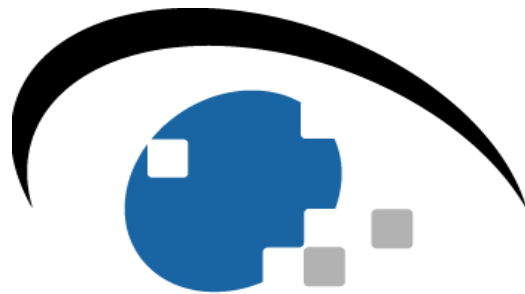


# visionary technology





**seeingmachines**

ABN 34 093 877 331

**Seeing Machines Limited**

**Half-year Financial Report**

**For the half-year ended  
31 December 2010**



Seeing Machines Limited – Half-year Report  
ABN 34 093 877 331

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## Corporate Information

### ABN 34 093 877 331

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

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 3. The directors' report is not part of the financial report.

<b>Directors</b>	William Mobbs Rob Sale Nicholas Cerneaz David Gaul James Fulton Muir, AO Trent Victor Alexander Zelinsky	Non Executive Chairman Deputy Chairman Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director	Retired 16 February 2011
<b>Company Secretary</b>	Belinda Burgess		
<b>Registered office</b>	Level 1, 11 Lonsdale Street Braddon ACT 2612		
<b>Principal place of business</b>	Level 1, 11 Lonsdale Street Braddon ACT 2612		
	Phone: + [61] 2 6103 4700 Fax: + [61] 2 6103 4701 Email: <a href="mailto:info@seeingmachines.com">info@seeingmachines.com</a>		
<b>Share Register</b>	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067		
	Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.		
<b>Solicitors</b>	Norton Rose Australia Grosvenor Place, 225 George St Sydney NSW 2000		
<b>Bankers</b>	Commonwealth Bank of Australia Limited University Drive Canberra ACT 2600		
<b>Auditors</b>	Ernst & Young 121 Marcus Clarke Street Canberra ACT 2600		



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## Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

### Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

William Mobbs	Non Executive Chairman	
Robert Sale	Deputy Chairman	
Nicholas Cerneaz	Executive Director	
David Gaul	Non Executive Director	
James Fulton Muir, AO	Non Executive Director	Retired 16 February 2011
Trent Victor	Non Executive Director	
Alexander Zelinsky	Non Executive Director	

### Review and results of Operations

#### Review of the 1st half of the 2011 financial year

The company achieved its highest ever half year revenue of A\$4,019,515 compared to A\$2,321,616 for the 6 month period to 31 December 2009 an increase of 73%. This was largely due to the DSS™ business which achieved revenue of A\$2,601,968 for the half year, beating its highest ever full year revenue of A\$2,224,810 in 2009 by 17%, and an increase of over 650% over the 6 months to 31 December 2009.

The Company made a loss of A\$748,934 for the six months to 31 December 2010 compared to a loss of A\$402,568 for the period to 31 December 2009. A\$391,438 of this loss, in excess of 50% of the total loss, was due to foreign exchange losses. In line with the growth in the DSS business and following the capital raising in April 2010, the Company has pursued its plans and invested in:

- Field support and service staff to support the growing number of DSS installations internationally;
- Additional sales and marketing resources to achieve further growth in the DSS business including the opening of Brisbane, Australia and Tucson, USA offices;
- Further research and development to continue efforts to ruggedize the product, thereby reducing support costs and development aimed at reducing the cost of goods to enable the company to target markets in addition to mining, which has delivered the growth to date.

Operational highlights for the half-year include:

- Strong growth in DSS™ revenue and the subsequent increase in the installed base across a number of countries;
- Further development of the already strong DSS pipeline providing a solid basis for revenue in this half and future years;
- Establishment of offices in Queensland and Tucson;
- Finalisation of distributor arrangements for the African continent with the appointment of Booyco Electronics and for South America with GTD Chile Ingenieria de Sistemas S.A. (GTD) appointed for Chile, Peru and Argentina and Distritec Comercio de Equipamentos Ltda. appointed for Brazil;
- Production License for faceAPI signed with Shenzhen Super Perfect Optics Limited (SuperD) for glass-free 3D solution for consumer electronics products which has the potential to provide significant revenue in future years; and
- The continued contribution to the company's revenue made by the faceLAB product and the commencement of the development work for faceLAB X the next generation of our foundation product.



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## Directors' Report (continued)

### Financial Results

Revenue from product sales for the six months to 31 December 2010 was A\$4,019,515 (2009: A\$2,321,616). This represents growth of 73% on the corresponding period to 31 December 2009. Other income for the period was A\$70,392 compared to A\$79,646 for the period to 31 December 2009. The high value of the Australian dollar against the US dollar, GB pound and the Euro has had a negative impact over the period particularly on revenue. The foreign exchange loss for the period to 31 December 2010 was A\$391,438 accounting for over half of the year to date loss. Cost of sales was A\$1,403,134 up from A\$526,149 for the period to 31 December 2009 in line with the increase in revenue and the change in product mix. Net expenditure for the half-year was A\$3,436,247 up from A\$2,277,681 for the period to 31 December 2009. The period to 31 December 2009 was one of significant expenditure restraint and the period to 31 December 2010 has been a period of investment and following through on our plans to establish the DSS business in the resources sector and to put in place the necessary marketing, sales and support infrastructure to support our clients and grow the business in the resources sector.

The Net Loss for the six months to 31 December 2010 was A\$748,934 compared to a Net Loss of A\$402,568 for the equivalent six month period to 31 December 2009.

Cash at 31 December 2010 was A \$2,478,641 compared to A\$555,878 at 31 December 2009.

Despite the strong pipeline of DSS business opportunities the Directors' believe that there is some uncertainty surrounding the Company's full year revenue targets due to timing issues and revenue recognition policies.

### Operational Highlights

#### DSS™

The 6 month period to 31 December 2010 was one of strong sales growth for the DSS business and the development of a significant pipeline of opportunities in the resources sector which will deliver revenue in future periods. Revenue for the DSS business for the half-year to 31 December 2010 was \$2,601,968 up by over 650% on the revenue for the period to 31 December 2009.

We completed the rollout of DSS units to the haul truck fleets at a number of Freeport-McMoRan sites in North America and also to the haul truck fleet at a BHP Billiton energy coal site in New Mexico. We have other projects underway in South Africa, Botswana, Chile, Indonesia, Peru, Brazil, Canada, Australia and the United States and these will progress through the remainder of the year and into next year.

The Company appointed South African company Booyco Electronics as channel partner for the African continent in September 2010 and they already have multiple projects underway with key resource sector companies.

The Company has this month appointed:

- Chilean company GTD Chile Ingenieria de Sistemas S.A. (GTD) as channel partner for Chile, Peru and Argentina and they already have a number of projects underway in Chile with global mining majors;
- Brazilian company Distritec Comercio de Equipamentos Ltda. as channel partner for Brazil.

The Company continues to develop and enhance the DSS Product Suite and has made a number of releases to customers during the period. We also have a major effort underway to further ruggedize the DSS hardware which will reduce our support costs. The Company intends to continue our work towards a fully embedded version targeted at the commercial transport sector.

In order to be able to reach a bigger market and to better support our customers we have established offices in:

- Tucson Arizona; and
- Brisbane, Queensland.

We will continue to progress our DSS plans across sales, marketing product development and customer support to build on the growth established in the first half of financial year 2011.



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## Directors' Report (continued)

### **faceAPI™**

faceAPI achieved revenue of A\$220,358 for the 6 months to 31 December 2010 (2009: A\$195,033) an increase of 13% over 2009.

In July 2010 we announced 2 production license agreements for faceAPI with:

- Pillar Vision Inc for its basketball training product Noah Instant; and
- Di-O-Matic Inc for its computer graphics animation product *Maskarad*.

The Company has this month signed Production license deals with:

- Korean company Hanulneotech Co., Ltd for an Augmented Reality application; and
- Chinese company Shenzhen Super Perfect Optics Limited (SuperD) for the next generation of glass-free 3D displays for laptop computers, computer monitors and all-in-one-PC products.

The SuperD agreement propels the faceAPI business into consumer-scale license volumes, and underlines the capabilities of the technology to leverage licensing revenue from the continually growing and diverse customer-base.

The Directors' believe the Company's strategy for faceAPI which is to focus on growing revenues from the product through the sale of production licences is the right strategy and are confident of strong revenue growth in future years.

### **faceLAB®**

faceLAB achieved revenues of A\$1,197,189 for the six months to 31 December 2010 compared with A\$1,713,634 in 2009. Although revenue was down on the corresponding period in 2009, revenue is up on the six months to 30 June 2010.

The partnership with EyeTracking Inc (ETI) with their EyeWorks product continues. We have commenced the development effort to create the next generation of the faceLAB product, faceLAB X which will offer users many new benefits over existing eye and head tracking solutions. faceLAB continues to form an important part of our portfolio of products offering a research level platform with extensive features and configurability extending well beyond the application specific nature of our other products.

### **TrueField Analyzer®**

The planned program of luminary evaluations remains on hold due to the ongoing research and development being pursued by 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 continues to be to support the work of our colleagues to resolve the remaining issues prior to further progressing the commercialisation of the TFA. This will continue to be the focus during the remainder of 2011.

### **Auditor's Independence Declaration**

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

Signed at Canberra this 30th day of March 2011 in accordance with a resolution of the directors made pursuant to section 306(3) of the *Corporations Act 2001*.

Handwritten signature of William Mobbs.

William Mobbs  
Chairman

Handwritten signature of Nick Cerneaz.

Nick Cerneaz  
CEO and Director

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

In relation to our review of the financial report of Seeing Machines Limited for the half-year ended 31 December 2010, 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.



Ernst & Young



James Palmer  
Partner

30 March 2011



Seeing Machines Limited - Half-year Report  
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## Statement of Financial Position

AS AT 31 DECEMBER 2010	Note	Consolidated	
		31 DEC 2010 A\$	30 JUN 2010 A\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	2,478,641	3,840,604
Trade and other receivables	7	1,781,909	1,380,785
Inventories		488,461	329,062
Other current assets		47,819	30,839
<b>TOTAL CURRENT ASSETS</b>		<b>4,796,830</b>	<b>5,581,290</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		268,464	227,035
Intangible assets		474,371	477,652
<b>TOTAL NON-CURRENT ASSETS</b>		<b>742,835</b>	<b>704,687</b>
<b>TOTAL ASSETS</b>		<b>5,539,665</b>	<b>6,285,977</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,040,151	1,033,059
Provisions		347,472	317,175
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,387,623</b>	<b>1,350,234</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions Non-Current		122,378	101,554
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>122,378</b>	<b>101,554</b>
<b>TOTAL LIABILITIES</b>		<b>1,510,001</b>	<b>1,451,788</b>
<b>NET ASSETS</b>		<b>4,029,664</b>	<b>4,834,189</b>
<b>EQUITY</b>			
Contributed equity		14,664,487	14,664,487
Accumulated losses		(11,406,366)	(10,657,432)
Other reserves		771,543	827,134
<b>TOTAL EQUITY</b>		<b>4,029,664</b>	<b>4,834,189</b>

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



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## Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 December 2010	Note	Consolidated	
		2010 A\$	2009 A\$
<b>Continuing operations</b>			
Sale of goods and licence fees		3,962,495	2,278,550
Rendering of services		57,020	43,066
<b>Revenue</b>		<b>4,019,515</b>	<b>2,321,616</b>
Cost of Sales		(1,403,134)	(526,149)
<b>Gross Profit</b>		<b>2,616,381</b>	<b>1,795,467</b>
Other income	4	70,932	79,646
Research and Development Expenses		(1,243,887)	(682,042)
Distribution Expenses		(166,954)	(296,923)
Marketing expenses		(719,497)	(493,425)
Occupancy and facilities expenses		(332,880)	(262,496)
Administration expenses		(581,591)	(376,671)
Other expenses	5	(391,438)	(166,124)
<b>Loss before income tax</b>		<b>(748,934)</b>	<b>(402,568)</b>
Income tax expense		-	-
Loss after income tax		(748,934)	(402,568)
<b>Net Loss for the period</b>		<b>(748,934)</b>	<b>(402,568)</b>
<b>Other comprehensive income</b>			
Foreign currency translation		(1,009)	50,732
<b>Other comprehensive income net of tax</b>		<b>(1,009)</b>	<b>50,732</b>
<b>Total comprehensive income</b>		<b>(749,943)</b>	<b>(351,836)</b>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.185)	(0.129)
· Diluted earnings per share		(0.185)	(0.129)

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



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## Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31		Contributed	Accumulated	Foreign	Employee	Total
December 2010		Equity	Losses	Currency	Equity	Equity
	Note	A\$	A\$	A\$	A\$	A\$
<b>At 1 July 2009</b>		9,646,776	(8,887,593)	42,268	738,332	1,539,783
Loss for the half-year		-	(402,568)	-	-	(402,568)
Other comprehensive income		-	-	50,732	-	50,732
<b>Total comprehensive income</b>		-	(402,568)	50,732	-	(351,836)
<b>Transaction with owner in their capacity as owner</b>						
Share based payment		-	-	-	42,718	42,718
<b>At 31 December 2009</b>		9,646,776	(9,290,161)	93,000	781,050	1,230,665
<b>At 1 July 2010</b>		14,664,487	(10,657,432)	46,905	780,229	4,834,189
Loss for the half-year		-	(748,934)	-	-	(748,934)
Other comprehensive income		-	-	(1,009)	-	(1,009)
<b>Total comprehensive income</b>		-	(748,934)	(1,009)	-	(749,943)
<b>Transaction with owner in their capacity as owner</b>						
Share based payment		-	-	-	(54,582)	(54,582)
<b>At 31 December 2010</b>		14,664,487	(11,406,366)	45,896	725,647	4,029,664

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



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## Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 December 2010	Note	Consolidated	
		2010 A\$	2009 A\$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,534,350	2,459,392
Grants received		-	50,000
Payment to suppliers and employees		(4,833,816)	(2,521,542)
Interest received		41,569	7,816
<b>Net cash flows used in operating activities</b>		<b>(1,257,897)</b>	<b>(4,334)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(86,327)	(2,365)
Payments for intangible assets		(17,028)	(56,228)
<b>Net cash flows used in investing activities</b>		<b>(103,355)</b>	<b>(58,593)</b>
Net decrease in cash and cash equivalents		(1,361,252)	(62,927)
Net foreign exchange differences		(711)	3,989
Cash and cash equivalents at beginning of period		3,840,604	614,816
<b>Cash and cash equivalents at end of period</b>		<b>2,478,641</b>	<b>555,878</b>

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



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## Notes to the Financial Statements

### 1. Basis of Preparation and accounting policies

The financial report of Seeing Machines Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 22nd of March 2011.

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 Company have not changed since the last annual report for the financial year ended 30 June, 2010.

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and considered together with any public announcements made by Seeing Machines Limited during the half-year ended 31 December 2010.

The consolidated financial statements have been prepared on a historical cost basis. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 30 June 2010.

### 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 half year of \$748,934. The Group has accumulated losses of \$11,406,366. The balance of cash and cash equivalents at 31 December 2010 is \$2,478,641. 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. Operating Segments

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's operational decision makers to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments that meet the qualitative criteria as prescribed by AASB 8 are reported separately. However an operating segment that does not meet the qualitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.



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## Notes to the Financial Statements (continued)

### 3. Operating segments (continued)

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

	Australia	United States	Total
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010	A\$	A\$	A\$
<b>Revenue</b>			
Sales to external customers	4,019,515		4,019,515
Inter-segment sales		237,896	237,896
Total Segment Revenue	4,019,515	237,896	4,257,411
Inter-segment elimination			(237,896)
Total Consolidated Revenue			4,019,515
<b>Result</b>			
Segment results	(798,458)	49,524	(748,934)
(Loss) / profit before income tax	(798,458)	49,524	(748,934)
Income tax expense	-	-	-
Net (loss) / profit for the year	(798,458)	49,524	(748,934)
<b>Assets and Liabilities</b>			
Segment Assets	5,479,764	59,901	5,539,665
Total Assets	5,479,764	59,901	5,539,665
Segment Liabilities	1,499,624	10,377	1,510,001
Net Assets	3,980,140	49,524	4,029,664
<b>Other Segment Information</b>			
Capital expenditure	86,327	-	86,327
Depreciation and amortization	44,898	-	44,898
<b>Cash Flow Information</b>			
Net cash flow from operating activities	(1,257,897)	-	(1,257,897)
Net cash flow from investing activities	(103,355)	-	(103,355)
Net cash flow from financing activities	(49,524)	49,524	-



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## Notes to the Financial Statements (continued)

### 3. Operating segments (continued)

<b>FOR THE HALF-YEAR ENDED 31 DECEMBER 2009</b>	<b>Australia A\$</b>	<b>United States A\$</b>	<b>Total A\$</b>
<b>Revenue</b>			
Sales to external customers	2,321,616	-	2,321,616
Inter-segment sales	-	-	-
<b>Total Segment Revenue</b>	<b>2,321,616</b>	<b>-</b>	<b>2,321,616</b>
Inter-segment elimination			-
<b>Total consolidated revenue</b>			<b>2,321,616</b>
<b>Result</b>			
Segment results	(237,335)	(165,233)	(402,568)
Loss before income tax	(237,335)	(165,233)	(402,568)
Income tax expense	-	-	-
<b>Net loss for the year</b>	<b>(237,335)</b>	<b>(165,233)</b>	<b>(402,568)</b>
<b>Assets and Liabilities</b>			
Segment Assets	2,010,544	44,699	2,055,243
<b>Total Assets</b>	<b>2,010,544</b>	<b>44,699</b>	<b>2,055,243</b>
Segment Liabilities	232,171	592,407	824,578
<b>Net Assets</b>	<b>1,778,373</b>	<b>(547,708)</b>	<b>1,230,665</b>
<b>Other segment information</b>			
Capital expenditure	2,365	-	2,365
Depreciation and amortization	49,217	-	49,217
<b>Cash flow information</b>			
Net cash flow from operating activities	(4,334)	-	(4,334)
Net cash flow from investing activities	(58,593)	-	(58,593)
Net cash flow from financing activities	165,233	(165,233)	-

#### (b) Segment revenue based on customer location

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of the customer.

<b>FOR THE HALF-YEAR ENDED 31 December 2010</b>	<b>Consolidated A\$</b>
Australia	165,807
United States	2,246,540
Other foreign countries	1,607,168
<b>Total revenue</b>	<b>4,019,515</b>



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## Notes to the Financial Statements (continued)

### 3. Operating segments (continued)

#### (c) Segment revenue based on products

Revenue from external customers by product is detailed below. This reflects the group's major product streams.

	Consolidated	
	2010	2009
	A\$	A\$
Driver State Sensor	2,601,968	346,259
FaceLAB	1,197,189	1,713,634
FaceAPI	220,358	195,033
Other product and services revenue	-	66,690
<b>Total revenue</b>	<b>4,019,515</b>	<b>2,321,616</b>

#### (d) Segment revenue based on customers

Revenue from one customer provided 52.3% of revenue for the half-year.

### 4. Other Income

FOR THE HALF-YEAR ENDED 31 December 2010	Consolidated	
	2010	2009
	A\$	A\$
Government grants	-	50,000
Interest earned	45,103	5,128
Other	25,829	24,518
	<b>70,932</b>	<b>79,646</b>

Government grants relating to market development were received during the 2009 half-year. There are no unfulfilled conditions or contingencies attached to those grants.

### 5. Other Expenses

FOR THE HALF-YEAR ENDED 31 December 2010	Consolidated	
	2010	2009
	A\$	A\$
Net loss on foreign exchange	391,438	165,935
Net loss on disposal of property, plant and equipment	-	189
<b>Total</b>	<b>391,438</b>	<b>166,124</b>

The Company has for the half-year ended 31 December 2010 reported expenses against the following categories:

- Cost of Sales
- Research and development expenses
- Marketing expenses
- Occupancy and facility expenses
- Administrative expenses
- Other expenses



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## Notes to the Financial Statements (continued)

### 6. Current Assets – Cash and Cash Equivalents

FOR THE HALF- YEAR ENDED 31 December 2010	Consolidated	
	Dec 2010 A\$	June 2010 A\$
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	2,472,715	3,836,390
Short-term deposits	5,926	4,214
	<b>2,478,641</b>	<b>3,840,604</b>

### 7. Current Assets – Trade and Other Receivables

FOR THE HALF- YEAR ENDED 31 December 2010	Consolidated	
	Dec 2010 A\$	June 2010 A\$
Trade receivables	1,545,896	1,023,907
Other receivables	158,156	282,555
Interest receivable	13,507	9,973
Short-term deposit	64,350	64,350
	<b>1,781,909</b>	<b>1,380,785</b>

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

### 8. Dividends Paid

No dividends or distributions have been made to members during the half-year reporting period and no dividends or distributions have been recommended or declared by the directors in respect of the half-year reporting period.

### 9. Commitments and contingencies

#### (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 31 December are as follows:

	Consolidated	
	2010 A\$	2009 A\$
Within one year	307,736	291,557
After one year but not more than five years	582,050	891,960
<b>Total</b>	<b>889,786</b>	<b>1,183,517</b>

##### *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.



Seeing Machines Limited - Half-year Report  
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## Notes to the Financial Statements (continued)

### 9. Commitments and contingencies (continued)

#### (ii) Government Grant related contingencies

##### *Unfulfilled conditions relating to government grants*

The Group has unfulfilled conditions attaching to government grants. There has been no change to these conditions in the half-year reporting period.

### 10. Events after balance sheet date

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



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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 consolidated entity is in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date.
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *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

Chairman  
Canberra, 30 March 2011

To the members of Seeing Machines Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Seeing Machines Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seeing Machines Limited and the entity it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

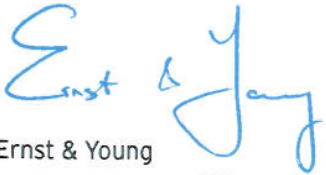
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Seeing Machines Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'James Palmer'.

James Palmer  
Partner  
Canberra

30 March 2011