Half-year Financial Report 31 December 2012

visionary technology

seeingmachines

ABN 34 093 877 331

Seeing Machines Limited

Half-year Financial Report

For the half-year ended 31 December 2012

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.

Directors	Terry Winters	Non-Executive Chairman	
	Ken Kroeger	Managing Director & CEO	
	David Gaul	Non-Executive Director	
	Alex Zelinsky	Non-Executive Director	
	Michael Roberts	Non-Executive Director	From 13 January 2013

Company Secretary
Allistar Twigg

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

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Bankers
Commonwealth Bank of Australia Limited
University Drive
Canberra ACT 2600

Auditors
Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600

Directors' Report

Your directors submit their report for the half-year ended 31 December 2012.

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.

Terry Winters	Non-Executive Chairman	
Ken Kroeger	Managing Director & CEO	
David Gaul	Non-Executive Director	
Rob Sale	Non-Executive Director	To 28 November 2012
Alex Zelinsky	Non-Executive Director	
Michael Roberts	Non-Executive Director	From 13 January 2013

Review and results of Operations

Review of the first half of the 2013 financial year

The company achieved revenues of A$4,686,796 from the sale of goods and services and A$1,006,838 from other income resulting in total revenue for the half year to 31 December 2012 of A$5,693,634 (2011: A$3,794,960).

The first six months of trading in the 2013 financial year were a significant improvement over the corresponding period in the 2012 financial year. This was primarily driven by significant growth in demand for its DSS products, evidenced by both the large increase in sales revenue realised in the period from this source, but also the increase in orders on hand at period end, amounting to more than $3 million in value.

The company made a net loss of A$317,919 for the six months to 31 December 2012 compared to a net loss of A$936,801 for the period to 31 December 2011. This result represents a significant improvement in operational outcomes.

Operational highlights for the half-year include:

- Continued growth of the DSS pipeline with new customers and expansion at existing sites across customers and regions;
- Strong backlog of orders at end of first half to underpin next quarter revenues;
- Next generation of DSS prototypes built and delivering very good field test results;
- New partnership opportunities for the DSS which will increase global channels to market;
- Development of new services offerings for the DSS enhancing our overall DSS offering and diversifying revenue opportunities;
- >87% increase in DSS revenues (A$3,699,553 compared to A$1,981,396 for the corresponding period in 2011);
- Development of next generation Eye Tracking technology to enhance all areas of product commercialisation;
- TrueField progress and potential for JV or licensing in 2013.

Financial Results

The company achieved revenues of A$4,686,796 (2011: A$3,048,410) from sale of goods and services and A$1,006,838 (2011: A$746,550) from other income resulting in total revenue for the half year to 31 December 2012 of A$5,693,634 (2011: A$3,794,960).

Revenue for the half year for each of the three products; DSS, faceAPI and faceLAB, and Other Income compared to the same period last year is shown in the following table.

Product	31 December 2012 $	31 December 2011 $	Variance %
DSS	3,699,553	1,981,396	+87
faceLAB	693,870	861,697	-19
faceAPI	293,373	205,317	+43
Other income	1,006,838	746,550	+34
Total Revenue	5,693,634	3,794,960	+50

The high value of the Australian dollar against the US, Euro and Great Britain currencies has had a negative impact on revenue earned from those regions over the period. Cost of sales at A$1,799,296 (2011: A$1,209,167) was up due to higher revenues whilst the proportionate cost was relatively static at 38% of revenue as opposed to 39% of revenue for the corresponding period in 2011. Net expenditure for the half-year was A$4,212,257, up from A$3,522,594 for the period to 31 December 2011, reflecting the increased investment in the period targeted toward additional Research and Development, and increased activity in DSS sales, distribution and marketing.

The Net Loss for the six months to 31 December 2012 was better than budget at A$317,919, and a significant decrease of $618,882 compared to the net loss of A$936,801 for the period to 31 December 2011. Post half-year report balance sheet date, in February 2013, the accrued R&D Tax Offset of $1,000,211 with respect to the 2012 Income Tax Return of the company was received. This was treated as other income and recognised in the first half of the current 2013 financial year (see note 15).

Cash at 31 December 2012 was A$927,518 compared to A$578,022 at 30 June 2012 and A$1,070,433 at 31 December 2011.

In October 2012, the company completed a capital raising of A$1,962,664.

Operational Highlights

DSS

DSS revenues were A$3,699,553 for the six months to 31 December 2012, reflecting a substantial increase over A$1,981,396 achieved for the six months to 31 December 2011. This was the result of the strong demand for the product range following an extended period of mine site trials that are now converting into sales, and the company's success in growing its customer base with a broader geographic spread. Revenue was generated from:

- sales of DSS units;
- software licensing;
- installation services;
- maintenance and support fees;
- field support services; and
- DSSi information reporting services including event classification.

Customer locations now include North and South America, Africa, Australia, Mongolia and Indonesia. Notably there was a significant expansion in sales to locations outside Australia and the United States.

To accommodate growth and access to customers, the company has commenced the relocation of the DSS sales and services arms of the business to larger premises in Tucson Arizona. This will allow the organisation to offer a full service, inventory storage and maintenance for the DSS platform across the Americas.

A number of opportunities to extend the DSS to market are also being pursued. Over 80 DSS units have been installed in large road-legal transport trucks that operate on a combination of private mining roads and public highways in Australia. This represents an entry into a new market for the product from which we expect ongoing uptake. The technology is being modified for original equipment manufacturer (OEM) opportunities in the wider automotive market.

In terms of R&D, the focus remains aimed at improvements in hardware ruggedisation and reliability, new software features and the development of a real-time situational risk awareness reporting system that will further support the mitigation of fatigue related operator risk.

For the remainder of this financial year we will focus our energies on expansion of the DSS business through:

- closing a number of significant deals in the sales pipeline that will further entrench the DSS as the superior product for the mining industry;
- addressing the backlog of outstanding orders ;
- further building the DSS team capability to support our customers in their use of the product;
- improving our logistics and business systems to streamline quotations, orders and fulfilment
- furthering R&D aimed at keeping the technology ahead of its competitors,
- incorporating feedback and features that our existing customers need; and
- progressing the partnership opportunities that will expand our routes to market.

faceAPI

faceAPI achieved revenue of A$293,373 (2011: A$205,317) for the six months to 31 December 2012.

The Company has started offering integration services for our core technology, known as faceAPI. This is expected to lead to ongoing engineering revenue and to additional production license sales and royalties.

faceLAB

faceLAB achieved revenue of A$693,870 (2011: A$861,697) for the six months to 31 December 2012, a reduction of 19% over the six months to 31 December 2011.

The drop in revenue can be attributed to aging of this product, which will be addressed through the planned near-term release of new product versions incorporating next-generation precision eye-tracking technology. This exciting new technology will also support existing and future products across the range of Seeing Machines' product platforms.

TrueField

The Glaucoma-related laboratory trials performed by our technology partners at the Australian National University (ANU) have recently been completed. In response to the positive results, we will initiate an independent to validate performance in lead up to the next commercialisation steps.

The domain experts continue to believe that the product will have applicability beyond glaucoma in eye diseases such as Age Related Macular Degenerations and Diabetic Retinopathy.

Summary

The Directors remain committed to delivering significant growth in shareholder value and expect results for the full year to 30 June 2013 to be in line with existing market expectations.

The demand for DSS products and services by the mining and resource industry is substantial and is expected to continue to underpin most of the company's revenue and profit growth over the next two to three years.

During this time the company will be developing new markets in road transport, bus and segments where machine and plant operators face significant risk of fatigue and distraction.

Terry Winters
Chairman
22 March 2013

Ken Kroeger
Managing Director & CEO
22 March 2013

Statement of Financial Position

AS AT 31 DECEMBER 2012	Note	Consolidated 31 DEC 2012 A$	30 JUN 2012 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	927,518	578,022
Trade and other receivables	7	2,804,225	1,656,303
Inventories	8	332,549	86,151
Other current assets		17,856	222,139
TOTAL CURRENT ASSETS		4,082,147	2,542,615
NON-CURRENT ASSETS			
Property, plant and equipment	9	364,538	256,254
Intangible assets		426,836	479,573
TOTAL NON-CURRENT ASSETS		791,374	735,827
TOTAL ASSETS		4,873,521	3,278,442
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,319,911	1,515,610
Provisions		426,733	408,717
TOTAL CURRENT LIABILITIES		1,746,644	1,924,327
NON-CURRENT LIABILITIES			
Provisions Non-Current		233,628	203,966
TOTAL NON-CURRENT LIABILITIES		233,628	203,966
TOTAL LIABILITIES		1,980,272	2,128,293
NET ASSETS		2,893,249	1,150,149
EQUITY			
Contributed equity		17,088,651	15,024,112
Accumulated losses		(14,885,379)	(14,567,460)
Other reserves		689,977	693,497
TOTAL EQUITY		2,893,249	1,150,149

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

Statement of Comprehensive Income

		Consolidated	
		2012	**2011**
FOR THE HALF-YEAR ENDED 31 December 2012	**Note**	**A$**	**A$**
Continuing operations			
Sale of goods and license fees		4,114,298	2,623,901
Rendering of services		572,498	424,509
Revenue		4,686,796	3,048,410
Cost of Sales		(1,799,296)	(1,209,167)
Gross Profit		2,887,500	1,839,243
Other income	4	1,006,838	746,550
Research and Development Expenses		(774,711)	(607,318)
Distribution Expenses		(563,669)	(291,208)
Marketing expenses		(897,160)	(597,348)
Occupancy and facilities expenses		(371,206)	(376,270)
Administration and support expenses		(1,538,572)	(1,701,382)
Other expenses	5	(69,939)	50,932
Loss before income tax		(317,919)	(936,801)
Income tax expense		-	-
Loss after income tax		(317,919)	(936,801)
Net Loss for the period		(317,919)	(936,801)
Other comprehensive income			
Foreign currency translation – items that may be reclassified subsequently to profit or loss		(3,520)	(7,648)
Other comprehensive income net of tax			
Total comprehensive income		(321,439)	(944,449)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.077)	(0.226)
· Diluted earnings per share		(0.077)	(0.226)

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

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012	Contributed Equity A$	Accumulated Losses A$	Foreign Currency Translation Reserve A$	Employee Equity Benefits Reserve A$	Total Equity A$
At 1 July 2011	14,813,612	(12,832,383)	44,994	648,259	2,674,482
Loss for the half-year	-	(936,801)	-	-	(936,801)
Other comprehensive income	-	-	(7,648)	-	(7,648)
Total comprehensive income	-	(936,801)	(7,648)	-	(944,449)
Transaction with owner in their capacity as owner					
Shares Issued	210,500	-	-	-	210,500
At 31 December 2011	15,024,112	(13,769,184)	37,346	648,259	1,940,533
At 1 July 2012	15,024,112	(14,567,460)	45,238	648,259	1,150,149
Loss for the half-year	-	(317,919)	-	-	(317,919)
Other comprehensive income	-	-	(3,520)	-	(3,520)
Total comprehensive income	-	(317,919)	(3,520)	-	(321,439)
Transaction with owner in their capacity as owner					
Shares Issued	2,064,539	-	-		2,064,539
At 31 December 2012	17,088,651	(14,885,379)	41,718	648,259	2,893,249

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

Statement of Cash Flows

		Consolidated	
		2012	**2011**
FOR THE HALF-YEAR ENDED 31 December 2012	**Note**	**A$**	**A$**
Cash flows from operating activities			
Receipts from customers		4,860,046	3,132,981
Receipt of R&D tax offset		-	702,803
Payment to suppliers and employees		(6,171,125)	(4,388,295)
Interest received		6,627	21,747
Net cash flows used in operating activities		(1,304,452)	(530,764)
Cash flows from investing activities			
Purchase of plant and equipment		(143,116)	(11,029)
Payments for intangible assets		(16,415)	(28,912)
Net cash flows used in investing activities		(159,531)	(39,941)
Cash flows from financing activities			
Proceeds from issue of shares		1,832,414	-
Cost of Capital Raising		(15,415)	
Net cash flows from financing activities		1,816,999	-
Net decrease in cash and cash equivalents		353,016	(570,705)
Net foreign exchange differences		(3,520)	(7,648)
Cash and cash equivalents at beginning of period		578,022	1,648,786
Cash and cash equivalents at end of period		927,518	1,070,433

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

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 2012 was authorised for issue in accordance with a resolution of the directors on the 22nd of March 2013.

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 2012.

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* in order to fulfill the reporting requirements of Rule 18 of the London Stock Exchange's *AIM Rules for Companies* issued February 2010. 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 2012.

The condensed 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 2012 annual financial report for the financial year ended 30 June 2012.

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 $317,919 (2011: $936,801). The Group has accumulated losses of $14,885,379 (2011: $14,567,460). The balance of cash and cash equivalents at 31 December 2012 is $927,518 (30 June 2012: $578,022). 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 and timing of cash receipts.

The directors are of the opinion that there are reasonable grounds to believe that the company will meet projected revenue, timing of cash receipts and retain overheads at budgeted levels. As disclosed in Note 15, subsequent to year end, the Group has successfully collected $1,000,211 from a Research and Development Tax Incentive claim. The directors are continuing to monitor cash flows on a weekly basis and tightly managing discretionary expenditure. 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.

Notes to the Financial Statements (continued)

3. Operating segments (continued)

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.

(a) *Segment revenue based on geographic segment*

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 2012	**A$**	**A$**	**A$**
Revenue			
Sales to external customers	4,686,796	-	4,686,796
Inter-segment sales	-	369,699	369,699
Total Segment Revenue	4,686,796	369,699	5,056,495
Inter-segment elimination			(369,699)
Total Consolidated Revenue			4,686,796
Result			
Segment results	(1,276,423)	(26,291)	(1,302,714)
Loss before income tax	(1,276,423)	(26,291)	(1,302,714)
Income tax expense	-	-	-
Net loss for the year	(1,276,423)	(26,291)	(1,302,714)
Assets and Liabilities			
Segment Assets	3,668,133	86,457	3,754,590
Total Assets	3,668,133	86,457	3,754,590
Segment Liabilities	1,846,451	15,100	1,861,551
Net Assets	1,821,683	71,357	1,893,039
Other Segment Information			
Capital expenditure	159,531	-	159,531
Depreciation and amortization	118,473	3,112	121,585
Cash Flow Information			
Net cash flow used in operating activities	(1,278,161)	(26,291)	(1,304,452)
Net cash flow used in investing activities	(159,531)	-	(159,531)
Net cash flow from financing activities	1,816,999	-	1,816,999

Notes to the Financial Statements (continued)

3. Operating segments (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011	Australia A$	United States A$	Total A$
Revenue			
Sales to external customers	3,048,410	-	3,048,410
Inter-segment sales	-	219,049	219,049
Total Segment Revenue	3,048,410	219,049	3,267,459
Inter-segment elimination			(219,049)
Total consolidated revenue			3,048,410)
Result			
Segment results	(939,665)	2,864	(936,801)
Loss before income tax	(939,665)	2,864	(936,801)
Income tax expense	-	-	-
Net loss for the year	(939,665)	2,864	(936,801)
Assets and Liabilities			
Segment Assets	3,737,372	37,382	3,774,754
Total Assets	3,737,372	37,382	3,774,754
Segment Liabilities	1,829,888	4,333	1,834,221
Net Assets	1,907,484	33,049	1,940,533
Other segment information			
Capital expenditure	11,029	-	11,029
Depreciation and amortization	79,604	4,379	83,983
Cash flow information			
Net cash flow used in operating activities	(530,764)	-	(530,764)
Net cash flow used in investing activities	(39,941)	-	(39,941)
Net cash flow used in financing activities	(2,864)	2,864	-

Notes to the Financial Statements (continued)

3. Operating segments (continued)

(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.

	Consolidated	
	Dec 12	**Dec 11**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012	**A$**	**A$**
Australia	676,190	816,282
North America	1,555,350	938,774
South America	1,249,057	586,251
Europe	536,731	695,612
Africa	453,246	96,616
Asia-Pacific	133,693	124,062
Other (location not specified)	82,530	5,307
Total revenue	4,686,796	3,048,410

(c) Segment revenue based on products

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

	Consolidated	
	2012	**2011**
	A$	**A$**
Driver State Sensor	3,699,553	1,981,396
FaceLAB	693,870	861,697
FaceAPI	293,373	205,317
Total revenue	4,686,796	3,048,410

(d) Segment revenue based on customers

Revenue from three customers provided 46.7% of revenue for the half-year.

4. Other Income

	Consolidated	
	2012	**2011**
FOR THE HALF-YEAR ENDED 31 December 2012	**A$**	**A$**
R&D return	1,000,211	702,803
Interest earned	6,627	21,747
Other	-	22,000
	1,006,838	746,550

Notes to the Financial Statements (continued)

5. Other Expenses

	Consolidated	
	2012	2011
FOR THE HALF-YEAR ENDED 31 December 2012	A$	A$
Net gain/(loss) on foreign exchange	(66,939)	50,932
Total	(66,939)	50,932

The Company has for the half-year ended 31 December 2012 reported expenses against the following categories:

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

6. Current Assets - Cash and cash equivalents

	Consolidated	
	Dec 2012	June 2012
FOR THE HALF-YEAR ENDED 31 December 2012	A$	A$
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	726,947	453,373
Short-term deposits	200,571	124,649
	927,518	578,022

The short term deposits include an amount of $73,024 held as security by the bank against a guarantee for lease rental and is not available for use by the group.

7. Current Assets – Trade and Other Receivables

	Consolidated	
	Dec 2012	June 2012
FOR THE HALF- YEAR ENDED 31 December 2012	A$	A$
Trade receivables	1,685,294	1,624,741
GST receivables	118,720	28,989
Interest receivable	-	2,573
R&D Tax Offset receivable	1,000,211	-
	2,804,225	1,656,303

8. Inventories

During the six months, the group wrote down inventories by $28,490 due to stock take count variations and items identified as non-working. This expense is included in cost of sales.

Notes to the Financial Statements (continued)

9. Property, Plant and Equipment

During the six months ended 31 December 2012, the Group acquired assets with a cost of $160,857 (2011: $9,465). The majority of these purchases related to development of prototypes and acquisition of research and development equipment. No disposals occurred in the period.

10. 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.

11. Shares issued during the half year

In October 2012, a capital raise was completed amounting to A$1,962,664. Of this, A$1,732,414 was received in cash from foreign investors (primarily UK based), A$100,000 was received from Australian investors in cash, and A$130,250 was offset against amounts due to Directors for accrued Directors' Fees. Shares were issued under the capital raise at a strike price of 2 GB pence per share ($A0.031).

In October 2012, the Board approved the issue of 3,286,286 shares under the Executive Share Plan at a strike price of 2 GB pence per share (A$0.031), and a total value of $101,875. These shares were issued on 5 December 2012.

12. Commitments and contingencies

(a) ***Leasing commitments***

Operating lease commitments – Group as lessee
The group has two operating leases on property in Australia. Both leases have remaining terms of less than one year.

Future minimum rental payments under non-cancellable operating leases as at 31 December are as follows:

	Consolidated	
	2012	**2011**
	A$	**A$**
Within one year	267,123	290,261
After one year but not more than five years	-	104,949
Total	**267,123**	**395,210**

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.

(b) ***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.

Notes to the Financial Statements (continued)

13. Related Party Disclosure

(c) ***Subsidiary***

The consolidated financial statements include the financial statements of Seeing Machines Incorporated, a wholly owned subsidiary of Seeing Machines Limited. In the six months to December 2012, Seeing Machines Limited paid Seeing Machines Inc. an amount of $369,699 (Half year to December 2011: $219,049) for provision of services. The services included consultancy and agency commission and transactions were made at arm's length at normal market rates and on commercial terms. Revenues received by the subsidiary are eliminated on consolidation.

(d) ***Director-related transactions***

(i) Shareholdings of Directors

Shares in Seeing Machines Limited

31 December 2012	Balance 01 July 12	Granted as Remuneration	On Exercise of options	Net change other	Balance 31 Dec 12
Directors					
T Winters	-	-	-	1,632,166(2)	1,632,166
K Kroeger	-	-	-	1,592,357(3)	1,592,357
D Gaul	2,155,779	241,935(1)	-	955,414(2)	3,353,128
A Zelinsky	21,448,632	-	-	796,178(3)	22,244,810
Total	**23,604,411**	**241,935**	**-**	**4,976,115**	**28,822,461**

(1) These shares were issued under the Executive Share plan via a salary sacrifice arrangement as part of Director Fee entitlements.
(2) These shares were issued in consideration for accrued Directors' Fees.
(3) These shares were issued for cash.
(4) All shares issued to directors for the year were issued at the capital raising price of A$0.031.

(ii) Other Director-related transactions

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

14. Key Management Personnel

(e) ***Details of Key Management Personnel***

(i) Directors

Terry Winters	Chairman
Ken Kroeger	Managing Director and CEO
Rob Sale	Director (non-executive) – removed 28 November 2012
David Gaul	Director (non-executive)
Alexander Zelinsky	Director (non-executive)
Michael Roberts	Director (non-executive) – appointed 13 January 2013

(ii) Executives

Belinda Burgess	Operations Manager
Nick Langdale-Smith	Senior Vice President – Technology Business Group
Jochen Heinzmann	Vice President – DSS Product Management
Tim Edwards	Principal Engineer
Sebastien Rougeaux	Principal Research Scientist
Paul Johnson	Senior Vice President – DSS Business Group and Global Sales Director
David Simmons	Chief Financial Officer

Notes to the Financial Statements (continued)

14. Key Management Personnel (continued)

(b) *Compensation for Key Management Personnel*

	Six Months to December 2012 A$
Short-term employee benefits	860,193
Post-employment benefits	-
Termination benefits	-
Total	**860,913**

15. Events after balance date

In February 2013, the expected R&D Tax Offset with respect to the 2012 Income Tax Return of the company was received amounting to $1,000,211.

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 Seeing Machines Limited presents fairly in all material aspects the financial position of the consolidated entity as at 31 December 2012 and its financial performance and cash flows for the half year ended on that date, in accordance with the accounting policies described in note 1 to the financial statements.

(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, 22 March 2013

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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 condensed statement of financial position as at 31 December 2012, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities 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 and fair presentation of the half-year financial report 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 a Financial Report 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 presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of Seeing Machines Limited, 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 Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Seeing Machines Limited does not present fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2012 and its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Ernst + Young

Ernst & Young

Canberra
22 March 2013