ABN 34 093 877 331

Seeing Machines Limited

Half-year Financial Report

For the half-year ended 31 December 2014

Contents

Corporate Information

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
	Michael Roberts	Non-Executive Director
	Rudolph Burger	Non-Executive Director
	James Allan Walker	Non-Executive Director
	James Walker	Executive Director & CFO
Company Secretary	Andrew Neilson	Appointed 1 July 2014
	Allistar Twigg	Resigned 12 August 2014

Registered office

Level 1, 11 Lonsdale Street
Braddon ACT 2612

Principal place of business

Level 1, 11 Lonsdale Street
Braddon ACT 2612

Phone: + [61] 2 6103 4700
Email: info@seeingmachines.com

Share Register

Australia
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, Victoria, 3001, Australia
Phone: 1800 850 505 or +61 (0)3 9415 4000

United Kingdom
Computershare Investor Services PLC
The Pavilions, Bridgwater Rd
Bristol BS99 6ZY, United Kingdom
Phone: +44 (0)870 702 0000

Seeing Machines Limited shares are listed on the London Stock Exchange AIM market (code SEE).

Solicitors

Field Fisher Waterhouse LLP
2 Swan Lane
London EC4R 3TT
United Kingdom

Bankers

HSBC Commercial Bank
580 George Street
Sydney NSW 2000, Australia

Auditors

Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600, Australia

Directors' Report

Review and results of operations

The Company's total revenue for the half year to 31 December 2014 was A$9,437,346 (2013: A$6,689,766), including A$5,867,061 (2014: A$5,640,100) from the sale of goods and services.

The first six months of trading in the 2015 financial year was an improvement over the corresponding period in the previous financial year. This was primarily driven by significant growth in recurring revenue from the services component of our DSSTM offering.

The Company made a net loss of A$4,310,464 for the six months to 31 December 2014 compared to a net loss of A$844,903 for the period to 31 December 2013. The loss was a result of planned investments to implement the Company's business strategy outlined in mid-2014. During this half year we invested significantly in our capability and resources to commercialise our technology in six global industries: mining; commercial fleets; road vehicles; rail; consumer electronics; and aviation and simulators. This investment is reflected in increased expenses for R&D, sales and marketing and corporate activities, resulting in a higher loss for the half year than for the prior financial year.

Operational highlights for the half-year include:

- Executing our strategy to commercialise our technology in six global industries:

Mining	• Increased sales from DSSTM products and services to the mining industry, through our global partnership with Caterpillar • Signed DSSTM distribution agreements with additional Caterpillar dealers, including the world's largest Caterpillar mining dealership (Finning International)
Road Vehicles	• Strategic alliance agreement signed with TK Holdings Inc., the Americas subsidiary of Takata Corporation, an automotive industry leader in the supply of advanced driver safety systems (ADAS) • First contract secured with Takata, and product development underway, to deliver a driver monitoring system to a global passenger car OEM
Commercial Fleets	• Developed a new product for trucks and buses, to be launched in April 2015 • A strategic alliance with Insurance Underwriting Managers in South Africa to trial DSSTM with a major South African logistics fleet to assess the technology's ability to reduce fatigue and distraction related road accidents
Rail	• Strategic agreement signed with Electro-Motive Diesel, Inc. (EMD), a Caterpillar Company, related to in-cab operator fatigue and distraction monitoring systems for use in locomotives and other railway vehicles
Consumer Electronics	• Memorandum of Understanding (MOU) with Samsung Electro-Mechanics Corporation to facilitate joint development of face and eye tracking technology for the consumer electronics industry
Aviation and Simulators	• Significant interest from global leaders in the aviation and simulator markets. Developing business and investment plans for this market.

- An increase in sales, licensing and service income (A$5,867,061 compared to A$5,640,100 for 2013);
- Continued growth in the DSSTM customer base and corresponding recurring revenue stream;
- Significant capital raising of A$10,627,929 completed in December 2014;
- Capital raise of A$1,025,009 from existing shareholders completed in January 2015;
- Strategic joint venture with Chilean company GTD Ingenieria de Sistemas to form Seeing Machines Latin America to enable the highest levels of service to both mining and road transport customers and our local Caterpillar dealers; and
- **Formation of a new joint venture, NuCoria Pty. Ltd.**, with The Australian National University to commercialise TrueField Analyzer (TFA) Intellectual Property.

Financial Results

The Company achieved revenues of A$5,867,061 (2014: A$5,640,100) from sale of goods and services and other income resulting in total revenue for the half year to 31 December 2014 of A$9,437,346 (2013: A$6,689,766). Of the revenue from sale of goods and services, A$4,120,417 was from the sale of goods and A$1,746,644 was from providing services. Revenue for the half year for each of the three products; DSSTM, FovioTM and Other Income compared to the same period last year is shown in the following table.

Product	31 December 2014 A$	31 December 2013 A$	Variance %
DSS™	5,438,697	4,311,755	+26
Fovio™	166,952	939,994	-82
Core technology integration services	261,412	388,351	-33
Other income	2,335,908	1,049,666	+123
Foreign exchange gains	1,234,377	0	
Total Revenue	9,437,346	6,689,766	+41

Cost of sales at A$3,195,156 (2013: A$2,317,165) was higher due to upfront tooling, setup and freight costs incurred in preparation of the commercial fleet product setup at our contract manufacturer In-tech, as well as the expansion of the Company's logistics facilities in Australia and the USA.

Indirect expenditure for the half-year was A$10,552,654, up from A$5,217,504 for the period to 31 December 2013, reflecting the planned increased investment in research and development, and increased activity in DSS™ sales, distribution and marketing, to underpin commercialisation and future sales of DSS™ and other products in our chosen markets.

Cash reserves at 31 December 2014 were A$21,185,430 compared to A$22,764,774 at 30 June 2014 and A$26,449,133 at 31 December 2013. The decrease was due to the deposits paid for the large stock orders placed with In-Tech for the commercial fleet product, due to be launched in late April 2015.

Operational Highlights

DSS™

DSS™ revenues were A$5,438,697 for the six months to 31 December 2014, reflecting a significant increase over A$4,311,755 achieved for the six months to 31 December 2013. This was the result of the increase in the DSS™ installed unit numbers across our customers leading to an increase in the recurring services and reporting portion.

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.

During the half year the Company signed distribution agreements with four additional Caterpillar dealers (bringing the total to 16), further increasing the reach of DSS™ sales to customers in the mining industry. In addition to this, the Group's results included revenue of A$1,645,030 from Seeing Machines Latin America, the Company's subsidiary in Chile established during this half year.

The Board expects the Company's revenue sources to gradually reflect the transition of mining product sales to the Caterpillar dealer network and our strategic investment in non-mining sectors, in particular the commercial fleet and passenger car markets.

Consistent with previous years, the Board expects sales revenue for the full financial year to be weighted towards the second half, ending 30 June 2015, with full year revenue higher than last year. In order to achieve this we will need to continue to increase sales in the mining industry - in challenging market conditions - and drive a significant contribution from sales of our new DSSFleet™ product, to be launched in late April 2015. Management expects to convert a significant number of fleet opportunities into product trials before the end of the financial year, giving us a strong fleet-based sales pipeline for conversion the following financial year.

In parallel, we are continuing to work closely with Caterpillar dealers to preserve and grow sales in the mining industry, as well as broadening our activities with Caterpillar into their other industry sectors.

Automotive opportunities - 'ADAS'

One of the Company's six target markets is road vehicles. The opportunity in this market is to integrate the Company's technology into passenger cars as part of Advanced Driver Assistance Systems, or "ADAS". ADAS is an industry term for systems developed to automate, adapt and enhance vehicle systems for safety and better driving. ADAS systems include safety features designed to avoid collisions and accidents by offering technologies that alert the driver to potential problems, or to avoid collisions by implementing safeguards and taking over control of the vehicle. ADAS technology can be based upon vision/camera systems and sensor technologies that monitor the driver and the external environment.

During this half year the Company signed a strategic alliance with TK Holdings Inc., the Americas subsidiary of Takata Corporation and, through Takata, secured a contract to develop driver monitoring systems for a global car maker. Following the announcement of our agreement with Takata, the Company experienced strong initial indications of interest from multiple further OEMs. This strong interest has continued after the Company demonstrated its technology at the Consumer Electronics Show in early January 2015. While no guarantee can be made that any of these OEMs will ultimately decide to purchase the Company's technology, the Board believes there is a significant opportunity to capitalise upon the Company's early work in this market.

FOVIO™

Following the discontinuation of the FaceLAB & FaceAPI product line, FOVIO™ has now been established as the technology platform with all research based interest and opportunities directed to Eye Tracking, Inc, the Company's distributor for this field.

Core technology team integration services

With the recent marketing and demonstration initiatives, the Group has received an overwhelming response resulting in a broader focus on the automotive sector through the Company's product development agreement with Takata, signed during the half year. The Company generated revenue of A$261,412 from the core technology services provided to Takata in the development of a product for our first automotive OEM customer.

Summary

The Directors remain committed to delivering significant growth in shareholder value.

The additional capital raised over the past three months allows the Company to accelerate investment, both capitalised and uncapitalised, in our targeted six industries: mining; commercial fleets; road vehicles; rail; consumer electronics; and aviation and simulators. The Company will seek to leverage its current competitive advantage in order to more rapidly scale revenues in future years. The acceleration of investment in the second half is expected to result in a reported loss before tax for this financial year.

In line with usual corporate practice the Board and Management are conducting an annual review of the Company's strategy and fine-tuning its business plans for our six targeted industries to ensure we are focusing the Company's resources on the opportunities that can deliver most value for our shareholders.

Terry Winters
Chairman

27 February 2015

Ken Kroeger
Managing Director & CEO

27 February 2015

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014	Note	31 DEC 2014 A$	30 JUN 2014 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	21,185,430	22,764,774
Trade and other receivables	6	3,710,570	5,502,755
Inventories	7	11,222,903	2,821,783
Other current assets		224,130	132,551
TOTAL CURRENT ASSETS		36,343,033	31,221,863
NON-CURRENT ASSETS			
Property, plant and equipment	8	800,521	456,309
Intangible assets	9	3,110,776	1,288,656
TOTAL NON-CURRENT ASSETS		3,911,297	1,744,965
TOTAL ASSETS		40,254,330	32,966,828
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,861,846	1,982,819
Provisions		1,079,563	919,469
Deferred revenue		447,255	601,847
Interest bearing loans and borrowings		-	7,430
TOTAL CURRENT LIABILITIES		4,388,664	3,511,565
NON-CURRENT LIABILITIES			
Provisions		5,965	5,178
Interest bearing loans and borrowings		-	43,421
TOTAL NON-CURRENT LIABILITIES		5,965	48,599
TOTAL LIABILITIES		4,394,629	3,560,164
NET ASSETS		35,859,701	29,406,664
EQUITY			
Contributed equity		56,291,061	45,776,174
Treasury shares		(1,250,982)	(707,110)
Accumulated losses		(21,143,676)	(16,716,289)
Other reserves		1,277,777	1,053,889
Equity attributable to the owners of the parent		35,174,180	29,406,664
Non-controlling interest		685,521	-
TOTAL EQUITY		35,859,701	29,406,664

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

Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	Note	2014 A$	2013 A$
Continuing operations			
Sale of goods and license fees		4,120,417	4,934,042
Rendering of services		1,746,644	706,058
Revenue		5,867,061	5,640,100
Cost of Sales		(3,195,156)	(2,317,165)
Gross Profit		2,671,905	3,322,935
Other income	4	3,570,285	1,049,666
Research and development expenses		(1,819,954)	(1,411,854)
Customer support and marketing expenses		(5,265,728)	(1,456,115)
Occupancy and facilities expenses		(770,312)	(442,649)
Corporate services expenses		(2,696,660)	(1,906,886)
Loss before income tax		(4,310,464)	(844,903)
Income tax expense		-	-
Loss from continuing operations after income tax		(4,310,464)	(844,903)
Loss for the period		(4,310,464)	(844,903)
Attributable to:			
Equity holders of parent		(4,427,387)	(844,903)
Non-controlling interests		116,923	-
		(4,310,464)	(844,903)
Other comprehensive income to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(41,602)	(1,913)
Other comprehensive income net of tax			
Total comprehensive income		(4,352,066)	(846,816)
Total comprehensive income attributable to equity holders of parent		(4,352,066)	(846,816)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.518)	(0.168)
· Diluted earnings per share		(0.518)	(0.167)

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

Interim Consolidated Statement of Changes in Equity

	Contributed Equity	Treasury Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits & Other Reserve	Total	Non-Controlling Interest	Total Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	**A$**	**A$**	**A$**	**A$**	A$	A$	A$	A$
At 1 July 2013	17,049,175	-	(14,013,117)	49,846	648,259	3,734,163	-	3,734,163
Loss for the half-year	-	-	(844,903)	-	-	(844,903)	-	(844,903)
Other comprehensive income	-	-	-	(1,913)	-	(1,913)	-	(1,913)
Total comprehensive income	-	-	(844,903)	(1,913)	-	(846,816)	-	(846,816)
Transaction with owner in their capacity as owner								
Shares Issued	28,388,159	(644,160)	-	-	-	27,743,999	-	27,743,999
Capital Raising Costs	(1,574,575)	-	-	-	-	(1,574,575)	-	(1,574,575)
Employee Share Loan Plan	-	-	-	-	122,804	122,804	-	122,804
Share Options Issued	-	-	-	-	125,605	125,605	-	125,605
At 31 December 2013	43,862,759	(644,160)	(14,858,020)	47,933	896,668	29,305,180	-	29,305,180
							-	
At 1 July 2014	45,776,174	(707,110)	(16,716,289)	46,638	1,007,251	29,406,664	-	29,406,664
Profit/(Loss) for the half-year	-	-	(4,427,387)	-	-	(4,427,387)	116,923	(4,310,464)
Other comprehensive income	-	-	-	(41,602)	-	(41,602)	-	(41,602)
Total comprehensive income	-	-	(4,427,387)	(41,602)	-	(4,468,989)	116,923	(4,352,066)
Transaction with owner in their capacity as owner								
Shares issued	11,069,630	(543,872)	-	-	113,042	10,638,800	-	10,638,800
Capital raising costs	(554,743)	-	-	-	-	(554,743)	-	(554,743)
Employee Share Loan Plan	-	-	-	-	152,448	152,448	-	152,448
Acquisition of Non-controlling interest	-	-	-	-	-	-	568,598	568,598
At 31 December 2014	**56,291,061**	**(1,250,982)**	**(21,143,676)**	**5,037**	**1,272,741**	**35,174,180**	**685,521**	**35,859,701**

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

Interim Consolidated Statement of Cash Flows

		Consolidated	
		2014	2013
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	Note	A$	A$
Operating activities			
Receipts from customers		7,544,573	7,496,080
Receipt of tax concession for research and development costs		2,202,534	1,045,089
Payments to suppliers and employees		(19,574,365)	(9,883,815)
Interest received		113,370	3,114
Interest Paid		(340)	(1,197)
Net cash flows used in operating activities		(9,714,228)	(1,340,729)
Investing activities			
Purchase of plant and equipment		(523,267)	(195,099)
Payments for intangible assets		(1,500,458)	(37,717)
Net cash flows used in investing activities		(2,023,725)	(232,816)
Financing activities			
Proceeds from issue of shares		10,525,758	27,576,080
Cost of capital raising		(544,539)	(383,318)
Repayment of borrowings		(50,852)	(3,171)
Net cash flows from financing activities		9,930,367	27,189,591
Net increase/(decrease) in cash and cash equivalents		(1,807,586)	25,616,045
Net foreign exchange differences		228,242	(1,913)
Cash and cash equivalents at 1 July		22,764,774	835,001
Cash and cash equivalents at 31 December		21,185,430	26,449,133

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

Notes to the Interim Consolidated Financial Statements

1. Basis of preparation and accounting policies

The financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 27 February 2015.

Seeing Machines Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the AIM market 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 2014.

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 May 2014. 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 2014.

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 report for the financial year ended annual financial report for the financial year ended 30 June 2014. In addition to that, the new standards adopted by the Group in this reporting period are listed below:

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These are outlined in the table below:

Reference	Title	Application date of standard	Application date for Group	Impact on the Group
AASB 2013-9	**Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments** The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2015	1 July 2015	The adoption of these amendments had no material impact on the financial position or performance of the Group
AASB 9	**Financial Instruments** AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically,	1 January 2018	1 July 2018	The Group doesn't have financial instruments which would be impacted by the application of this standard.

<table>
<tr><th>Reference</th><th>Title</th><th>Application date of standard</th><th>Application date for Group</th><th>Impact on the Group</th></tr>
<tr><td></td><td>the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Amendments to AASB 9 (December 2009 & 2010 editions)(AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.
a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
► The remaining change is presented in profit or loss
AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.
Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.
AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.
AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</td><td></td><td></td><td></td></tr>
<tr><td>AASB 2014-4</td><td>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to
AASB 116 and AASB 138)
AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.
The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</td><td>1 January 2016</td><td>1 July 2016</td><td>The adoption of these amendments is not expected have a material impact on the financial position or performance of the Group</td></tr>
</table>

Reference	Title	Application date of standard	Application date for Group	Impact on the Group
AASB 15	**Revenue from Contracts with Customers** In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2017	1July 2017	The adoption of these amendments may have an impact on the financial position or performance of the Group The group is yet to make an assessment on the impact of the standard on its current contracts and related performance obligations.
Disclosure Initiative	Amendments to IAS 1 As part of the IASB's Disclosure Initiative projects, the IASB issued Amendments to IAS 1 in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016	The adoption of these amendments is not expected have a material impact on the financial position or performance of the Group.

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 $4,310,464 (2013: $844,903). The Group has accumulated losses of $21,143,676 (30 June 2014: $16,716,289). The balance of cash and cash equivalents at 31 December 2014 is $21,185,430 (30 June 2014: $22,764,774). 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. The directors are of the opinion that with the significant cash holdings the going concern basis of accounting is justified.

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.

Notes to the Interim Consolidated Financial Statements (continued)

(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

FOR THE HALF YEAR ENDED 31 DECEMBER 2014	Australia A$	North America A$	South America A$	Total A$
Revenue				
Sales to external customers	4,222,031	-	1,645,030	5,867,061
Inter-segment sales	160,595	-	-	160,595
Total Segment Revenue	4,382,626	-	1,645,030	6,027,656
Inter-segment elimination				(160,595)
Total Consolidated Revenue				5,867,061
Result				
Net finance costs / Income	113,370	-	-	113,370
Depreciation and amortization	(229,082)	(9,053)	(59,845)	(297,980)
Segment results	(2,039,641)	(2,350,651)	259,828	(4,310,464)
Total Operating Assets as at 31 December 2014	37,167,185	105,435	2,981,712	40,254,330
Total Operating Liabilities as at 31 December 2014	(2,628,540)	(248,067)	(1,518,023)	(4,394,629)

Notes to the Interim Consolidated Financial Statements (continued)

3. Operating segments (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2013	Australia A$	North America A$	South America A$	Total A$
Revenue				
Sales to external customers	5,640,100	-	-	5,640,100
Inter-segment sales	-	501,420	-	501,420
Total Segment Revenue	5,640,100	501,420	-	6,141,520
Inter-segment elimination				(501,420)
Total Consolidated Revenue				5,640,100
Result				
Net finance costs / Income	3,349	-	-	3,349
Depreciation and amortization	(106,841)	(9,053)	-	(109,28)
Segment results	(733,347)	(111,556)	-	(844,903)
Total Operating Assets as at 30 June 2014	32,668,815	298,013	-	32,966,828
Total Operating Liabilities as at 30 June 2014	(3,397,510)	(162,654)	-	(3,560,164)

Notes to the Interim Consolidated Financial Statements (continued)

4. Other income

	Consolidated	
	Dec 2014	Dec 2013
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	A$	A$
Research and Development refundable tax offsets	2,081,890	909,672
Net gain on foreign exchange	1,364,919	125,889
Withholding tax credits on foreign dealings	10,106	10,756
Interest earned	113,370	3,349
	3,570,285	1,049,666

The movements in the exchange rates resulted in a net gain for the period.

5. Current assets - cash and cash equivalents

	Consolidated	
	Dec 2014	June 2014
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	A$	A$
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,884,827	22,720,086
Short-term deposits	14,300,603	44,688
	21,185,430	22,764,774

The short term deposits include an amount of $280,316 held as security by the bank against a guarantee for lease rentals and is not available for use by the Group.

6. Current assets – trade and other receivables

	Consolidated	
	Dec 2014	June 2014
FOR THE HALF- YEAR ENDED 31 DECEMBER 2014	A$	A$
Trade receivables	4,093,766	5,771,278
Provision for doubtful debts	(383,199)	(276,902)
	3,710,567	5,494,376
Other receivables	-	8,379
	3,710,567	5,502,755

Notes to the Interim Consolidated Financial Statements (continued)

7. Inventories

	Consolidated	
	Dec 2014	June 2014
FOR THE HALF- YEAR ENDED 31 DECEMBER 2014	A$	A$
Raw Materials	217,001	252,271
Finished Goods	1,921,129	1,065,966
Work in progress	9,084,773	1,503,546
Total	11,222,903	2,821,783

Inventories recognised as an expense for the half year ended 31 December 2014 totalled $2,145,671 (December 2013: $1,916,015) for the Group. This expense has been included in the cost of sales line item as a cost of inventories. There was no inventory which was written down below the cost in this period.

8. Property, plant and equipment

During the six months ended 31 December 2014, the Group acquired assets with a cost of $556,859 (December 2013: $193,896). The majority of these purchases are related to an office refurbishment and IT equipment bought for new staff. No disposals occurred in this period.

9. Intangibles

During the six months ended 31 December 2014, the Group spent $1,822,120 on intangibles (December 2013: $73,943). The majority of these purchases are related to the development costs of DSSFleet™ and OEM Technology which have been capitalised along with new patent applications and renewal of existing patents. No patents were written-off during this period.

Notes to the Interim Consolidated Financial Statements (continued)

10. Financial Instruments

(a) Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2014

	Loan and Receivables	Available-for-sale	Fair value profit or loss	Fair value other comprehensive income
Financial Assets:	**A$**	**A$**	**A$**	**A$**
Total non-current	-	-	-	-
Trade and other receivables	3,710,570	-	-	-
Total current	**3,710,570**	**-**	**-**	**-**
Total	**3,710,570**	**-**	**-**	**-**
Financial Liabilities:				
Interest bearing loans and borrowings	-	-	-	-
Total non-current	**-**	**-**	**-**	**-**
Trade and other payables	2,861,646	-	-	-
Interest bearing loans and borrowings	-	-	-	-
Total current	**2,861,646**	**-**	**-**	**-**
Total	**2,861,646**	**-**	**-**	**-**

The interest bearing loan was paid in this reporting period.

Notes to the Interim Consolidated Financial Statements (continued)

10. Financial Instruments (continued)

(a) Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2014.

	Loan and Receivables	Available-for-sale	Fair value profit or loss	Fair value other comprehensive income
Financial Assets:	**A$**	**A$**	**A$**	**A$**
Total non-current	-	-	-	-
Trade and other receivables	3,710,567	-	-	-
Total current	**3,710,567**	**-**	**-**	**-**
Total	**3,710,567**	**-**	**-**	**-**
Financial Liabilities:				
Interest bearing loans and borrowings	43,421	-	-	-
Total non-current	**43,421**	**-**	**-**	**-**
Trade and other payables	2,861,846	-	-	-
Interest bearing loans and borrowings	7,430	-	-	-
Total current	**2,869,276**	**-**	**-**	**-**
Total	**2,912,697**	**-**	**-**	**-**

(b) Risk management activities

Other risk management activities

As a result of significant sales in North America and South America (denominated in USD), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's statement of financial position can be affected by movement in exchange rates generally and the US$/A$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating US Dollar bank accounts. Approximately 75% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 50% of the costs are denominated in the unit's functional currency. The Group does not enter into foreign currency forward contracts to hedge those exposures.

Fair values
As at 31 December 2014, the carrying value of the financial instruments approximates their fair value.

11. Dividends paid

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

Notes to the Interim Consolidated Financial Statements (continued)

12. Shares issued during the half year

In December 2014, a capital raise was completed amounting to $9,971,015 (net of transaction costs). A total of 102,963,652 shares were issued under the capital raise at an issue price of 5.5 GB pence per share ($A0.102).

In September 2014, as part of the Company's remuneration review, the Board approved the issue of 1,022,872 shares as a short term incentive to the staff members who qualified for this offer. The total value of these shares is $113,042. The offer was only made to those staff who are not eligible for the Company's executive share plan. In addition to this September 2014, the Board approved the issue of 4,684,232 shares under the Executive Share Loan Plan at a strike price of 6.12 GB pence per share with a total value of $543,872. These shares will only vest on achievement of the conditions described in note 17.

13. Leasing commitments

Operating lease commitments – Group as lessee
The Group has two operating leases on properties in Australia.

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

	Consolidated	
	Dec 2014 A$	Dec 2013 A$
Within one year	334,121	204,758
After one year but not more than five years	249,362	389,653
Total	**583,483**	**594,411**

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.

14. Group Structure

The consolidated statements include the financial statements of Seeing Machines Limited, an Australian entity and its Subsidiaries:

- Seeing Machines Incorporated, a wholly owned US subsidiary;
- Truefield Ophthalmic Devices Pty Ltd, a wholly owned subsidiary;
- Seeing Machines Executive Share Plans Trust Pty Ltd, a wholly owned subsidiary;
- Seeing Machines Executive Share Plans Pty Ltd, a wholly owned subsidiary; and
- Seeing Machines Latin America SpA, a 55% owned Chile subsidiary.

Formation of subsidiary
On 8th August 2014, Seeing Machines Limited incorporated a new entity Seeing Machines Latin America SpA registered in Chile with its existing distributor GTD. The total capital invested in the new entity was US$1,036,364 (A$1,120,877). Seeing Machines Limited acquired 55% shares in the new entity by investing in the form of cash and inventory. The following table represents fair value of net assets contributed for the shares in Seeing Machines Latin America SpA:

Net Assets Contributed	**US$**	**A$**
Inventory	420,000	454,250
Cash	150,000	162,232
Customer Contracts	190,000	205,494
Fixed Assets	93,364	100,978
Business know how	183,000	197,923
Total identifiable net assets	**1,036,364**	**1,120,877**
Non-controlling interest	466,364	504,395
Purchase consideration transferred	**570,000**	**616,482**

Notes to the Interim Consolidated Financial Statements (continued)

14. Group Structure (continued)

The Group has elected to measure the non-controlling interest in Seeing Machines Latin America SpA at carrying value which in this case is represented by their share of the net assets in the entity.

15. Related party disclosure

(a) *Transactions with related parties*

In the six months to December 2014, Seeing Machines Limited invoiced Seeing Machines Latin America SpA, an amount of $116,095 for hardware inventory. The transactions were made at arm's length at normal market rates and on commercial terms. As at 31 December 2014 Seeing Machines Limited owed $2,442,124 in marketing fees in line with the agreement to Seeing Machines Incorporated and $129,131 to Seeing Machines Latin America SpA for the revenue recognised on behalf of the subsidiary. Revenues received from subsidiaries are eliminated on consolidation.

(b) *Director-related transactions*

(i) Shareholdings of Directors

Shares in Seeing Machines Limited

31 December 2014	Balance 1 July 14	Granted as Remuneration	Acquire or sold for cash	Net change other	Balance 31 Dec 14
Directors					
T Winters	1,632,166	-	-	-	1,632,166
K Kroeger	2,272,357	-	-	-	2,272,357
K Kroeger- ESLP shares not vested	5,606,250	1,286,503	-	-	6,892,753
D Gaul	3,300,000	-	100,000	-	3,400,000
M Roberts	13,495,376	-	(8,500,000)	-	4,995,376
R Burger	-	-	-	-	-
J A Walker	-	-	-	-	-
J D Walker	320,000	-	280,000	-	600,000
J D Walker- ESLP shares not vested	2,073,019	618,513	-	-	2,691,532
Total	**28,699,168**	**1,905,016**	**(8,120,000)**	**-**	**22,484,184**

(ii) Other Director-related transactions

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

16. Key management personnel

(a) *Details of Key Management Personnel*

(i) Directors

Terry Winters	Chairman (non-executive)
Ken Kroeger	Managing Director and CEO
David Gaul	Director (non-executive)
Michael Roberts	Director (non-executive)
Rudolph Burger	Director (non-executive)
James A Walker	Director (non-executive)
James D Walker	Executive Director and CFO

Notes to the Interim Consolidated Financial Statements (continued)

16. Key management personnel (continued)

(ii) Executives

Paul Angelatos	Chief Operating Officer
David Nagy	Senior Vice President Product Manager
Andrew Neilson	Senior Vice President Legal & Commercial (and Company Secretary)
Tim Edwards	Chief Technology Officer

(b) *Compensation for Key Management Personnel*

	Six Months to December 2014 A$	Six Months to December 2013 A$
Short-term employee benefits	1,056,883	1,119,703
Termination benefits	-	50,000
Share based payments	152,448	122,804
Total	1,209,331	1,292,507

17. Share based payments

(a) Recognised share based payment expenses

	Dec 2014 A$	Dec 2013 A$
Expense arising from the equity-settled share-based payment transactions.	113,042	125,605
Expense arising from the share-based payment transactions under the executive share plan.	152,448	122,804
Total	265,490	248,409

(b) Employee share option scheme (ESOS)

The previous disclosed ESOS was replaced on 1 July 2013 with an Employee Share Loan Plan (ESLP) where eligible employees are invited to participate in the ESL from time to time.

(c) Employee share loan plan (ESLP)

Eligible employees are invited to participate in the ESLP from time to time. The share issue price is equal to the market value of the shares or as determined by the Board on the date of the invitation to apply for options over the shares. Under the terms of the ESLP, employees are provided with non-recourse loans which will be extinguished if the employee chooses to acquire the shares by applying the exercise price of the option at any time after the vesting date.

Following is the list of the inputs to the model used for the half year ended 31 December 2014, the period in which the shares were issued:

Date granted	1 July 2014
Dividend Yield (%)	0.0
Expected volatility (%)	77.7
Risk-free interest rate (%)	1.5
Expected life (years)	3 years
Weighted average share price (pence)	5.63
Model Used	Monte Carlo

Notes to the Interim Consolidated Financial Statements (continued)

17. Share based payments (continued)

(c) Employee share loan plan (ESLP) (Continued)

Relative TSP performance outcome	Percentage of award that will vest
Below the 90th percentile	0%
At the 90th percentile	50%
At the 95th percentile	75%
At the 100th percentile	100%

The vesting conditions of the share are linked to the achieved of the Target Share Price (TSP) as agreed in the share offer document. The shares will vest based on the TSP achieved at the end of the 3 years.

i. Movements during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	December 2014 No.	December 2014 WAEP (cents)	December 2013 No	December 2013 WAEP (cents)
Outstanding at the beginning of the year	18,920,020	5.56	615,415	8.44
Granted during the year	4,684,232	10.99	18,920,020	5.56
Forfeited during the year	-	-	(615,415)	(8.44)
Exercised during the year	-	-	-	-
Expired during the year	(3,000,000)	-	-	-
Outstanding at 31 December	20,604,252	9.20	18,920,020	5.56
Exercisable at 31 December	-	-	-	-

Weighted average fair value of the option granted during the year was £0.0275 (A$0.0522) per share.

18. Events after balance date

As a part of December 2014 capital raise the Group made an offer to subscribe shares to eligible existing shareholders. The shares were issued in January 2015 and a total of £557,050 was raised (A$1,025,009).

Since the end of the financial period there has been no other 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 periods.

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 2014 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, 27 February 2015

Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

To the members of Seeing Machines Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year condensed financial report of Seeing Machines Limited, which comprises the interim consolidated statement of financial position as at 31 December 2014, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year ended on that date, condensed 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 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 accompanying 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 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year condensed 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 accompanying 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 2014 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
27 February 2015