

# Appendix 4D

## Half Year Report to the Australian Stock Exchange

<b>Name of Entity</b>	Structural Monitoring Systems plc
<b>ABRN</b>	106 307 322
<b>Half Year Ended</b>	31 December 2009
<b>Previous Corresponding Reporting Period</b>	31 December 2008

### Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	41	(85%)
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	(342)	(61%)
<b>Net profit / (loss) for the period attributable to members</b>	(342)	(61%)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	-c	-c
<b>Interim Dividend</b>	-c	-c
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
<p><u>Consolidated Results</u>            The Group incurred a loss from ordinary activities of \$0.342 million for the 6 months ended 31 December 2009 compared to a loss of \$0.885 million for the corresponding 6 months ended 31 December 2008. This is due to the scaling down of operations, the payment of redundancy and employee entitlements in the previous period and the implementation of cost cutting measures.</p>		

**Dividends**

<b>Date the dividend is payable</b>	Not Applicable
<b>Record date to determine entitlement to the dividend</b>	Not Applicable
<b>Amount per security</b>	-c
<b>Total dividend</b>	-c
<b>Amount per security of foreign sourced dividend or distribution</b>	-c
<b>Details of any dividend reinvestment plans in operation</b>	Not Applicable
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	Not Applicable

**NTA Backing**

	<b>Current Period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security</b>	0.07c	0.38c

**Control Gained Over Entities Having Material Effect**

Name of entity (or group of entities)	Not Applicable
Date control gained	Not Applicable
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	Not Applicable
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Not Applicable

**Loss of Control Gained Over Entities Having Material Effect**

Name of entity (or group of entities)	Not Applicable
Date control lost	Not Applicable
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	Not Applicable
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	Not Applicable

### Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
<b>Aggregate Share of Net Profits</b>				

### Foreign Entities Accounting Framework

For foreign entities provide details of which accounting standards have been adopted (e.g. International Accounting Standards)

This report has been prepared in accordance with AASB Standard 134.

International financial reporting standards have been adopted by the Company in the preparation of this report.

### Audit/Review Status

**This report is based on accounts to which one of the following applies:**

(Tick one)

The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
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**If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification:**

No qualification or dispute

### Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Half Year Financial Report (Lodged with ASX separately)
2	Review Report

**Signed By (Director/Company Secretary)**



**Print Name** Colin McDonald

**Date** 26 February 2010

**STRUCTURAL MONITORING SYSTEMS PLC**  
(ABN 94 067 556 245)

**HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2009**

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## CORPORATE DIRECTORY

**Board of Directors**

Robin Dean  
Non Executive Chairman

Mark Vellacott  
Managing Director

Malcolm Richmond  
Non Executive Director

**Company Secretary**

Colin McDonald

**Registered and Corporate Office**

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Osborne Park  
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Facsimile: +61 8 9204 4866  
Email: [sms@smsystems.com.au](mailto:sms@smsystems.com.au)  
Website: [www.smsystems.com.au](http://www.smsystems.com.au)

**Stock Exchange Listing**

Australian Securities Exchange  
(Home Exchange: Perth, Western Australia)

**Share Registry**

Advanced Share Registry Services  
PO Box 1156  
Nedlands  
Western Australia 6009  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9389 7871

**Auditors**

PKF (UK) LLP  
Statutory auditors  
Pannell House, Park Street, Guildford,  
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**ASX Codes:**

Shares (CDI's) SMN  
Options SMNO

**Important Notices**

Structural Monitoring Systems PLC (the Company) is incorporated in the United Kingdom under the laws of England and Wales. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisitions of shares (including substantial holdings and takeovers).

## **Directors' Report**

Your Directors submit their report for the half-year ended 31 December 2009.

### **DIRECTORS**

The names of the Group'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.

Air Marshal Sir John Walker (Non-executive Chairman) Resigned 28 November 2009

Robin Dean (Non-executive Chairman)

Mark Vellacott (Managing Director)

Malcolm Richmond

### **REVIEW AND RESULTS OF OPERATIONS**

The consolidated entity incurred a loss for the half-year of \$341,856. Net cash outflows from operating activities totalled \$154,380.

On 23 September 2009 the Company announced that it had entered into a strategic partnership with a major aerospace company that is a supplier of aviation systems to large aircraft manufacturers and military air forces. During the quarter the Company progressed its relationship with its strategic partner to market and provide CVM™ products to both existing and new customers. In conjunction with the strategic partner, meetings were held with Boeing, Airbus, Bombardier and Embraer, as well as a number of civil and military operators, to discuss the status of programs and future plans for the in-service introduction of CVM™ instrumentation and sensors.

Together with the strategic partner, follow-up discussions will be held with these parties and new potential customers.

On 14 January 2010 the Company was able to announce that it had received an order for CVM™ products from the large Brazilian aircraft manufacturer Embraer as part of a phased program to qualify its periodic CVM™ system and sensors for in-service use. A further order for an on-board CVM™ system for trial on an Embraer aircraft is expected in the near future.

The Company has been receiving monthly payments from its strategic partner which have helped cover operating costs. In order to maximise the opportunity presented with the strategic partner to market CVM™, to provide for the anticipated increase in production of CVM™ equipment and sensors and to provide for the Company's medium term funding requirements the Board is considering a capital raising to provide additional working capital.

### **AUDITORS INDEPENDENCE DECLARATION:**

A copy of the Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the Directors.



Mark Vellacott  
Director  
Perth, Western Australia, 26 February 2010

## Condensed Statement of Comprehensive Income

For The Half-Year Ended 31 December 2009

	Note	Consolidated	
		6 months to 31 Dec 2009 \$	6 months to 31 Dec 2008 \$
Continuing operations			
<b>Revenue</b>			
Sales		41,081	288,368
Cost of sales		(17,322)	(77,270)
		<hr/>	<hr/>
<b>Gross profit</b>		23,759	211,098
Other revenues from ordinary activities	2	359,995	-
Administrative & corporate expenses		(493,780)	(491,342)
Depreciation	2	(13,503)	(40,946)
Marketing expenses		(2,557)	(127,346)
Occupancy expenses		(66,569)	(58,184)
Research and development expenses		(150,041)	(389,128)
		<hr/>	<hr/>
<b>Loss from continuing operations before income tax and finance costs</b>		(342,696)	(895,848)
Finance income	2	2,458	10,922
Finance costs		(1,618)	-
Income tax relating to ordinary activities		-	-
		<hr/>	<hr/>
<b>Loss after finance costs and tax from continuing operations</b>		(341,856)	(884,926)
		<hr/>	<hr/>
<b>Net loss attributable to members of Structural Monitoring Systems Plc</b>		(341,856)	(884,926)
<b>Other comprehensive income</b>			
Foreign Currency translations		1,341	65,043
		<hr/>	<hr/>
<b>Total other comprehensive income</b>		1,341	65,043
		<hr/>	<hr/>
<b>Total Comprehensive Income for the Period</b>		(340,515)	(819,883)
		<hr/>	<hr/>
Basic loss per share (cents per share)		(0.11)	(0.34)
Diluted loss per share		(0.11)	(0.34)

*The accompanying notes form part of these financial statements.*

**Condensed Statement of Financial Position  
Half -Year Ended 31 December 2009**

	<b>Consolidated</b>	
	<b>As at 31 December 2009 \$</b>	<b>As at 30 June 2009 \$</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	17,620	29,118
	<hr/>	<hr/>
<b>Total non-current assets</b>	17,620	29,118
<b>Current assets</b>		
Inventories	102,437	115,337
Other current assets	243	9,959
Trade and other receivables	105,121	319,165
Cash and cash equivalents	182,907	347,271
	<hr/>	<hr/>
<b>Total current assets</b>	390,708	791,732
	<hr/>	<hr/>
<b>Total assets</b>	408,328	820,850
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	159,013	246,901
Provisions	7,681	-
	<hr/>	<hr/>
<b>Total liabilities</b>	166,694	246,901
	<hr/>	<hr/>
<b>NET ASSETS</b>	241,634	573,949
<b>Equity</b>		
Called up share capital	30,650,087	30,648,561
Share premium account	11,677,162	11,670,488
Other reserves	(2,109,543)	(2,110,884)
Accumulated losses	(39,976,072)	(39,634,216)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	241,634	573,949
	<hr/>	<hr/>

*The accompanying notes form part of these financial statements.*

**Condensed Consolidated Statement of Cash Flows  
For The Half-Year Ended 31 December 2009**

	Note	Consolidated	
		Six months to 31 Dec 2009 \$	Six months to 31 Dec 2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		240,161	436,657
Payments to suppliers and employees		(754,536)	(1,565,215)
Other revenues	<b>2 (i)</b>	359,995	149,177
<b>Net cash outflows from operating activities</b>		<b>(154,380)</b>	<b>(979,381)</b>
<b>Cash flows from investing activities</b>			
Interest received	<b>2(ii)</b>	2,458	10,922
Finance costs		(1,618)	-
Purchase of plant and equipment		(2,005)	-
Sale of plant and equipment		-	1,502
<b>Net cash (outflows)/ inflows from investing activities</b>		<b>(1,165)</b>	<b>12,424</b>
<b>Net cash outflow before financing</b>		<b>(155,545)</b>	<b>(966,957)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		8,200	1,008,687
Payment of share issue costs		-	(20,059)
<b>Net cash inflows from financing activities</b>		<b>8,200</b>	<b>988,628</b>
<b>Net (decrease)/increase in cash held</b>		<b>(147,345)</b>	<b>21,671</b>
Add opening cash brought forward		347,271	1,054,682
Effects of exchange rate changes on cash		(17,019)	61,065
<b>Closing Cash Carried Forward</b>		<b>182,907</b>	<b>1,137,418</b>

*The accompanying notes form part of these financial statements.*

**Condensed Consolidated Statement Of Changes In Equity  
For The Half-Year Ended 31 December 2009**

**Condensed Consolidated Statement of Changes in Equity  
At 31 December 2008**

<b>Consolidated</b>	Issued capital \$	Accumulated losses \$	Share Premium Reserve \$	Other Reserves \$	Total Equity \$
<b>At 1 July 2008</b>	30,499,685	(38,332,319)	10,841,078	(1,930,680)	1,077,764
<b>Total Comprehensive Income</b>	-	(884,926)	-	65,043	(819,883)
<b>Transaction with owners in their capacity as owners</b>					
Issues of shares	149,095	-	859,592	-	1,008,687
Cost of share issues	-	-	(20,059)	-	(20,059)
Cost of share based payment	-	-	-	(1,190)	(1,190)
<b>At 31 December 2008</b>	<u>30,648,780</u>	<u>(39,217,245)</u>	<u>11,680,611</u>	<u>(1,866,827)</u>	<u>1,245,319</u>

**Condensed Consolidated Statement of Changes in Equity  
At 31 December 2009**

<b>Consolidated</b>	Issued capital \$	Accumulated losses \$	Share Premium Reserve \$	Other reserves \$	Total Equity \$
<b>At 1 July 2009</b>	30,648,561	(39,634,216)	11,670,488	(2,110,884)	573,949
<b>Total Comprehensive Income</b>	-	(341,856)	-	1,341	(340,515)
<b>Transaction with owners in their capacity as owners</b>					
Issues of shares	1,526	-	6,674	-	8,200
<b>At 31 December 2009</b>	<u>30,650,087</u>	<u>(39,976,072)</u>	<u>11,677,162</u>	<u>(2,109,543)</u>	<u>241,634</u>

*The accompanying notes form part of these financial statements*

## **Notes to the Half-Year Financial Statements**

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of preparation of the half-year financial report**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year consolidated financial report should be read in conjunction with the annual Financial Report of the Company as at 30 June 2009 which was prepared in accordance with IFRS's as adopted by the European Union.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### **(b) Statement of Compliance**

A summary of the significant accounting policies of the Group under IFRS are disclosed in the notes below.

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including IAS 34 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

#### **(c) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009 except for the adoption of amended standards mandatory for annual reporting periods beginning on or after 1 July 2009 as described below in Note (f).

#### **(d) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of Structural Monitoring Systems PLC and its controlled subsidiaries ('the Group').

#### **(e) Foreign currency**

Assets and liabilities in foreign currencies are translated into Australian dollars at rates of exchange ruling at the end of the financial period. Transactions denominated in foreign currency are translated into Australian dollars at the exchange rates prevailing at the date of the transaction. All foreign exchange differences arising on transactions are taken to the income statement in the year in which they arise.

Exchange differences arising on translation of functional currency into presentational currency of Australian dollars are taken directly as a separate component of equity.

All amounts shown in these financial statements are stated in Australian dollars.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(f) Changes in Accounting Policies and Disclosures**

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements

IFRS 8 has replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. A narrative description has been made in the notes to the financial report.

The revised IAS 1 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

**(g) Accounting Standards and Interpretations issued but not yet effective.**

International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2009. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

**(h) Research and development expenditure**

- (i) Research and patent costs are expensed as incurred.
- (ii) Development expenditure incurred is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

**(i) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

**Notes continued**  
**31 DECEMBER 2009**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**(j) Income tax**

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method.

	<b>6 months to 31 Dec 2009</b>	<b>6 months to 31 Dec 2008</b>
	\$	\$
<b>2. REVENUE AND EXPENSES</b>		
The following revenues and expenses are relevant in explaining the financial performance of the entity:		
<b>(i) Other revenues from ordinary activities</b>		
Funding contribution from strategic partner	359,995	-
<b>(ii) Finance income</b>		
Bank interest receivable	2,458	10,922
<b>(iii) Depreciation</b>	13,503	40,946
<b>(iv) Employee benefits expense</b>		
Wages and salaries	350,130	289,386
Workers' compensation costs	2,466	7,167
Superannuation costs	29,787	38,856
Social security costs	531	5,988
Redundancy costs	-	270,471
(Release)/expense of share based payments	-	(1,190)
	<u>382,914</u>	<u>610,678</u>

**Notes continued**  
**31 DECEMBER 2009**

**3. GOING CONCERN**

During the period the Group entered into an agreement with a large international company, for an exclusive strategic partnership to develop and commercialise CVM™ technology in the civil and defence aerospace sectors. This agreement will enable the Group to support the on-going technical development and commercialisation of CVM™ technology in partnership with this company. The strategic partner will remit funds to the Group on a monthly basis until January 2011, which significantly reduces the net cash burn rate during the term of this agreement. However there is a shortfall between funds received and outgoings, and a capital raising will be needed in the near future to provide working capital.

The Group has achieved a number of significant milestones and accreditations which may ultimately lead to new revenue streams for the Group and enhance the commercialisation of the technology. Marketing CVM™ through the strategic partner, should a license agreement be entered into with the partner, will put the Group in a much stronger position to generate revenues. The Group has continued operations with a reduced cost structure and a focus on production, sales and product support to generate cash revenues. The Group continues to closely monitor its cash position. The ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the Group to raise capital, cash revenues and maintain low costs. There is a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The directors consider that it is appropriate to prepare the financial statements on the basis that the Group is able to continue as a going concern. The directors recognise that there can be no certainty that the cash reserves will be sufficient for a period of twelve months from the date of this report, and a capital raising will be necessary if the company is to remain viable. The Group will strive to increase revenues, control costs and recapitalise the company where possible.

**4. CONTINGENT ASSETS AND LIABILITIES**

Since the last annual reporting date, no contingent assets or contingent liabilities have arisen.

**5. SUBSEQUENT EVENTS**

No matter or circumstance has arisen since the end of the half year end that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

**6. COMMITMENTS**

On 22 October 2009 the Company entered into a new lease agreement for the premises at 5/15 Walters Drive, Osborne Park, Western Australia. The lease commenced on 1 October 2009 for the period of two years. The amount of annual rent is \$115,000 per annum or \$9,583 per month, and the first review date is 1 October 2010. A security deposit of \$24,669 has been deposited in the landlord's trust account under the terms of the lease agreement.

**Notes continued**  
**31 December 2009**

**7. OPERATING SEGMENT**

The consolidated entity operates predominantly in one industry, being Structural Health Monitoring. The main geographic areas that the entity operates in are Europe, the Americas (being Canada, USA and Brazil), and Australasia. The consolidated entity had operations in the UK and Australia, although the Group no longer has employees based in the UK. All segments are now managed from the Australian office. The parent company is registered in the UK so that portion of the loss that pertains to maintaining that company is disclosed in that segment.

Turnover for the half-year ended 31 December 2008 in respect of continuing operations

	<b>UK/Europe</b>	<b>USA</b>	<b>Australasia</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Geographical Analysis by Origin:				
Sales to customers outside the consolidated entity	-	-	288,368	288,368
	-	-	288,368	288,368
Geographical Analysis by Destination:				
Sales to customers outside the consolidated entity	181,847	106,521	-	288,368
	181,847	106,521	-	288,368

An analysis of the loss before tax is given below:

	<b>UK/Europe</b>	<b>USA</b>	<b>Australasia</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Geographical Analysis by Origin:				
Result	(118,054)	-	(766,872)	(884,926)
Consolidated entity loss from ordinary activities before income tax				(884,926)

**OPERATING SEGMENT**

Turnover for the half-year ended 31 December 2009 in respect of continuing operations

	<b>UK/Europe</b>	<b>Americas</b>	<b>Australasia</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Geographical Analysis by Origin:				
Sales to customers outside the consolidated entity	-	-	41,081	41,081
	-	-	41,081	41,081
Geographical Analysis by Destination:				
Sales to customers outside the consolidated entity	-	41,081	-	41,081
	-	41,081	-	41,081

An analysis of the loss before tax is given below:

	<b>UK/Europe</b>	<b>USA</b>	<b>Australasia</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Result	(12,337)	-	(329,519)	(341,856)
Consolidated entity loss from ordinary activities before income tax				(341,856)

Notes continued  
31 December 2009

8. ISSUED CAPITAL AND RESERVES

	As at 31Dec 2009 \$	As at 30 June 2009 \$
<i>Ordinary Shares</i>		
Issued and fully paid	30,650,087	30,648,561
<i>Shares in Issue</i>		
<i>Movement in ordinary shares in issue</i>		
At 30 June 2009	321,300,613	30,648,561
Issued in August 2009 for cash	20,000	52
Issued in October 2009 for cash	526,666	1,474
At 31 December 2009	321,847,279	30,650,087
<i>Share Premium Reserve</i>		
Share Premium Reserve	11,677,162	11,670,488
<b>Other Reserves</b>		
<i>Unlisted Options on Issue</i>		
Option Reserve	199,357	199,357
<i>Movement in Option Reserve</i>		
At 1 January 2009 and 30 June 2009	15,250,000	199,357
Expiry of unlisted options, 31 August 2009	(250,000)	-
Expiry of unlisted options, 31 December 2009	(10,000,000)	-
Outstanding unlisted options-31 December 2009	5,000,000	199,357
<i>Listed Options</i>		
At 30 June 2009	67,172,445	199,357
Exercise of listed options	(546,666)	
Outstanding options at December 2009	66,625,779	199,357-
<b>Currency translation reserve</b>		
Currency translation reserve	(2,308,900)	(2,310,241)
Total other reserves	(2,109,543)	(2,110,884)

## **Directors' Declaration**

In accordance with a resolution of the Directors of Structural Monitoring Systems PLC, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard IAS 34 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (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



Mark Vellacott  
Director  
Perth, Western Australia  
26 February 2010

The Directors  
Structural Monitoring Systems plc  
Unit 5  
15 Walters Drive  
Osborne Park  
Perth  
Western Australia 6017  
Our ref: MB/KJH

26 February 2010

Dear Sirs

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of Structural Monitoring PLC for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Structural Monitoring PLC and the entities it controlled during the half year.

Yours faithfully



**Michael Bridge**  
Partner  
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**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF STRUCTURAL MONITORING SYSTEMS PLC**  
**REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying consolidated half-year financial report of Structural Monitoring Systems Plc, which comprises the condensed statement of financial position as at 31 December 2009, 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, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

*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 in accordance with International Accounting Standards and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 ISRE 2410 *Review of an Interim 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 in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Structural Monitoring Systems Plc, ISRE 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 International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualification to the conclusion expressed above, we draw attention to note 3 in the half-year financial report concerning the group's ability to continue as a going concern. The consolidated entity incurred a net loss of \$341,856 for the period to 31 December 2009 and, at the date of approval of this half-year report, is dependent upon a capital fundraising in the near future, as well as the monthly income and future revenues to be generated from the exclusive strategic partnership agreement with a large international company. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern. The half-year report does not include the adjustments that would result if the consolidated entity were unable to continue as a going concern.

*PKF (UK) LLP*

**PKF (UK) LLP**

Guildford, UK, dated this 26th day of February 2010