HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2023

STRUCTURAL MONITORING SYSTEMS plc

CORPORATE DIRECTORY

DIRECTORS
Ross Love
Chairman & CEO

Sam Wright
Non-Executive Director

Brian Wall
Non-Executive Director

Miroljub Miletic
Non-Executive Director

Heinrich Loechteken
Non-Executive Director

COMPANY SECRETARY
Sam Wright

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STOCK EXCHANGE LISTING
Australian Securities Exchange
Home Exchange: Perth, Western Australia

ASX CODE
Shares (CDI's): SMN

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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

The Directors submit their report for the half-year ended 31 December 2023.

DIRECTORS

The names of the Group's directors in office during the half-year and until the date of this report are as below.

• Ross Love	Chairman & CEO
• Sam Wright	Non-Executive Director
• Brian Wall	Non-Executive Director
• Heinrich Loechteken	Non-Executive Director
• Miroljub Miletic	Non-Executive Director

Directors were in office for the entire period unless stated otherwise.

REVIEW OF OPERATIONS

Structural Monitoring Systems Plc ("SMS" or "the Company") (ASX: SMN) is pleased to provide a review of operations by business segment for the half-year period.

Avionics

Anodyne Electronics Manufacturing Corp's. (AEM) Avionics business experienced a successful period in the half year to 31 December 2023.

The business generated gross revenue of $4.51million (prior half-year: $4.55 million). EBITDA was $0.64 million (prior half-year: $0.61 million). Profit after tax for the half-year was $0.16 million (prior half-year: $0.01 million). Not withstanding this relatively flat first half revenue outcome, the management team is confident that the growth forecast for this business segment will be achieved or exceeded by year end.

The Company made a deliberate decision to bring forward contract manufacturing revenue in the first half of this year to contribute to resolving our short-term cash constraints, as is evident in the very high revenue growth in the reported Contract Manufacturing Segment summary below.

Management believes the flexibility our three business unit model gives us to adapt to short term issues is a real strength of the company.

The Company's ongoing strong performance and growth is expected to be further fuelled in 2024 by sales of its newest mission, panel mount radio, the MTP136D, launched in November 2023, and which promises to modernise tactical aerial firefighting communications.

The Company announced in November 2023 that it had secured Canadian based Yellowhead Helicopters as its official launch customer and that Yellowhead had made a commitment to update its entire firefighting fleet to the MTP136D in early 2024.

The highly successful launch of the MTP136D in 2023 is a key part of AEM's ongoing investment in a growing suite of avionics and audio products in the Special Missions Aviation sector and the ongoing growth of its existing lineup of products.

AEM has already recorded positive advance orders for this latest avionics product with expectations high for ongoing market penetration and success throughout 2024.

Designed to meet the US Forest Service requirements, the development of the special mission radio program is on schedule for completion by the end of February 2024 with the expectation that the product to start shipping to customers in early March of 2024.

AEM also announced during the half-year that it had secured a new distributor for Sub-Saharan Africa, which is set to help drive sales and product support in this high growth region with the expectation that upgrade requirements for special mission and utility operators in Africa will drive growth throughout the continent.

The AEM sales team concluded a busy 2023 by showcasing its new radio and special mission products at two major industry trade shows – European Rotors in Madrid, Spain, and HAI Aerial Work Safety Conference in Boise, Idaho.

The team has commenced what will be a busy 2024 with a full roster of events, starting at the Singapore Airshow as part of a Canadian Government sponsored trade mission in February, as well attending the helicopter industry's annual flagship HAI HELI-EXPO in Anaheim, California also in February 2024.

CVM™ Smart Sensor Solutions

As reported during the half-year, the AEM team continues to positively progress the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin 737-53A1248.

As reported in the September 2023 quarterly update, there were three remaining specific technical issues in relation to the certification of the CVM™ sensors, with AEM now having successfully satisfied two of those three technical issues as identified by Boeing's certification engineers.

The additional round of POD testing was successfully completed during the half-year for both the CIC coating testing applied to the sensors on installation, as well as their performance ability during extremely hot and cold conditions.

Once again, at no stage during any of the testing – including in the additional testing required by Boeing– have the sensors failed to perform as expected and required.

As outlined in the December 2023 quarterly, the remaining issue ahead of certification involves testing of the sensors' performance at the lowest equivalent load as seen on the 737 APB and the ability for the CVM™ sensors to detect cracks that have formed under that low stress level.

The AEM team, led by Trevor Lynch-Staunton, Chief Technical Officer at AEM, has developed and presented a number of proposals to the Boeing Certification Engineers and Management with the intent of agreeing a course of action to satisfy this final requirement with Boeing as a matter of urgency.

As previously stated, Boeing and the Company continue to work through the remaining issue and an agreed upon plan providing the technical and substantiation data required to show compliance with the applicable requirements.

As stated previously, further updating to the Boeing project timeline released by the Company in early December will be released to the market as soon as confirmation has been received.

Delta Air Lines continues the agreed installation of the CVM™ APB kits on its 737 fleet ahead of certification release with new installation training for an MRO facility in Kansas City becoming the fifth MRO trained for Delta Air Lines.

Global non-destructive testing consultants and service provider, TESTIA will also be participating in the next set of Delta installations to become certified CVM™ trainers at the end of the March 2024 quarter.

Further to the relationship with TESTIA, the Company also announced the amendment of the letter of intent signed with TESTIA, for training and installation support of its CVM™ sensor kits to allow for the provision of business development and sales support services across Europe.

The additional geographical collaboration between the two parties recognises TESTIA's reputation in Europe for providing innovative solutions to their customer base.

As noted in the September 2023 Quarterly Report, the Company's CVM™ technology was recognised by U.S. airline industry organisation, Airlines for America (A4A) in September 2023, for being the first regulatory approved application of structural health monitoring by the Federal Aviation Administration (FAA).

The Company also announced during the September Quarter, that it had signed a Non-Disclosure Agreement with a major US airline to explore a range of additional potential applications for its A320 fleet.

The CVM™ sales team will once again attend the MRO Americas in April 2024 again to demonstrate the technology's performance and operation and highlight its benefits to airline operators, as well as aircraft maintenance, repair and overhaul service centres.

As noted previously, the Company continues to expand into new high value international markets and is planning to establish a United States based operation to facilitate access to key US based customers and beyond in 2024.

CVM™ recorded revenue for the half-year was $0.12 million (prior half-year: $0.21 million) and LBITDA was $0.82 million (prior half-year: $0.26 million). Loss after tax for the half-year was $0.84 million (prior half-year: Loss of $0.29 million).

Contract Manufacturing

AEM contract manufacturing recorded strong revenues and profitability for the half-year to 31 December 2023. Revenue for the half-year was $8.66 million (prior half-year: $5.33 million) and EBITDA was $1.56 million (prior half-year: $0.90 million). Profit after tax for the half-year was $0.65 million (prior half-year: $0.07million).

AEM's ongoing focus on high-value contract manufacturing projects remains ongoing and continues to deliver solid results, with AEM management reporting positive discussions with two of its largest customers during the period.

This strategy has enabled the planned AEM IP product line production and sales growth to be realized and has successfully opened up and accelerated manufacturing efficiencies, improvements and capabilities across AEM operations.

AEM continues to make strategic employee hires based on the identified requirement for unique role-specific skillsets in addition to the internal movement of existing AEM employees to key roles to facilitate the continued growth of its operations team throughout 2024 and beyond.

CORPORATE

Capital Raise

During the half-year, the Company completed a share placement raising AUD $1million before issue costs at a share price of 43c per share. Melbourne based Bell Potter Securities Limited acted as Lead Manager in relation to the Placement.

During the period the Company received a loan of US$150K from Chairman & CEO Ross Love. The interest rate payable is 5% per annum and there is no date specified for repayment.

Issue of Chess Depositary Interests (CDIs)

At the Annual General Meeting held on 8 December 2023 shareholders approved the issue of 300,000 CDIs to Chairman & CEO, Ross Love as part of his remuneration package. The CDIs were issued in January 2024.

On 20 November 2023 the Company approved the grant of 300,000 CDIs to management staff in recognition of their work during 2023. The CDIs will be escrowed for a period of 12 months from issue. The CDIs will be issued subsequent to the reporting date.

For further details refer to Note 6: Share-based payments expenses in the notes to the condensed consolidated financial statements.

As at 31 December 2023, the Group held cash at bank of $1.50 million (30 June 2023: $0.96 million).

Operating Results

The Group incurred an after-tax loss for the half-year ended 31 December 2023 of $1.09 million (2022: $1.93 million), a decrease of 44% on the prior period. The loss was attributable to the funding of commercialisation of CVMTM technology, pursuing the Delta program and the costs associated with operating an ASX listed company in Australia. The loss was also attributable to an increase in production overheads and an increase in sales and marketing expenses during the period.

The Group recorded revenues of $13.29 million (2022: $10.11 million), an increase of 31% on the prior period. Key expenses during the period were costs of sales of $7.36 million (2022: $5.25 million) and employee expenses of $3.46 million (2022: $3.68 million). Share-based payments of $0.39 million were incurred in the period (2022: $0.38 million) as a result of the grant of CDIs to the AEM management team and a director. Other corporate and administration expenses reduced to $0.74 million during the period (2022: $0.90 million).

Future developments

In the short and medium-term the Group will focus on avionics product development and its commercialisation utilising strong IP and market knowledge as well as the ongoing commercialisation of its CVM™ technology, further applications for the technology and on progressing FAA approval of its APB application in 2024.

Annual General Meeting

SMS held its Annual General Meeting of Shareholders at William Buck, Level 20, 181 William Street, Melbourne, Victoria on 8 December 2023.

Resolutions 6, 7B, 7C, 8 and 9 were withdrawn.

All other resolutions were carried via a poll. resolutions that were put to shareholders were passed by a poll.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Group executed an offer of an increase in credit facilities with AEM's bank, Royal Bank of Canada (RBC). The increase comprises an increase of CAD$1m in the company's operating facility and the establishment of a CAD$500K finance lease package. The Company has yet to draw on the facility increase.

Other than the above, from the end of the reporting period to the date of this report no matter or circumstance has arisen which has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

Signed in accordance with a resolution of the Directors.

Ross Love

Ross Love
Chairman & CEO
Perth, Western Australia
28 February 2024

For the Half-Year Ended 31 December 2023

	Note	6 months to 31 Dec 2023 (reviewed) $000'	6 months to 31 Dec 2022 (reviewed) $000'
Continuing operations			
Revenue	5	13,289	10,107
Cost of sales		(7,358)	(5,254)
Gross profit		5,931	4,853
Other income		109	243
Depreciation and amortisation		(1,132)	(1,243)
Administrative and corporate expenses		(737)	(897)
Employee expense		(3,461)	(3,681)
Occupancy expenses		-	(12)
Research and development expenses		(93)	(142)
Sales and marketing expenses		(964)	(373)
Share-based payments	6	(386)	(381)
Loss from continuing operations before income tax and finance costs		(733)	(1,633)
Finance costs		(369)	(345)
Foreign currency translations		-	(4)
Loss before income tax benefit		(1,102)	(1,982)
Income tax benefit		14	48
Net loss attributable to members of Structural Monitoring Systems Plc		(1,088)	(1,934)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(343)	(339)
Other comprehensive income/(expense)		(343)	(339)
Total comprehensive loss for the period		(1,431)	(2,273)
Basic and diluted loss per share (cents per share)	7	(0.81)	(1.47)

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

As at 31 December 2023

	Note	As at 31 December 2023 (reviewed) $000'	As at 30 June 2023 (audited) $000'
ASSETS			
Current assets			
Cash and cash equivalents		1,499	961
Trade receivables		3,006	1,981
Inventory	8	11,623	13,469
Other current assets	9	439	615
Total current assets		16,567	17,026
Non-current assets			
Plant & equipment		1,440	1,627
Right-of-use assets		6,963	7,567
Intangible assets and goodwill	10	7,220	7,434
Total Non-current assets		15,623	16,628
Total assets		32,190	33,654
LIABILITIES			
Current liabilities			
Trade and other payables	11	3,417	3,891
Borrowings		4,396	4,222
Lease liabilities		1,132	1,157
Provisions		84	86
Total current liabilities		9,029	9,356
Non-current liabilities			
Borrowings		1,097	1,196
Lease liabilities		6,972	7,753
Deferred tax		317	442
Total non-current liabilities		8,386	9,391
Total liabilities		17,415	18,747
NET ASSETS		14,775	14,907
Equity			
Issued capital	12	31,961	31,959
Share premium reserve	12	44,121	43,210
Other reserves	13	(266)	(309)
Accumulated losses		(61,041)	(59,953)
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF STRUCTURAL MONITORING SYSTEMS PLC		14,775	14,907

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

For the Half-Year Ended 31 December 2023

	6 months to 31 Dec 2023 (reviewed) $000'	6 months to 31 Dec 2022 (reviewed) $000'
Cash flows provided by/(used in) operating activities		
Receipts from customers	12,265	10,263
Payments to suppliers and employees	(11,069)	(11,131)
Income taxes paid	-	-
Interest expense	(369)	(345)
Net cash flows provided by/(used in) operating activities	827	(1,213)
Cash flows used in investing activities		
Payments for development expenses capitalised	(651)	(514)
Payments for plant and equipment	(51)	(129)
Net cash flows used in investing activities	(702)	(643)
Cash flows from financing activities		
Repayment of borrowings	(82)	(317)
Proceeds from borrowings	158	-
Repayment of lease liability	(536)	(452)
Proceeds from issue of CDIs	1,000	1,925
Costs of issue	(87)	(150)
Net cash flows from financing activities	453	1,006
Net increase/(decrease) in cash and cash equivalents	578	(850)
Net of borrowing cash and cash equivalents at beginning of period	961	1,803
Effect of foreign exchange on balances	(40)	(100)
Cash and cash equivalents at end of period	1,499	853
Cash and cash equivalents	1,499	853
Borrowings	(5,493)	(5,144)
Cash and cash equivalents net of borrowings at end of period	(3,994)	(4,291)

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

For the Half-Year Ended 31 December 2023

Consolidated (reviewed)	Issued capital $000'	Accumulated losses $000'	Share premium reserve $000'	Share-based payment reserve $000'	Foreign exchange reserve $000'	Total equity $000'
At 1 July 2022	31,954	(57,221)	41,327	749	(1,249)	15,560
Loss for the period	-	(1,934)	-	-	-	(1,934)
Other comprehensive income/(expense)	-	-	-	-	(339)	(339)
Total comprehensive loss for the period	-	(1,934)	-	-	(339)	(2,273)
Transaction with owners in their capacity as owners:						
Share-based payments – performance rights	-	-	-	106	-	106
Share-based payments – options	-	-	-	160	-	160
Share-based payments – CDIs	-	-	114	-	-	114
CDIs issued on conversion of performance rights	-	67	-	(67)	-	-
Expiry of performance rights	-	82	-	(82)	-	-
Issue of CDIs for cash	5	-	1,920	-	-	1,925
CDIs issue costs	-	-	(150)	-	-	(150)
At 31 December 2022	31,959	(59,006)	43,211	866	(1,588)	15,442
At 1 July 2023	31,959	(59,953)	43,210	999	(1,308)	14,907
Loss for the period	-	(1,088)	-	-	-	(1,088)
Other comprehensive income/(expense)	-	-	-	-	(343)	(343)
Total comprehensive loss for the period	-	(1,088)	-	-	(343)	(1,431)
Transaction with owners in their capacity as owners:						
Share-based payments – CDIs	-	-	-	386	-	386
Issue of CDIs for cash	2	-	998	-	-	1,000
CDIs issue costs	-	-	(87)	-	-	(87)
At 31 December 2023	31,961	(61,041)	44,121	1,385	(1,651)	14,775

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

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1. GENERAL INFORMATION

Structural Monitoring Systems Plc is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the Australian Securities Exchange. The address of the registered office is The Old Court, 8 Tufton Street, Ashford, Kent TN23 1QN, United Kingdom.

The interim financial report of the Company as at and for the six months ended 31 December 2023 comprises the condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group's principal activity was the design and manufacture of electronic products and the provision of manufacturing services to the aviation industry.

These condensed consolidated financial statements are presented in Australian Dollars (AUD) because the Group operates in international markets and the AUD provides the most comparable currency for the peer companies.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the United Kingdom. The accounting policies are consistent with those set out and applied in the statutory accounts of the Group for the year ended 30 June 2023, which were prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

This condensed consolidated interim financial report is intended to provide users with an update on the latest annual financial statement of Structural Monitoring Systems PLC and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this interim financial report to be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the following half-year.

The interim financial information for the period from 1 July 2023 to 31 December 2023 is unaudited. In the opinion of the Directors the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in accordance with IAS 34. The financial information incorporates comparative figures for the reviewed interim period from 1 July 2022 to 31 December 2022 and audited as at 30 June 2023.

The financial information contained in this interim report does not constitute statutory accounts as defined by section 434 of the Companies Act 2006.

The comparative financial information for the year ended 30 June 2023 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts of Structural Monitoring Systems Plc for the year ended 30 June 2023 have been reported on by the Company's auditor, Gerald Edelman LLP, and have been delivered to the Registrar of Companies. The report of the auditor was unqualified. The auditor's report did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

The interim financial report was authorised for issue in accordance with resolution of the directors on 28 February 2024.

The interim financial report has been prepared on an accruals basis under the historical cost convention.

The accounting policies have been consistently applied with those of the year ended 30 June 2023 and corresponding interim reporting period.

Significant accounting estimates

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated financial statements the significant estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 June 2023.

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities, the continued financial performance of AEM, the realisation of assets and discharge of liabilities in the normal course of business and the continued availability of an established line of credit/loan facility of up to CA$5.89million, of which CA$4.63million has been drawn down to date as at the date of this report. The facility, which is provided by AEM's bankers, while payable on demand is secured upon receivables and inventory is subject to loan covenants. Directors expect covenants to continue to be met. Subsequent to the reporting date Royal Bank of Canada (RBC) have increased the LOC limit by CA$1m and the directors expect the company to continue to comply with the terms and covenants of the facility.

As disclosed in the condensed consolidated financial statements, the Group incurred a loss after tax of $1.09 million and had net cash inflows from operating activities of $0.89 million for the half-year ended 31 December 2023.

The directors have prepared forecasts in respect of future trading. Achievement of such forecasts would allow the entity to manage within its current funding facilities for the foreseeable future. In developing these forecasts, the Directors have made assumptions and performed sensitivity analysis on variables such as revenue and exchange rates based upon their review of the current and future economic conditions that will prevail over the forecast period of 12 months from the date of signing these financial statements.

3. SUBSEQUENT EVENTS

Subsequent to balance date the Group executed an offer of an increase in credit facilities with AEM's bank, Royal Bank of Canada (RBC). The increase comprises an increase of CAD$1m in the company's operating facility and the establishment of a CAD$500K finance lease package. The Company has yet to draw on the facility increase.

Other than the above, from the end of the reporting period to the date of this report no matter or circumstance has arisen which has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

4. OPERATING SEGMENTS

The Company has identified its operating segments based on the internal management reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates predominantly in 3 industries, being avionics, contract manufacturing and structural health monitoring. (CVM™).

Revenue to third parties by origin is Canada.

The Parent Company is registered in the United Kingdom.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

The operations of the Group are not influenced by seasonal or cyclical factors for the half-year ended 31 December 2023.

	Contract manufacturing $000'	Avionics $000'	CVM™ $000'	Admin/ corporate	Total
Half-year ended 31 December 2023					
Revenue					
Revenue from contracts with customers	8,096	4,315	115	-	12,526
Revenue from the rendering of services	562	193	8	-	763
Segment revenue	8,658	4,508	123	-	13,289
Sales revenue by customer location:					
North America	8,622	3,568	103	-	12,293
Europe/UK	36	680	-	-	716
Other	-	260	20	-	280
Total revenue	8,658	4,508	123	-	13,289
Results					
EBITDA/(LBITDA)	1,562	638	(823)	(978)	399
Depreciation and amortisation	(686)	(357)	(10)	(79)	(1,132)
Finance costs	(240)	(125)	(3)	(1)	(369)
Profit/(loss) before tax benefit	636	156	(836)	(1,058)	(1,102)
Income tax benefit	10	4	-	-	14
Profit/(loss) for the period	646	160	(836)	(1,058)	(1,088)
Assets and liabilities					
Segment assets	11,452	16,980	1,355	2,403	32,190
Segment liabilities	9,424	7,194	149	648	17,415

	Contract manufacturing $000'	Avionics $000'	CVM™ $000'	Admin/ corporate	Total
Half-year ended 31 December 2022					
Revenue					
Revenue from contracts with customers	5,097	4,230	201	-	9,528
Revenue from the rendering of services	248	324	7	-	579
Segment revenue	5,345	4,554	208	-	10,107
Sales revenue by customer location:					
North America	5,340	3,618	208	-	9,166
Europe/UK	5	583	-	-	588
Other	-	353	-	-	353
Total revenue	5,345	4,554	208	-	10,107
Results					
EBITDA/(LBITDA)	904	610	(257)	(1,651)	(394)
Depreciation and amortisation	(678)	(466)	(21)	(78)	(1,243)
Finance costs	(182)	(155)	(7)	(1)	(345)
Profit/(loss) before tax benefit	44	(11)	(285)	(1,730)	(1,982)
Income tax benefit	27	21	-	-	48
Profit/(loss) for the period	71	10	(285)	(1,730)	(1,934)
Assets and liabilities					
Segment assets	12,804	16,155	1,087	3,608	33,654
Segment liabilities	8,321	7,849	154	2,423	18,747

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives its revenue from product sales and repair services, both recognised at a point in time in the following major geographical segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 4).

There were no impairment losses on receivables in the statement of comprehensive income for the six months ended 31 December 2023 (31 December 2022: none).

6. SHARE-BASED PAYMENT EXPENSE

	6 months to 31 December 2023 $000'	6 months to 31 December 2022 $000'
Grant of CDIs to a Director	167	-
Grant of CDIs to employees	219	114
Issue of Performance Rights Directors and employees	-	106
Issue of Options to Director	-	161
	386	381

Chess Depositary Interests (CDIs)

On 8 December 2023 at the Annual General Meeting of the Company shareholders approved the issue of 300,000 CDIs to Chairman & CEO Ross Love as part of his employment agreement. The fair value of those CDIs was determined by the closing share price of $0.555 on the same date. The CDIs were issued subsequent to the reporting date.

On 20 November 2023 the Company granted 300,000 CDIs to management staff in recognition of performance in the period. The fair value of those CDIs was determined by the closing share price of $0.73 on grant date. The CDIs have yet to be issued and will be escrowed for 12 months from grant date.

7. LOSS PER SHARE

Basic loss per share

The basic and diluted loss per share for the half-year ended 31 December 2023 is 0.81 cents per share (2022: 1.47 cents per share).

Earnings

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share has not been calculated as the Group is loss making.

	6 months to 31 December 2023 $000'	6 months to 31 December 2022 $000'
Net loss attributable to equity holders from continuing operations	(1,088)	(1,934)
	Number of shares	***Number of shares***
Weighted average number of ordinary shares for basic loss per share	134,837,032	131,518,251
Weighted average number of ordinary shares for diluted loss per share	134,837,032	131,518,251

8. INVENTORY

	As at 31 December 2023 $000'	As at 30 June 2023 $000'
Raw materials	7,114	9,075
Work in progress	1,819	2,231
Finished goods	2,693	2,196
Provision for obsolescence	(3)	(33)
	11,623	13,469

9. OTHER CURRENT ASSETS

	As at 31 December 2023 $000'	As at 30 June 2023 $000'
Prepayments	262	286
Other receivables	-	152
GST receivable	177	177
	439	615

10. INTANGIBLE ASSETS AND GOODWILL

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Goodwill $000'	Technology $000'	Eagle audio IP $000'	Eagle audio Customer relationships $000'	Total $000'
Consolidated					
Balance at 1 July 2023	1,628	2,831	2,806	169	7,434
Development expenses capitalised	-	264	-	-	264
Amortisation expense	-	(123)	(167)	(27)	(317)
Effect of FX on balances	(35)	(66)	(57)	(3)	(161)
Balance at 31 December 2023	1,593	2,906	2,582	139	7,220

	Goodwill	Certifications	Licence agreement	Technology	Eagle audio IP	Eagle audio Customer relationships	Total
	$000’	$000’	$000’	$000’	$000’	$000’	$000’
Balance at 1 July 2022	1,613	124	11	2,098	3,082	221	7,149
Development expenses capitalised	-	-	-	328	-	-	328
Amortisation expense	-	(120)	(11)	(115)	(160)	(26)	(432)
Effect of FX on balances	(39)	(4)	-	(54)	(47)	(6)	(150)
Balance at 31 December 2022	1,574	-	-	2,257	2,875	189	6,895

11. TRADE AND OTHER PAYABLES

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	As at 31 December 2023	As at 30 June 2023
	$000’	$000’
Trade payables	2,472	2,524
Other payables	865	1,344
Taxes payable – HST, payroll tax	80	23
	3,417	3,891

12. ISSUED CAPITAL

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	As at 31 December 2023	As at 30 June 2023
	$000’	$000’
CDIs		
Issued and fully paid	31,961	31,959
	Shares on Issue (no.)	**$000’**
Movement in CDIs in issue		
At 30 June 2023	134,179,803	31,959
Issue of CDIs for cash	2,325,581	2
At 31 December 2023	136,505,384	31,961

Share Premium Account	**As at 31 December 2023 $000'**	**As at 30 June 2023 $000'**
Share Premium Account	44,121	43,210

	Shares on Issue (no.)	**$000'**
Movement in ordinary shares in issue		
At 30 June 2023	134,179,803	43,210
Issue of CDIs for cash	2,325,581	998
Issue costs	-	(87)
At 31 December 2023	136,505,384	44,121

Share premium account

The share premium account is used to record increments in the value of share issues when the issue price per share is greater than the par value. The par value of shares is GBP0.0005 (2022: GBP0.0005). Costs of the issues are written off against the account.

13. RESERVES

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Reserves	**As at 31 December 2023 $000'**	**As at 30 June 2023 $000'**
Share-based payment reserve	1,385	999
Foreign currency translation reserve	(1,651)	(1,308)
	(266)	(309)

Share-based payment reserve	***Performance rights on issue (PRs)* No.**	**$000'**
Outstanding at 30 June 2023	433,954	999
Grant of CDIs – director pending issue	-	167
Grant of CDIs – staff pending issue	-	219
Outstanding at 31 December 2023	433,954	1,385

For further details of share-based payments during the period, refer to Note 6: Share-based payments expense.

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments which represent unissued shares (i.e. grants of options/performance rights) and grants of shares that have not yet been issued.

Foreign currency translation reserve

The foreign currency translation reserve (FCTR) is used to record exchange differences arising from the translation of the financial statements of AEM, a subsidiary of the Group domiciled in Canada, from Canadian dollars to Australian dollars. The movement is recorded under other comprehensive income/(expense) in the statement of comprehensive income.

14. FINANCIAL RISK MANAGEMENT

a. Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest-bearing financial assets and financial liabilities of the Group is equal to their carrying value.

b. Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2023	Carrying amount $000'	Contractual cash flows $000'	1 year or less $000'	1 year or more $000'
Trade and other payables (Note 11)	(3,417)	(3,417)	(3,417)	-
Borrowings	(5,493)	(5,493)	(4,396)	(1,097)
Lease liabilities	(8,104)	(8,104)	(1,132)	(6,972)
	(17,014)	(17,014)	(8,945)	(8,069)

30 June 2023	Carrying amount $000'	Contractual cash flows $000'	1 year or less $000'	1 year or more $000'
Trade and other payables (Note 11)	(3,891)	(3,891)	(3,891)	-
Borrowings	(5,418)	(5,418)	(4,222)	(1,196)
Lease liabilities	(8,910)	(8,910)	(1,210)	(7,700)
	(18,219)	(18,219)	(9,323)	(8,896)

c. Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated primarily in US dollars whilst the Group's operating subsidiary Anodyne Electronics Manufacturing Corp has a Canadian dollar functional currency. The Group also has exposure to the value of its investment in Canadian subsidiary Anodyne Electronics Manufacturing Corp which is denominated in Canadian dollars.

15. COMMITMENTS AND CONTINGENCIES

At the reporting date there are no changes to commitments or contingent liabilities.

DIRECTORS' DECLARATION

The Directors of Structural Monitoring Systems Plc declare that in the opinion of the Directors:

a. the attached condensed consolidated financial statements and notes of the Group:

    i. give a true and fair view of the financial position as at 31 December 2023 and the performance for the half-year ended on that date; and

    ii. comply with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the United Kingdom.

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.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Ross Love

Ross Love
Chairman & CEO
Perth, Western Australia
28 February 2024

INDEPENDENT REVIEW REPORT TO STRUCTURAL MONITORING SYSTEMS PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2023 which comprises the condensed consolidated statement of comprehensive income for the half year ended on that date, the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity for the half year ended on that date and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued for use in the United Kingdom" ("ISRE(UK) 2410") issued by the Financial Reporting Council. A review of interim financial information 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 Standards on Auditing (UK) 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.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Material Uncertainty Relating to Going Concern

As part of our review of the interim financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We draw attention to note 2 in the financial statements, which indicates that the ongoing impact of current economic, operating and trading conditions and the company's ability to obtain further financing may affect the future prospects and trading activities of the group.

The Company forecasts includes significant reliance on the credit facility from Royal Bank of Canada (RBC) of CAD$5.89m, of which CAD$4.63m has been drawn down as at the date of this report. The credit facility is payable on demand and secured upon receivables and inventory of the Company. These events or conditions, along with the business risks and uncertainties and other matters as set out in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. The existence of a material uncertainty related to going concern requires significant judgement when developing future plans in respect of the cash flow forecast and in determining compliance with the loan covenants.

Management performed an assessment in relation to the company's ability to continue as a going concern and the assessment include that RBC will not call upon the credit facility. The overall assessment includes key assumptions considered by management that required significant judgement in relation to the estimation of future revenues.

We performed the following procedures to assess the management's judgements, key assumptions and entity's ability to continue as a going concern:

- Liaising with management and discussing their going concern assessment, including their view and perspective regarding the firm's ability to continue as a going concern.
- Reviewing and assessing the reliability of the forecast to ensure its accuracy and performing arithmetical checks.

- Reviewing the past forecast with the actual results to determine if the prior year's estimates were adequately considered and whether management's historical approach in terms of the key assumptions was appropriate.
- Reviewing the forecast in line with the potential impact of slowdown in its trading activities

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities of directors
The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information
In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report
This report is made solely to the Company in accordance with ISRE(UK) 2410. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Hemen Doshi FCCA

Senior Statutory Auditor
For and behalf of Gerald Edelman LLP

Chartered Accountants
Statutory Auditors

28 February 2024
73 Cornhill London
EC3V 3QQ

STRUCTURAL
MONITORING
SYSTEMS plc