



seeingmachines

20 September 2010

Seeing Machines Limited
(“Seeing Machines” or the “Company”)

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

Seeing Machines Limited (AIM:SEE), a leading developer of advanced vision based industrial systems, announces final results for the year ended 30 June 2010.

Financial Highlights

- Net loss of A\$1,769,839 (2009: (A\$5,609,112) - includes A\$5,043,984 write-down of intangible assets);
- Over US\$1.2m of DSS orders received in June and July 2010 to be recognised in 2011 financial year Gross Profit increased to 75% of revenue from 66% in 2009;
- Cost of goods reduced to 25% of revenue from 34% in 2009;
- Successful capital raising of £3.3m at a 22% premium to the closing share price prior to the raising;
- Cash at 30 June A\$3,904,954 (2009: A\$679,166).

Operational Highlights

- Master Purchasing Agreement signed with Freeport McMoRan Copper and Gold Inc (“Freeport”) for the supply of the DSS product suite to Freeport’s group of operating companies;
- contract signed with BHP Energy Coal for the Navajo and San Juan mines in New Mexico;
- contract for the completion of the DSS installation at the Freeport Safford mine in Arizona;
- the successful placing of 93,649,478 new ordinary shares raising £3.3m at 3.5 pence per share at a 22% premium to the closing share price prior to the raising;

Since year end

- three contracts won for the supply of DSS to mines in North America and Peru;
- strong pipeline of DSS opportunities in the resource sector across Africa, Australia, North and South America.

Commenting on the Final Results, Seeing Machines Chairman, Bill Mobbs said:

“During the year the Board took the decision to significantly increase the Company’s focus on sales of the DSS into the mining industry. We believe this decision has been somewhat vindicated given the winning of two contracts in the year under review and three more since. It was just unfortunate that the contract signed in June for supply of the DSS to the mining

industry had not come in earlier to offset the delays experienced in the supply of the DSS to the road-transport sector toward the end of the 2010 financial year.

“With further DSS contract wins within the mining sector anticipated the Board look forward to the remainder of the current financial year with confidence”

The Seeing Machines Annual Report for 2009-2010 is available for download from the Company’s website www.seeingmachines.com and will be posted to shareholders in October 2010. Extracts from the Annual Report are set out below.

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DIRECTORS’ REPORT EXTRACT

REVIEW OF OPERATIONS

Financial Results

Total revenue for the year decreased by A\$756,739 to A\$4,469,032 (2009: A\$5,225,771) whilst revenue from sale of goods and license fees was A\$4,245,850 (2009: A\$4,921,196). The reduction in revenue from sale of goods and licenses was due to a delay in the receipt of orders for the DSS from the road-transport sector. In June and July 2010 the Company received DSS orders from the mining and resource sectors totalling in excess of US\$1.2m all of which will be recognised during the first half of the 2011 financial year. Rendering of services (contract) income of A\$178,939 (2009: A\$96,661) is up due to contract R&D performed for Pillar Vision, Inc. Other income of A\$223,182 (2009: A\$304,575) was down due to less favourable foreign exchange movements on sales and purchases.

Operational expenses for 2010 were A\$6,238,871 up by A\$447,971 on the prior year (2009: A\$5,790,899). Note however 2009 reported operational expenses excluded 2009 development expenses which were included in the total of impairment of development costs. When compared on a like basis, expenses have actually gone down due to lower costs of sales

commensurate with lower revenue and the restructuring and expenditure control implemented during 2009 to address the adverse impacts on the business of the global financial crisis.

The Company made a loss of A\$1,769,839 for the year ended 30 June 2010 (2009: loss of A\$5,609,112). The 2009 loss was principally due to the write-down of intangible assets totalling A\$5,043,984. When the 2010 and 2009 results are compared on a like for like basis with development costs for each year being expensed then the comparison is as follows:

	2010	2009
Revenue	4,245,850	4,921,196
Cost of Sales	(1,079,835)	(1,692,104)
Gross Profit	3,166,015	3,229,092
Other Income	223,182	304,575
Net Revenue	3,389,197	3,533,667
Research and Development Expenses	(1,567,704)	(1,921,819)
Distribution Expenses	(520,327)	(411,795)
Marketing Expenses	(1,316,390)	(1,778,612)
Occupancy and facilities expenses	(504,764)	(498,958)
Administration Expenses	(1,182,612)	(1,222,774)
Other Expenses	(66,239)	(9,133)
Profit/(Loss)	(1,769,839)	(2,309,424)

The Company had A\$3,904,954 in cash at 30 June 2010 compared to A\$679,166 at 30 June 2009. This increase was due largely to the capital raising activity during the year. Following the capital raising the company was able to significantly increase the level of DSS stock in order to fulfil orders in a timely fashion and to redress a number of salary issues for staff who had sacrificed salary to help the company through the impact of the global financial crisis. Net assets increased similarly; as a result of those activities.

As mentioned above the Company has received a large number of orders for the DSS in June and July 2010 which provide a very strong platform for the 2011 year and it is expected that DSS revenue will exceed its 2010 revenue level in the first half of the year.

Operational Highlights

Highlights for the year ended 30 June 2010 included:

- the Master Purchasing Agreement signed with Freeport McMoRan Copper and Gold Inc (“Freeport”) for the supply of the DSS product suite to Freeport’s group of operating companies;

- the contract signed with BHP Energy Coal for the Navajo and San Juan mines in New Mexico;
- the contract for the completion of the DSS installation at the Freeport Safford mine in Arizona;
- the strong pipeline of DSS opportunities in the resource sector across Africa, Australia, North and South America.
- the successful placing of 93,649,478 new ordinary shares raising £3.3m at 3.5 pence per share at a 22% premium to the closing share price prior to the raising;
- the continued growth in the sales of the faceAPI Developer licenses and the early Production licenses;
- the continuing revenue stream for the faceLAB product based on the strong partnership with Eye Tracking Inc.

Driver State Solution (DSS)

The DSS achieved revenue of A\$1,132,148 (2009: A\$2,224,810) down by \$1,092,662 (49%) over the prior year. However in 2009 the revenue included a one-off license fee payment of A\$1,151,316 plus maintenance and support payments of A\$604,287, all from one customer representing 79% of the DSS revenue in that year. Through the 2009 financial year the client base and pipeline of DSS opportunities has grown considerably, particularly in the resources and mining sectors.

The strategy for commercialisation of the DSS technology has expanded from a focus on automotive OEM and on-road fleet markets to a strong focus on the global mining and resource sectors. Within these expanded and growing markets the DSS offers an immediate and substantial opportunity for accelerated growth. The Company's strategy is to derive revenue from:

- product (equipment) sales and recurring maintenance;
- specialist services to support the installation of the DSS; and
- specialist consulting, data management, analysis and reporting services.

Seeing Machines is pursuing opportunities in the resource and mining sector either directly or via channel partners in:

- Australia;
- United States;
- Canada;
- Indonesia;
- South Africa;
- Botswana;
- Chile;
- Peru; and

- Brazil.

At 30 June 2010 there were DSS installations in mining and resource applications in the following countries:

- Australia;
- United States;
- Indonesia;
- Brazil;
- Chile;
- South Africa; and
- Botswana.

In April 2010 the Company successfully completed a capital raising to provide the required capital to support:

- Expansion of the Company's DSS sales and service capability for the resources sector;
- Development of the next generation of the DSS hardware to:
 - reduce dependencies on expensive sub-components;
 - reduce cost of goods (COGS) to streamline production and increase product margins;
 - increase product ruggedness (tailored specifically to the resources sector) to reduce field support costs;
 - increase competitive barriers to entry;
- Further development and enhancement of the DSSi to:
 - Enhance data management, analysis and reporting offering to increase DSS services and annuity based recurring revenue component of the total DSS offering.

The Company's focus for DSS during 2011 will be to:

- Directly grow the DSS customer and installations base in those countries that we will directly service and support;
- Through channel partners grow the DSS presence in Africa and South America;
- Expand the Company's service and support capability to service the growing customer and installed base;
- Progress DSS hardware and software development projects to support the business objectives.

faceAPI™

faceAPI achieved revenue of A\$506,555 (2009: A\$318,666) up by A\$187,889 (59%) over the prior year. A small number of Production License sales were also closed during the year and there is a strong pipeline of future opportunities for Production Licenses.

Sales of developer licenses have ranged across the target application fields including:

- 3D displays;
- Computer graphics animation;
- Augmented reality;
- Sports training;
- Interactive advertising; and
- Robotics.

In July 2010 the Company announced two important production license contracts for faceAPI:

1. with Canadian company Di-O-Matic, specialising in 3D animation, a license to empower its product *Maskarad* a new family of computer graphic animation tools;
2. with US company Pillar Vision Inc., the leading vendor of basketball training products, a license for Noah Instant the company's new mass market product.

faceLAB®

faceLAB® achieved sales of A\$2,612,874, (2009:A\$2,377,689) up by a\$235,185 (10%) over the prior year. This jump in revenue was helped by a significant number of large multi-system sales and stronger sales out of Japan.

The Company has maintained our exclusive partnership with Eye Tracking Inc., whose EyeWorks product, a highly optimized and advanced faceLAB data analysis environment, is integrated with and offered alongside our faceLAB product suite. It provides our clients with an enhanced user experience and opens the faceLAB suite to exciting new market opportunities, particularly in the expanding on-screen marketing usability industries and has been instrumental in securing a number of sales.

During 2010 the following customers purchased faceLAB systems:

- VTT Technical Research Centre of Finland;
- University of Montreal;
- University of Nottingham;
- Nagoya University;
- Honeywell;
- United States Federal Aviation Administration;
- Boeing;
- Columbia College Chicago;
- Chrysler.

TrueField Analyzer®

Whilst the TrueField Analyzer (TFA) was debuted at the American Academy of Ophthalmology (AAO) Annual Meeting in San Francisco in October 2009, the next phase of the commercialization of the TFA prior to the full scale commercial introduction of the device will be

through a program of independent luminary evaluations of the device. The luminary evaluations have however been delayed due to the ongoing work to overcome a shortcoming in the TFA's stimulus delivery mechanism.

The luminary evaluation program has been put on hold, and will remain so, until this matter is fully identified and resolved. The shortcoming is being addressed by collaborative work between the Company and our TFA colleagues at the Australian National University's Research School of Biology, within which this ongoing work is supported through a number of academic grants.

The Company's focus has been to support the work of the University's Research School of Biology to resolve these issues prior to further progressing the commercialisation of the TFA. This will continue to be the focus during 2011.

Bill Mobbs
Chairman

Nick Cerneaz
Chief Executive Officer & Director

Statement of Financial Position

AS AT 30 JUNE 2010	Note	Consolidated	
		2010 A\$	2009 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	3,904,954	679,166
Trade and other receivables	14	1,316,435	748,550
Inventories	15	329,062	259,728
Other current assets	16	30,839	44,972
TOTAL CURRENT ASSETS		5,581,290	1,732,416
NON-CURRENT ASSETS			
Property, plant and equipment	17	227,035	302,549
Intangible assets	18	477,652	417,361
TOTAL NON-CURRENT ASSETS		704,687	719,910
TOTAL ASSETS		6,285,977	2,452,326
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	1,033,059	606,370
Provisions	20	317,175	232,571
TOTAL CURRENT LIABILITIES		1,350,234	838,941
NON-CURRENT LIABILITIES			
Provisions Non-Current	21	101,554	73,602
TOTAL NON-CURRENT LIABILITIES		101,554	73,602
TOTAL LIABILITIES		1,451,788	912,543
NET ASSETS		4,834,189	1,539,783
EQUITY			
Contributed equity	23	14,664,487	9,646,776
Accumulated losses	24	(10,657,432)	(8,887,593)
Other reserves	24	827,134	780,600
TOTAL EQUITY		4,834,189	1,539,783

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010	Note	Consolidated	
		2010 A\$	2009 A\$
Continuing operations			
Sale of goods and licence fees		4,066,911	4,824,535
Rendering of services		178,939	96,661
Revenue		4,245,850	4,921,196
Cost of Sales		(1,079,835)	(1,692,104)
Gross Profit		3,166,015	3,229,092
Other income	7	223,182	304,575
Deferred Grant Income - net off against impairment		-	2,245,642
Research and Development Expenses		(1,567,704)	(177,523)
Distribution Expenses		(520,327)	(411,795)
Marketing expenses		(1,316,390)	(1,778,612)
Occupancy and facilities expenses		(505,764)	(498,958)
Administration expenses		(1,182,612)	(1,222,774)
Impairment of development costs		-	(7,289,626)
Other expenses	8	(66,239)	(9,133)
Profit / (Loss) from continuing operations before income tax		(1,769,839)	(5,609,112)
Income tax expense	9	-	-
Loss from continuing operations after income tax		(1,769,839)	(5,609,112)
Net Profit / (Loss) for the year		(1,769,839)	(5,609,112)
Other comprehensive income			
Foreign currency translation		4,637	42,268
Cash flow hedges:			
Transferred to statement of financial position		-	(12,297)
Other comprehensive income		4,637	29,971
Total comprehensive income net of tax		(1,765,202)	(5,579,141)
Earnings per share for profit attributable to the ordinary equity holders of the company:	11		
· Basic earnings per share		(0.531)	(1.906)
· Diluted earnings per share		(0.531)	(1.906)

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

Statement of changes in equity

		CONSOLIDATED					
		Contributed Equity	Accumulated Losses	Foreign Currency Translation	Employee Equity Benefits Reserve	Cash flow Hedge Reserve	Total Equity
FOR THE YEAR ENDED 30 JUNE 2010	Note	A\$	A\$	A\$	A\$	A\$	A\$
At 1 July 2008		9,646,776	(3,278,481)	-	709,845	12,297	7,090,437
Loss for the year		-	(5,609,112)	-	-	-	(5,609,112)
Other comprehensive income		-	-	42,268	-	(12,297)	42,268
Total comprehensive income		-	(5,609,112)	42,268	-	-	(5,566,844)
Transaction with owner in their capacity as owner							
Share based payment		-	-	-	28,487	-	28,487
At 30 June 2009		9,646,776	(8,887,593)	42,268	738,332	-	1,539,783
At 1 July 2009		9,646,776	(8,887,593)	42,268	738,332	-	1,539,783
Loss for the year		-	(1,769,839)	-	-	-	(1,769,839)
Other comprehensive income		-	-	4,637	-	-	4,637
Total comprehensive income		-	(1,769,839)	4,637	-	-	(1,765,202)
Transaction with owner in their capacity as owner							
Share based payment		-	-	-	41,897	-	41,897
Share issue		5,417,255	-	-	-	-	5,417,255
Transaction costs on share issue		(399,544)	-	-	-	-	(399,544)
At 30 June 2010		14,664,487	(10,657,432)	46,905	780,229	-	4,834,189

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010	Note	Consolidated	
		2010 A\$	2009 A\$
Cash flows from operating activities			
Receipts from customers		3,732,180	5,201,832
Grants received		29,898	100,787
Payment to suppliers and employees		(5,587,567)	(5,059,772)
Interest received		26,213	106,987
Net cash flows (used in) / from operating activities	25	(1,799,276)	349,834
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	500
Purchase of plant and equipment		(16,173)	(195,067)
Payments for intangible assets		(94,617)	(97,235)
Payments for research and development costs		-	(2,139,285)
Net cash flows (used in) investing activities		(110,790)	(2,431,087)
Cash flows from financing activities			
Loans to Group		-	-
Proceeds from issue of shares		5,417,255	-
Costs of capital raising		(399,544)	-
Net cash flows from financing activities		5,017,711	-
Net increase/(decrease) in cash and cash equivalents		3,107,645	(2,081,253)
Net foreign exchange differences		118,143	(10,828)
Cash and cash equivalents at beginning of period		679,166	2,771,247
Cash and cash equivalents at end of period	13	3,904,954	679,166

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