impairment testing on an annual basis or whenever there is an indication of impairment. The Group holds licences from CSIRO that are fully written down (original cost \$38,000), these licenses are not currently used by the Group.



Notes to the Financial Statements (continued)

(c) Impairment losses recognised

Continuing operations

An impairment loss of \$7,289,626 on capitalised development costs was recognised for continuing operations in the 2009 financial year. The impairment loss was as a result of impairment of intangible assets (\$7,289,626). Government grants related to the impaired capitalised development costs (\$2,245,642) were also recognised in the income statement (refer Note 22(c) for detail of the government grants recognised in the income statement). The impairment loss has been recognised in the income statement in the line "Impairment of development costs." The capitalised development costs that have been impaired are development costs relating to computer vision technology. All development has been undertaken in the geographic segment of Australia.

The Group has limited technical, financial and other resources to complete capitalised development and to continue to use and sell development. Refer note 2 for details of the limitation and uncertainty. Directors have determined, based on this uncertainty, to recognise an impairment loss of capitalised development costs.

19. Current liabilities – trade and other payables

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Trade payables	221,736	546,692	221,736	546,692
Other payables	384,634	283,593	377,071	283,593
	606,370	830,285	598,807	830,285

(c) Fair value

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

(d) Foreign exchange, interest rate and liquidity risk

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

20. Current liabilities – provisions

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Annual Leave	185,566	223,353	172,569	223,353
Long service leave	47,005	-	47,005	-
	232,571	223,353	219,574	223,353

Nature and timing of provision

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

21. Non-current liabilities – provisions

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Long service leave	73,602	117,717	73,602	117,717
	73,602	117,717	73,602	117,717

Nature and timing of provision

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



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Notes to the Financial Statements (continued)

22. Non-current liabilities – government grants

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Current liabilities				
Research and development grants	-	2,221,018	-	2,221,018
Total government grants deferred	-	2,221,018	-	2,221,018

(a) Movements in government grants

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
At 1 July 2008	2,221,018	1,661,193	2,221,018	1,661,193
Received during the year	100,787	611,913	100,787	611,913
Released to the income statement – net off against amortisation	(76,163)	(52,088)	(76,163)	(52,088)
Released to the income statement –net off against impairment	(2,245,642)	-	(2,245,642)	-
At 30 June 2009	-	2,221,018	-	2,221,018

Government grants “Released to the income statement – net off against impairment” has been recognised in the income statement in the line “Deferred Grant Income – net off against impairment.” On receipt, the government grants were utilised to generate Capitalised development costs. The Capitalised development costs have been impaired in the current year and consistent with the Group’s policy the government grants have been matched to that cost by releasing to the income statement.

The reasons for impairment of Capitalised development costs (and thus release to the income statement of government grants) are detailed in Note 18(c).

(b) Nature of grants received

The government grants recognised in the accounts are Australian federal government grants including Commercial Ready Grant, Biotechnology Innovation fund and R&D Start Grant.

Under the terms of each of the grant agreements the Group must use its best endeavours to exploit the results of the project on normal commercial terms in a manner that will be for the benefit of the Australian economy within a reasonable time of completion of the project. The Group must not deal with or grant or create any encumbrance over its interest in the project intellectual property without the prior written consent of the department administering the grant. Obligations under the grant agreement continue for five years following completion. The company must provide reports to the government on commercialisation activities one year, two years and five years after the project’s completion.

The accounting policies in relation to government grants received by the Group have been disclosed in note 2(u).



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Notes to the Financial Statements (continued)

23. Contributed equity

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Ordinary shares	9,646,776	9,646,776	9,646,776	9,646,776
	9,646,776	9,646,776	9,646,776	9,646,776
(a) Ordinary shares Issued and fully paid	312,164,929	312,164,929	312,164,929	312,164,929

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

	Shares	A\$
Movement in ordinary shares on issue		
At 1 July 2007	256,164,929	6,553,932
Share issue	56,000,000	3,199,282
Transaction costs	-	(106,438)
At 1 July 2008	312,164,929	9,646,776
Share issue	-	-
Transaction costs	-	-
At 30 June 2009	312,164,929	9,646,776

24. Retained earnings and reserves

(a) Movements in Retained earnings and reserves

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

(b) Nature and purpose of reserves

Foreign currency translation reserve

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

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 28 for further details of the plan.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.



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Notes to the Financial Statements (continued)

25. Cash flow statement reconciliation

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
(a) Reconciliation of net profit (loss) after tax to net cash flows from operations				
Net Profit/(Loss)	(5,609,112)	326,744	(5,095,294)	326,744
Depreciation	142,791	121,676	142,451	121,676
Amortisation	659,926	233,412	659,926	233,412
Impairment	7,289,626	-	7,289,626	-
Deferred grant income – net off against impairment	(2,245,642)	-	(2,245,642)	-
Net Loss/(Profit) on disposal of property, plant and equipment	9,133	2,289	9,133	2,289
Net loss on foreign exchange	53,667	14,152	53,638	14,152
Share based payments	27,917	30,123	12,350	30,123
<i>Changes in assets/liabilities</i>				
(Increase)/decrease in inventories	28,515	(151,671)	39,018	(151,671)
(Increase)/decrease in trade and other receivables	118,399	(474,217)	118,399	(479,726)
(Increase)/decrease in other assets	(674)	(32,942)	(674)	(32,942)
(Increase)/decrease in prepayments	33,313	(51,763)	33,313	(51,763)
(Decrease)/increase in government grants	100,787	559,824	100,787	559,824
(Decrease)/increase in provisions	(34,897)	47,389	(47,894)	47,389
(Decrease)/increase in trade and other payables	(223,915)	269,979	(231,478)	269,979
Net cash from operating activities	349,834	894,995	837,659	889,486

26. Related party disclosure

(a) Subsidiary

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

Name	Country of Incorporation	% Equity interest		Investment (A\$)	
		2009	2008	2009	2008
Seeing Machines Incorporated	United States	100%	100%	174	174

Seeing Machines Incorporated was incorporated in Delaware, United States on 21 April 2008.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid are included in note 27.

(c) Transactions with related parties

Seeing Machines Limited (the parent entity) has provided its subsidiary, Seeing Machines Inc. with an intercompany loan. Details of the loan are in note 13. Seeing Machines Limited has paid Seeing Machines Inc. an amount of \$249,225 for



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Notes to the Financial Statements (continued)

provision of services. The services include consultancy and agency commission and transactions were made at arm's length at normal market price and on commercial terms.

- (d) Director-related transactions
(i) Shareholdings of Directors

Shares in Seeing Machines Limited

30 June 2009	Balance 01 July 08	Granted as Remuneration	On Exercise of options	Net change other	Balance 30 June 09
Directors					
J F Muir	-	-	-	-	-
N Cerneaz ¹	1,467,332	-	-	-	1,467,332
D Gaul ²	1,834,800	-	-	-	1,834,800
W Mobbs ³	400,704	-	-	-	400,704
R Sale ⁴	5,115,512	-	-	-	5,115,512
T Victor	50,088	-	-	-	50,088
A Zelinsky ⁵	85,644,264	-	-	(64,195,632)	21,448,632
Total	94,512,700	-	-	(64,195,632)	30,317,068

30 June 2008	Balance 01 July 07	Granted as Remuneration	On Exercise of options	Net change other	Balance 30 June 08
Directors					
J F Muir	-	-	-	-	-
N Cerneaz	391,914	-	-	1,075,418	1,467,332
D Gaul	1,000,000	-	-	834,800	1,834,800
W Mobbs	-	-	-	400,704	400,704
R Sale	5,115,512	-	-	-	5,115,512
T Victor	-	-	-	50,088	50,088
A Zelinsky	85,594,176	-	-	50,088	85,644,264
Total	92,101,602	-	-	2,411,098	94,512,700

Notes

- N Cerneaz holds 1,467,332 shares through Cenika Pty Limited ATF Cenika Super fund.
- D Gaul holds shares through Jaiclimb Pty Limited.
- W Mobbs holds shares in the name of William Mobbs and Catherine Holbery ATF The Bilbo Super fund.
- Rob Sale's shares are 2,494,143 shares held in the name of Caffé Pty Ltd ATF the R C Sale Superannuation Fund and 2,621,369 shares held by Rob's wife Paula Kay Sale.
- The Company received advice on 20 May 2009, that on 6 May 2009, the four shareholders of JATS Technology Pty Ltd ("JATS") reorganised JATS's holding in Seeing Machines and that, as a result of that reorganisation, JATS no longer holds any shares in Seeing Machines. The shares in Seeing Machines originally held by JATS are now held directly by the founders of Seeing Machines (also the founders of JATS) including Dr Alexander Zelinsky a director of Seeing Machines. Dr. Zelinsky previously held 50,088 Seeing Machines Limited shares in his own name and with the JAT's reorganisation now holds 21,448,632 shares in his own name. Previously, Dr. Zelinsky held 25% of the issued shares in JATs which had 85,594,176 ordinary shares in Seeing Machines Limited.



Notes to the Financial Statements (continued)

(ii) Option holdings of Directors

	Balance 01 July 08	Granted as Remuneration	Balance 30 June 09	Vested and Exercisable	Vested and Not Exercisable
30 June 2009					
Directors					
N Cerneaz	12,752,917	-	12,752,917	12,752,917	-
Total	12,752,917	-	12,752,917	12,752,917	-
	Balance 01 July 07	Granted as Remuneration	Balance 30 June 08	Vested and Exercisable	Vested and Not Exercisable
30 June 2008					
Directors					
N Cerneaz	12,752,917	-	12,752,917	12,752,917	-
Total	12,752,917	-	12,752,917	12,752,917	-

No other director has been granted or holds options.

(iii) Other Director related transactions

For the year \$10,257 was paid to ITL Limited or subsidiaries, an entity which non-executive director William Mobbs holds a significant interest. At 30 June 2009, \$Nil was owing to ITL Limited or subsidiaries. ITL Limited or subsidiaries have been contracted by the company since September 2005 to undertake industrial design and prototyping work for the TrueField® Analyzer product.

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

27. Key management personnel

(a) Details of Key Management Personnel

(ii) Directors

James Fulton Muir, AO	Chairman
Nicholas Cerneaz	Chief Executive
David Gaul	Director (non-executive)
William Mobbs	Director (non-executive)
Rob Sale	Director (non-executive)
Trent Victor	Director (non-executive)
Alexander Zelinsky	Director (non-executive)

(iii) Executives

Belinda Burgess	Operations Manager
Christopher McKee	Chief Financial Officer
Nick Langdale-Smith	Sales and Marketing Director
Dean Croke	Vice President – Automotive Business North America
Jochen Heinzmann	Automotive Business Manager
Tim Edwards	Principal Engineer
Sebastian Rougeaux	Principal Research Scientist

There were no changes to the KMP after reporting date and the date the financial report was authorised for issue.



Notes to the Financial Statements (continued)

(b) Compensation for Key Management Personnel

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Short-term employee benefits	1,391,672	1,104,434	1,146,348	1,104,434
Post-employment benefits	92,641	81,345	92,641	81,345
Other long-term benefits	-	-	-	-
Termination benefits	19,760	-	19,760	-
Share-based payments	38,150	32,187	22,013	32,187
Balance 30 June	1,542,223	1,217,966	1,280,762	1,217,966

28. Share-based payment plans

(a) Recognised share-based payment expenses

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

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Expense arising from equity-settled share-based payment transactions	28,487	30,123	12,350	30,123
Total expense arising from share-based payment transactions	28,487	30,123	12,350	30,123

(b) Type of share-based payment plan

Employee Share Option Scheme (ESOS)

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

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

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

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

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

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

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

The contractual life of options granted under the old ESOS, the SM ESOS and ANU ESOS varies with all options expiring on 30 June 2010 and under the new ESOS the life is seven years. There are no cash settlement alternatives for the schemes. Total options granted, under new ESOS, in the year to 30 June 2009 was 4,682,474 on 5 January, 2009 to key management personnel.



Notes to the Financial Statements (continued)

(c) Summaries of options granted under ESOS

	2009 No.	2009 WAEP (cents)	2008 No.	2008 WAEP (cents)
Outstanding at the beginning of the year	22,371,721	7.017	22,115,867	7.003
Granted during the year	4,682,474	6.490	2,300,000	6.490
Forfeited during the year	(1,321,642)	7.095	(2,044,146)	6.267
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	25,732,554	7.011	22,371,721	7.017
Exercisable at the end of the year	17,718,726		18,254,907	

The outstanding balance as at 30 June 2009 is represented by:

- 14,665,855 options over ordinary shares with an exercise price of 7.5 cents each, exercisable upon meeting the above conditions (SM ESOS) and until 30 June 2010
- 1,526,400 options over ordinary shares with an exercise price of 5.13 cents each, exercisable upon meeting the above conditions (old ESOS) and until 30 June 2010
- 1,856,436 options over ordinary shares with an exercise price of 5.13 cents each, exercisable upon meeting the above conditions (ANU ESOS) and until 30 June 2010
- 296,896 options over ordinary shares with an exercise price of 8.44 cents each, exercisable upon meeting the above conditions (new ESOS) and until 1 July 2013
- 2,300,000 options over ordinary shares with an exercise price of 6.49 cents each, exercisable upon meeting the above conditions (new ESOS) and until 20 March 2015
- 4,682,474 options over ordinary shares with an exercise price of 6.49 cents each, exercisable upon meeting the above conditions (new ESOS) and until 5 January 2016

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for share options outstanding at as at 30 June 2009 is 1.6 years (2008: 2.7 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at end of year was 5.13 cents - 8.44 cents (2008: 5.13 cents – 8.44 cents).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was 3.31 cents (2008: 2.165 cents).

(g) Option pricing model: ESOS

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

The following table lists the inputs to the model used for the year ended 30 June 2009 and 30 June 2008:

	Grant 20 March 2008	Grant 5 January 2009
Share price at grant date (cents)	6.50	3.70
Option exercise price (cents)	6.49	6.49
Risk free interest rate (%)	4.00	2.00
Expected life of option (years)	5.7	6.9
Dividend yield (%)	0	0
Exercise multiple	2.2	2.2
Volatility (%)	45	215



Notes to the Financial Statements (continued)

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

29. Commitments

(i) Leasing commitments

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease on property. This lease has a period of less than one year with a renewal option of one year.

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

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Within one year	289,980	5,388	289,980	5,388
After one year but not more than five years	1,038,026	-	1,038,026	-
Balance 30 June	1,328,006	5,388	1,328,006	5,388

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.

30. Contingencies

(i) Government Grant related contingencies

Unfulfilled conditions relating to government grants

The Group has unfulfilled conditions attaching to government grants – refer note 22 for details of conditions.

31. Events after balance sheet date

No significant events have occurred after balance date requiring disclosure in this financial report.

32. Auditors' remuneration

The auditor of Seeing Machines Limited is Ernst & Young.

	Consolidated		Parent	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• An audit or review of the financial report of the entity and any other entity in the consolidated group	67,694	61,150	67,694	61,150
• Other services in relation to the entity and any other entity in the consolidated group				
- Tax compliance	21,457	14,697	21,457	14,697
- Special audits required by regulators	5,012	250	5,012	250
	94,163	76,097	94,163	76,097



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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 the company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date.
 - (ii) Complying with Accounting Standards and *Corporations Regulations 2001*.
- (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

Director

Canberra, 23rd September 2009



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Independent audit report to members of Seeing Machines Limited

Report on the Financial Report

We have audited the accompanying financial report of Seeing Machines Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

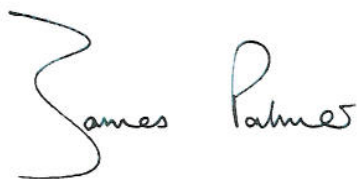
Auditor's Opinion

In our opinion:

1. the financial report of Seeing Machines Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Seeing Machines Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "James Palmer".

James Palmer
Partner
Canberra
23 September 2009