seeingmachines

ABN 34 093 877 331

Seeing Machines Limited

Half-year Financial Report

For the half-year ended 31 December 2015

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$).

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	
	Les Carmichael	Non-Executive Director	Appointed 1 February 2016
	James David Walker	Executive Director & CFO	Resigned 1 March 2016

Company Secretary Andrew Neilson

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

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Auditors
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121 Marcus Clarke Street
Canberra ACT 2600, Australia

Directors' Report

Review and results of operations

Financial Results

The first six months of trading in the 2015 financial year was an improvement over the corresponding period in the previous financial year. The Company's business revenue for the half year to 31 December 2015 was A$29,320,940 (2014: A$5,867,061) from the sale of goods and services and licence fees. This increase was primarily driven by the licence fee of A$21,850,452 from Caterpillar for the licence of the DSS technology.

The Company made a net profit before tax of A$11,174,353 for the period, a significant turnaround from a net loss of A$4,310,464 for the period to 31 December 2014, again driven by the Caterpillar licence revenue. We continued to invest heavily in our capability and resources to commercialise our technology in six global industries, with particular R&D focus on automotive and business working capital requirements for the fleet business.

Rounding

The amounts contained in the financial report have been rounded to the nearest A$1 (where rounding is applicable) where noted ($) under the option available to the Group under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Operational highlights for the half-year include:

Caterpillar industries

- In September 2015 the Company signed a global product development, licensing and distribution agreement with Caterpillar Inc. Caterpillar takes over responsibility for manufacturing, marketing and sales of Seeing Machines' existing DSS rugged off-road product and have distribution rights for Seeing Machines Fleet product, exclusive within agreed industries (mining, construction, quarry, aggregates, cement, marine, forestry).
- Caterpillar will pay Seeing Machines A$21,850,452 over four years as well as royalty fees for DSS hardware, software licensing, monitoring and analytics services.
- Responsibility for servicing current DSS customers has transitioned to Caterpillar from 1 January 2016.
- Seeing Machines will continue to support Caterpillar, and develop new products based on a fee for service.

Automotive

- During this half year the Company continued to work with automotive safety company Takata to develop driver monitoring systems (DMS) for automotive customers, with the first order from one of the world's largest car companies. The first generation DMS system is expected to launch this year in 2017 models.
- After the end of the half year, the Company secured a follow on order to deliver a second generation driver monitoring system (DMS) to a global car maker, in partnership with Takata. This order follows the successful development of a first generation system for the same manufacturer. The second order is expected to deploy DMS technologies into more than ten, higher-volume, 2018 vehicle models.
- DMS technology is becoming a key component for semi-autonomous driving systems, with ongoing discussions at various stages with 13 other car makers. Seeing Machines and Takata continue to engage closely with most of the world's car manufacturers. Program discussions continue with fourteen manufacturers of which nine are currently performing validation tests using Seeing Machines' DMS evaluation product as they seek driver monitoring technologies for their upcoming product lines.
- As previously announced, the Company has been working on further strategic and commercial options to maximise this very large market opportunity, in order to capture more automotive business, more quickly, with the best returns for our shareholders. This work has recently accelerated, with the Company appointing Woodside Capital Partners based in Palo Alto, USA, to advise the Board on how best to fund and execute these

plans. Rudy Burger, one of Seeing Machines' Non-Executive Directors, is a Managing Partner and Managing Director of Woodside Capital. The Board and management are also taking into account feedback and requirements from car manufacturers and the automotive supply market.

- Based on this strong market interest and advice, the Board and management are currently working on a plan that includes developing and selling a propriety automotive hardware module containing the Company's driver monitoring engine software, rather than purely licensing its software. We believe this will enable the Company to capture a greater share of the revenue and margin in the automotive ADAS market. The Company is also investigating the option of executing these plans through a to-be established, separately-funded company, solely focused on the automotive industry. If the Company pursues this option, we expect to retain a significant equity stake. The Company and its advisors are in discussions with potential investors and strategic partners for this opportunity. The Company has not entered any binding commitments in respect of these funding plans and there is no guarantee that these plans will be realised. The Company will keep shareholders informed if and when these activities result in binding agreements.

Commercial Fleets

- In mid-2015 the Company launched a new fatigue and distraction monitoring product for trucks and buses. During the half year we achieved strong sales through our distributor Insurance Underwriting Managers in South Africa, and continued to build a pipeline of assessments and larger deployments in Asia-Pacific and Latin America. Sales in North America have been slower than expected, with a longer transition from an initial assessment to an implementation across a customer's fleet.
- The Company has recently enhanced its product offering by integrating a forward-facing camera into the fleet product, making our solution the first preventative solution to provide 360-degree situational awareness (in front of the truck as well as facing the driver). This enhanced product will be launched in March 2016.
- Our client assessments are progressing rapidly with several new assessments commencing after the end of the half year. We have also continued a number of assessments with major fleet operators with commercial negotiations now well advanced.

Other industries

- Aviation: continued progress during the half year. Building on our work with Boeing's Research and Technology group in Australia, we are in discussions with commercial airlines, logistics providers, helicopter training operators, air traffic controllers and aviation government agencies.
- Rail: our in-cab operator fatigue and distraction technology is being trialed in locomotives by two rail customers in North America, in partnership with Electro-Motive Diesel.
- Consumer Electronics: Worked with Samsung to develop and demonstrate the world's first eye-tracking enabled heads-up-display (HUD) on a car windshield, on Samsung's transparent OLED display technology at the International Consumer Electronics Show in Las Vegas in January 2016.
- Joint Ventures: Agreement to sell our shares in our joint venture company in Chile back to our original distribution partners, as part of the transition of the DSS business to Caterpillar.

Financial Results

In the half year to 31 December 2015 the Company achieved business revenues of A$29,320,940 (2014: A$5,867,061) from sale of goods and services and license fees. Including other income, the total revenue for the period was A$31,684,263 (2014: A$9,437,346). 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 the DSS, Fovio and Fleet product lines, the Caterpillar license fee, and Other Income compared to the same period last year is shown in the following table:

Product	*31 December 2015 A$*	*31 December 2014 A$*	*Variance %*
DSS business	5,765,019	3,793,666	52
DSS license fee	21,850,452	-	-
Seeing Machines Fleet™	681,484	-	-
Core technology integration services	1,023,985	428,364	139
Business revenue total	**29,320,940**	**4,222,030**	**594**
Other income – R&D grants and finance	2,363,323	2,205,397	7
Foreign exchange gains (losses)	-	1,356,723	-
Total Revenue	31,684,263	7,784,150	307

DSS revenues were A$27,615,471 for the six months to 31 December 2015, reflecting a significant increase over A$3,793,666 achieved for the six months to 31 December 2014. Included in this amount is a one off licence fee of A$21,850,452 for the exclusive license of the DSS technology to Caterpillar. This licence fee is payable over four years but is all recognised as revenue in this half year.

During the half year we continued to work closely with Cat Safety Services to ensure a smooth transition of the business and to grow sales in the mining industry, as well as broadening our activities with Caterpillar into their other industry sectors.

Cost of sales at A$4,238,008 (2014: A$2,597,468) was higher due to upfront tooling, setup and freight costs incurred in preparation of the commercial fleet product setup at our contract manufacturer, as well as the expansion of the Company's logistics facilities in Australia and the USA.

Indirect expenditure for the half-year was A$16,180,494, up from A$10,552,654 for the period to 31 December 2014. The increase was mainly for the planned increased investment in automotive research and development. Also included in this expense is an amount of $4,178,271 for the revaluation of the Fleet product to the net realisable value; this revaluation is based on Fleet sales to date together with the Board's assessment of the likely unit sale price across our target markets in the short and medium term.

Cash reserves at 31 December 2015 were A$10,162,560 compared to A$14,221,615 at 30 June 2015 and A$21,185,430 at 31 December 2014. The decrease in cash reserves from June to December 2015 was due to the company making a cash loss from operations of $802,656 and a cash investment in relation to the development costs for near term revenue generating projects in the automotive sector, the costs of which were capitalised, consistent with previous practice. The difference between the cash loss from operations and the operating profit mainly relates to the timing of the cash receipts related to the CAT license fee, which was recognised in full as revenue during this period. As at 31 December 2015, A$8,911,160 of non-current trade receivables within the Company's balance sheet relate to the CAT license fee.

Summary

The Board expects the Company's revenue sources to continue with the recent change of DSS business revenue to a Caterpillar royalty fee for DSS and the increase in our Fleet direct to market business. Other revenue streams include engineering services in the automotive space in the short term but this will also move to an annuity stream from the sale of our technology into newly manufactured passenger vehicles.

For the full financial year ending 30 June 2016, the Board expects that total revenue will be significantly higher than last year due to the Caterpillar license fee of A$21,850,000. Excluding this revenue, other sales and service revenue may be marginally lower than the last full year, depending on how quickly current assessments for the Fleet product convert to larger deployments. We are building a strong pipeline of Fleet sales across several regions, driven by a number of assessments and opportunities as outlined in our recent quarterly Fleet update. We are also confident of increased activity and sales through Caterpillar across their broad target markets of mining, construction, cement and quarry and forestry.

With the transition from a direct-to-market mining business to a royalty arrangement with Caterpillar, the Company has refocussed its efforts toward the Automotive, Fleet, Aerospace and Rail markets and technologies.

The Directors remain committed to delivering significant growth in shareholder value and we look forward to reporting on our continued progress during this year.

Terry Winters
Chairman

4 March 2016

Ken Kroeger
Managing Director & CEO

4 March 2016

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015	Note	31 DEC 2015 A$	30 JUN 2015 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	10,162,560	14,221,615
Trade and other receivables	8	7,997,874	7,188,835
Inventories	9	11,065,856	10,182,633
Current financial assets		238,688	238,462
Other current assets		565,249	224,910
Assets belonging to the discontinued operations	4	3,217,445	-
TOTAL CURRENT ASSETS		33,247,672	32,056,455
NON-CURRENT ASSETS			
Property, plant and equipment	10	729,898	863,214
Intangible assets	11	3,655,763	3,011,560
Non-current financial assets		140,191	140,191
Trade and other receivables	8	9,094,541	166,489
TOTAL NON-CURRENT ASSETS		13,620,393	4,181,454
TOTAL ASSETS		46,868,065	36,237,909
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,139,744	4,075,472
Provisions		1,658,898	1,409,955
Deferred revenue		832,108	231,187
Income tax payable		68,437	366,620
Liabilities belonging to the discontinued operations	4	669,100	-
TOTAL CURRENT LIABILITIES		5,368,287	6,083,234
NON-CURRENT LIABILITIES			
Provisions		34,672	20,389
TOTAL NON-CURRENT LIABILITIES		34,672	20,389
TOTAL LIABILITIES		5,402,959	6,103,623
NET ASSETS		41,465,106	30,134,286
EQUITY			
Contributed equity		57,788,629	57,490,870
Treasury shares		(1,301,823)	(1,301,823)
Accumulated losses		(16,803,876)	(27,997,987)
Other reserves		604,028	767,710
Equity attributable to the owners of the parent		40,286,958	28,958,770
Non-controlling interest		1,178,148	1,175,516
TOTAL EQUITY		41,465,106	30,134,286

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 2015	Note	2015 A$	2014 A$
Continuing operations			
Sale of goods and license fees		27,558,018	3,031,883
Rendering of services		1,762,922	1,190,147
Revenue		29,320,940	4,222,030
Cost of Sales		(4,238,008)	(2,597,468)
Gross Profit		25,082,932	1,624,562
Other income	5	2,363,323	3,562,120
Research and development expenses		(4,218,989)	(1,819,954)
Customer support and marketing expenses		(3,891,880)	(4,479,919)
Occupancy and facilities expenses		(891,894)	(761,845)
Corporate services expenses		(2,935,867)	(2,695,256)
Other Expenses	6	(4,241,864)	-
Profit / (loss) before income tax		11,265,761	(4,570,292)
Income tax expense		47,501	-
Profit / (loss) from continuing operations after income tax		11,218,260	(4,570,292)
Profit / (loss) from discontinued operations after income tax	4	(43,907)	259,928
Profit / (Loss) for the period		11,174,353	(4,310,464)
Attributable to:			
Equity holders of parent		11,194,111	(4,427,387)
Non-controlling interests		(19,758)	116,923
		11,174,353	(4,310,464)
Other comprehensive income to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(317,689)	(41,602)
Other comprehensive income net of tax		(317,689)	(41,602)
Total comprehensive income		10,856,484	(4,352,066)
Total comprehensive income attributable to:			
Equity holders of parent		10,853,852	(4,468,989)
Non-controlling interests		2,632	116,923
Total comprehensive income for the year		10,856,484	(4,352,066)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		0.01215	(0.00518)
· Diluted earnings per share		0.01181	(0.00518)

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

Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	Contributed Equity A$	Treasury Shares A$	Accumulated Losses A$	Foreign Currency Translation Reserve A$	Employee Equity Benefits & Other Reserve A$	Total A$	Non-Controlling Interest A$	Total Equity A$
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)**	**5,036**	**1,272,741**	**35,174,180**	**685,521**	**35,859,701**
							-	
At 1 July 2015	57,490,870	(1,301,823)	(27,997,987)	(544,438)	1,312,148	28,958,770	1,175,516	30,134,286
Profit/(Loss) for the half-year			11,194,111	-	-	11,194,111	(19,758)	11,174,353
Other comprehensive income			-	(340,259)	-	(340,259)	22,390	(317,869)
Total comprehensive income	-		11,194,111	(340,259)	-	10,853,852	2,632	10,856,484
Transaction with owner in their capacity as owner								
Shares issued	297,759	-	-	-	-	297,759	-	297,759
Capital raising costs	-	-	-	-	-	-	-	-
Employee Share Loan Plan					176,577	176,577		176,577
At 31 December 2015	57,788,629	(1,301,823)	(16,803,876)	(884,697)	1,488,725	40,286,958	1,178,148	41,465,106

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	
	2015	**2014**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	**A$**	**A$**
Operating activities		
Receipts from customers (inclusive of GST)	19,604,534	7,544,573
Receipt of tax concession for research and development costs	-	2,202,534
Payments to suppliers and employees (inclusive of GST)	(20,427,209)	(19,574,365)
Interest received	20,018	113,370
Interest Paid	-	(340)
Net cash flows used in operating activities	(802,656)	(9,714,228)
Investing activities		
Purchase of plant and equipment	(295,706)	(523,267)
Payments for intangible assets	(951,325)	(1,500,458)
Net cash flows used in investing activities	(1,247,031)	(2,023,725)
Financing activities		
Proceeds from issue of shares	-	10,525,758
Cost of capital raising	-	(544,539)
Repayment of borrowings	-	(50,852)
Net cash flows from financing activities	-	9,930,367
Net increase/(decrease) in cash and cash equivalents	(2,049,687)	(1,807,586)
Net foreign exchange differences	176,506	228,242
Cash and cash equivalents at 1 July	12,035,741	22,764,774
Cash and cash equivalents at 31 December	10,162,560	21,185,430

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 2015 was authorised for issue in accordance with a resolution of the Directors on 4 March 2016.

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 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 January 2016

2. Going concern basis of accounting

The financial report has been prepared on the going concern basis. The Group has made a profit for the half year of A$11,174,353 (2014: A$4,310,464). The Group has accumulated losses of A$16,803,876 (30 June 2015: A$27,997,987). The balance of cash and cash equivalents at 31 December 2015 is A$10,162,560 (30 June 2015: A$12,035,741). 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 also considers 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)

Segment revenue based on operating segment

For management purposes, the Group is organised into key business units based on its products and services. Operating segments that are not primary drivers of the Group's revenue are aggregated into one operating segment. These include Aerospace, Automotive, Consumer Electronics & Rail.

	Segment Revenue		Segment Profit	
	Dec-15	Dec-14	Dec-15	Dec-14
FOR THE HALF YEAR ENDED 31 DECEMBER	A$	A$	A$	A$
Revenue				
DSS mining	27,615,471	3,793,666	26,342,881	(1,253,501)
Fleet	681,484	-	(8,305,602)	-
Other revenue sources	1,023,985	428,364	(4,646,489)	(2,055,533)
Corporate resources	-	-	(2,125,029)	(1,261,258)
Total for continuing operations	29,320,940	4,222,030	11,265,761	(4,570,292)
Total other income	2,363,323	3,562,120	-	-
Total Consolidated Revenue	31,684,263	7,784,150	11,265,761	(4,570,292)

Notes to the Interim Consolidated Financial Statements (continued)

4. Discontinued operations

During the half year, the Board agreed to sell the shares in Seeing Machines Latin America SpA (SMLA), a majority owned subsidiary, engaged in DSS mining operations, with 55% holding, to the non-controlling shareholders of the subsidiary. The terms of sale are agreed and the sale is expected to be completed by June 2016. At 31 December 2015, SMLA was classified as "held for sale". The difference between the carrying value of the net assets and the recoverable amount has been recognised as a loss on re-measurement.

The decision was made after the Parent company entered into a licensing agreement with Caterpillar Inc. for the sale and distribution of all DSS mining products and services. Subsequent to the sale of the SMLA shares, the owners of the entity will be granted distribution rights for the Fleet business for designated countries regions within South America.

(a) *Analysis of the profit / (loss) for the year from discontinued operations*

Profit for the year from discontinued operations	Dec-15 A$	Dec-14 A$
Revenue	2,546,749	1,645,030
Other gains	164,524	8,165
Expenses	(2,397,320)	(1,393,367)
Net profit	313,953	259,828
Loss on re-measurement of net assets	(279,162)	-
Attributable income tax expense	(78,698)	-
Net profit / (loss) for the year from discontinued operations	(43,907)	259,828

(b) *Assets classified as held for sale*

Assets classified as held for sale from discontinued operations	Dec-15 A$
Assets	
Cash	2,445,969
Inventories	479,331
Trade and other receivables	432,793
Property plant and equipment	109,440
Other current assets	29,074
Assets classified as held for sale	3,496,607
Liabilities	
Trade payables	(542,317)
Current tax liabilities	(126,783)
Liabilities associated with the assets classified as held for sale	(669,100)
	2,827,507
Impairment loss recognised on re-measurement	(279,162)
Net assets classified as held for sale	2,548,345

Notes to the Interim Consolidated Financial Statements (continued)

4. Discontinued operations (continued)

(c) *Cash flow from discontinued operations*

Net cash flows from discontinued operations	Dec-15	Dec-14 A$
Operating	260,095	122,617
Investing	-	-
Financing	-	-
Net cash inflows	260,095	122,617

(d) *Earnings per share*

Earnings per share	Dec-15 A$	Dec-14 A$
Basic, profit/(loss) for the year from discontinued	(0.0424)	0.2507
Diluted, profit/(loss) for the year from discontinued	(0.0424)	0.2507

5. Other income

	Consolidated	
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	Dec 2015 A$	Dec 2014 A$
Research and Development refundable tax offsets	2,264,120	2,081,890
Net gain on foreign exchange	-	1,356,723
Withholding tax credits on foreign dealings	-	10,106
Finance income	97,377	113,370
Other income	1,826	-
	2,363,323	3,562,120

6. Other expense

	Consolidated	
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	Dec 2015 A$	Dec 2014 A$
Inventory write down	(4,178,271)	-
Net loss on foreign exchange	(61,032)	-
Withholding tax expenses on foreign dealings	(2,561)	-
	(4,241,864)	-

The movements in the exchange rates resulted in a net loss for the period. During the six months ended 31 Dec 2015, the Group wrote down $4,278,271 (2014: NIL) of inventories. This is to reflect the net realisable value of the fleet units resulting from the change in the strategy that reduced the sale price of the Fleet units. The total value of the inventory shown in note 9 is net of this write down.

Notes to the Interim Consolidated Financial Statements (continued)

7. Current assets - cash and cash equivalents

	Consolidated	
	Dec 2015	June 2015
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	A$	A$
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	10,162,560	6,174,355
Short-term deposits	-	8,047,260
	10,162,560	14,221,615

8. Trade and other receivables

	Consolidated	
	Dec 2015	June 2015
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015	A$	A$
Current		
Trade receivables	8,551,222	7,511,347
Provision for doubtful debts	(553,348)	(322,512)
	7,997,874	7,188,835
Non-Current		
Trade receivables	9,094,541	166,489
	17,092,415	7,355,324

9. Inventories

	Consolidated	
	Dec 2015	June 2015
FOR THE HALF- YEAR ENDED 31 DECEMBER 2015	A$	A$
Raw Materials	-	139,734
Finished Goods	8,902,002	2,157,514
Stock in transit	-	115,750
Work in progress	2,163,854	7,769,635
Total	11,065,856	10,182,633

Inventories recognised as an expense for the half year ended 31 December 2015 totalled A$1,748,409 (December 2014: A$2,145,671) for the Group. The inventory of fleet units was written down to reflect the net realisable value. The total expense recognised for the write down totalled to A$4,147,271 (December 2014: NIL). This expense is included in other expenses in the statement of profit or loss as shown in Note 6.

10. Property, plant and equipment

During the six months ended 31 December 2015, the Group acquired assets with a cost of A$97,904 (December 2014: A$556,859). The majority of these purchases are related to an office refurbishment and IT equipment bought for new staff. No disposals occurred in this period.

Notes to the Interim Consolidated Financial Statements (continued)

11. Intangibles

During the six months ended 31 December 2015, the Group spent A$951,325 on intangibles (December 2014: A$1,822,120). The majority of these purchases are related to the development costs of OEM Technology which have been capitalised along with new patent applications and renewal of existing patents. No patents were written-off during this period.

12. Financial Instruments

(a) The financial instruments in this period relate to trade receivables that have been covered in note [6].

(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 95% 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 2015, the carrying value of the financial instruments approximates their fair value.

13. 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.

14. Shares issued during the half year

In October 2015, as part of the Company's remuneration review, the Board approved the issue of 1,553,697 shares as a short term incentive to the non-executive staff members who qualified for this offer. The total value of these shares is A$161,778. In addition to this, the Board approved the issue of 564,613 shares to the nine senior management members as a short term incentive. The total value of these shares is A$115,234.

15. 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 2015 A$	Dec 2014 A$
Within one year	372,223	334,121
After one year but not more than five years	-	249,362
Total	**372,223**	**583,483**

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.

Notes to the Interim Consolidated Financial Statements (continued)

16. Related party disclosure

(a) *Transactions with related parties*

In the six months to December 2015, Seeing Machines Limited invoiced Seeing Machines Latin America SpA, an amount of A$646,698 for hardware inventory. The transactions were made at arm's length at normal market rates and on commercial terms. Revenues received from subsidiaries are eliminated on consolidation.

(b) *Director-related transactions*

(i) Shareholdings of Directors

Shares in Seeing Machines Limited

31 December 2015	Balance 1 July 15	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 31 Dec 15
Directors					
T Winters	1,632,166	260,310	-	-	1,892,476
K Kroeger	2,272,357	64,286	-	-	2,791,643
D Gaul	3,400,000	130,155	-	-	3,530,155
M Roberts	4,995,376	156,186	-	-	5,151,562
R Burger	-	130,155	-	-	130,155
J A Walker	-	156,186	-	-	156,186
J D Walker	600,000	69,796	-	-	669,796
Total	**12,899,899**	**967,074**	**-**	**-**	14,321,973

(ii) Other Director-related transactions

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

17. 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)
Les Carmichael	Director (non-executive) – appointed 01 February 2016
James D Walker	Executive Director and CFO – resigned as Director 1 March 2016

(ii) Executives

Paul Angelatos	Chief Operating Officer
Andrew Neilson	Senior Vice President Legal & Commercial (and Company Secretary)
Tim Edwards	Chief Technology Officer
Nicole Makin	Senior Vice President People and Culture

Notes to the Interim Consolidated Financial Statements (continued)

17. Key management personnel

(b) ***Compensation for Key Management Personnel***

	Six Months to December 2015 A$	Six Months to December 2014 A$
Short-term employee benefits	1,296,377	1,056,883
Share based payments	142,817	152,448
Total	1,439,194	1,209,331

18. Share based payments

(a) ***Recognised share based payment expenses***

	Dec 2015 A$	Dec 2014 A$
Expense arising from the equity-settled share-based payment transactions.	300,547	113,042
Expense arising from the share-based payment transactions under the executive share plan.	176,577	152,448
Total	477,124	265,490

(b) Employee share loan plan (ESLP)

In recent years the Company has used a trust and loan structure as a long term incentive scheme, whereby shares are issued up-front but held by a trustee, and the shares only vest for the benefit of executives if certain conditions are met (in which case the Company provided a loan to enable the executives to purchase their allocated shares). In July 2015 the Australian Government changed the applicable taxation laws governing employee equity plans, with the general effect that employees may now defer tax on equity offers in more circumstances, including when they receive performance rights or options. As a result of these changes, the Board has now adopted performance rights as a long term incentive tool, instead of using a more complex trust and loan structure.

(c) Employee share option scheme (ESOS)

From 1 July 2015, the board has adopted a more simplified structure whereby the executives are offered long term performance rights. Under this structure, the executives are only able to exercise the rights, and have New Ordinary Shares issued to them, if the vesting conditions are met after three years from the end of the relevant financial year (i.e. for this offer, 1 July 2018).

Following is the list of the inputs used to value the options for the half year ended 31 December 2015, the period in which the shares were issued:

Date granted	1 July 2015
Dividend Yield (%)	0.0
Expected volatility (%)	77.7
Risk-free interest rate (%)	1.5
Expected life (years)	3 years
Weighted average share price (pence)	4.83
Model Used	Monte Carlo

The volatility was determined on the bases of the historical movement of the share price of the company.

18. Share based payments (continued)

(c) Employee share option scheme (ESOS) (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 shares are linked to the achievement 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 2015 No.	December 2015 WAEP (cents)	December 2014 No.	December 2014 WAEP (cents)
Outstanding at the beginning of the year	20,604,252	5.64	18,920,020	5.56
Granted during the year	5,965,559	10.20	4,684,232	10.99
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(3,000,000)	-
Outstanding at 31 December	26,569,811	6.66	20,604,252	9.20
Exercisable at 31 December	2,803,125	3.04	-	-

Weighted average fair value of the option granted during the year was £0.0577 (A$0.1020) per share.

19. Events after balance date

There have been no significant events after balance date.

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 2015 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, 4 March 2016

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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 condensed financial report of Seeing Machines Limited, which comprises the interim consolidated statement of financial position as at 31 December 2015, 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.

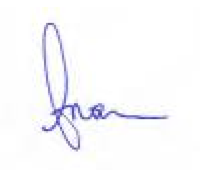
A review of a half-year condensed financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing 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. 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, 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 2015 and its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.



Anthony Ewan
Ernst & Young
Canberra
4 March 2016