



ANNUAL REPORT 2024

COMPANY NUMBER: 4834265



**STRUCTURAL
MONITORING
SYSTEMS** plc

CORPORATE DIRECTORY

DIRECTORS

Ross Love
Executive Chair & 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)
Code: SMN

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CONTENTS

Strategic report	4
Directors' report	9
Statement of profit or loss and other comprehensive income	21
Statement of financial position	22
Statement of cash flows	23
Statement of changes in equity	24
Notes to the financial statements	25
Consolidated entity disclosure statement	68
Independent auditors' report	69
Shareholder information	78



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 acquisition of shares (including substantial holdings and takeovers).

STRATEGIC REPORT

REVIEW OF OPERATIONS

Structural Monitoring Systems Plc ("SMS," "the Company" or "the Group") and its Canadian-based, wholly owned subsidiary, Anodyne Electronics Manufacturing Corp ("AEM"), recorded record total sales for the 2024 financial year (FY24) of \$27.95m, an increase of 25% on the prior year (FY23).

At the reporting date, the balance of Group cash and cash equivalents was \$1.26m (2023: \$0.96m). Borrowings as at 30 June 2024 amounted to \$6.33m (2023: \$5.42m). During the year the Group's bankers, Royal Bank of Canada increased the limit of the Line of credit facility by C\$1.00m, from C\$3.75m to C\$4.75m.

The Group recorded a loss after tax for the year of \$1.04m (2023: \$3.31m) a decrease of 69% on the year prior. The financial performance of the Group for the year ended 30 June 2024 is summarised as follows:

	FY24	FY23	%
CONSOLIDATED	\$000'	\$000'	
Gross Revenue	27,951	22,381	25
Net Loss After Tax	(1,041)	(3,314)	(69)
EBITDA/(LBITDA)	1,993	(274)	-

Since recording a Group loss after tax of \$3.31m in FY23 the SMS Group has achieved significant growth in revenue and profitability, recording a maiden profit in the June quarter (refer ASX announcement: 31 July 2024). Gross revenues have increased by 78% over the 2-year period. This increase in growth and profitability has been due to product development in AEM's special mission avionics products which are now being received well in the market and also to increased contract manufacturing revenue utilising available manufacturing capacity at the AEM operations facility in Kelowna, British Columbia. This turnaround has been achieved with only a modest injection of capital over the last two years, with two share placements totalling \$2.9m before issue costs and an increase in the Group's debt facility of C\$1.00m.

A review of operations of each operating business within AEM follows:

AEM CVM™

During the year, the AEM team continued to focus on the completion of the final testing procedures required to finalise the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin 737-53-1418 - with an updated timeline supplied by Boeing.

The Company announced on 6 June 2024 that Boeing was conducting evaluations of the final testing which was completed in May.

The Company announced in a statement on 5 August 2024, subsequent to the reporting date, that Boeing Technical Design Review had confirmed that all outstanding Aft Pressure Bulkhead tests had been successfully completed and that the outstanding technical design issues arising from their initial review in February had now been closed off.

As referenced in the August announcement, the next step in the process is the final compilation by the engineers and review by the E-UM of the compliance summary report, which represents the entirety of the compliance package, and which is expected to be completed by October 2024, according to Boeing's anticipated updated timeline.

SMS Group Chief Technical Officer Trevor Lynch-Staunton P.Eng reported that all technical concerns had been resolved but that several steps still remained in the process, both within Boeing and also within the FAA.

The updated timeline provided by Boeing detailed the FAA acceptance of the Certification Plan in August 2024, the submission of final documentation to Boeing ODA (its internal certification authority) by September 2024 and anticipated submission of the Boeing Service Bulletins and Compliance Report to the FAA by November 2024.

As announced and experienced previously, these are timelines outside of the Company's control and which may be subject to further change due to resourcing or external demands.

While the August milestone confirms the Company's ongoing confidence in the process and ultimate outcome, there remain a number of key steps in the process to be completed.

However, as previously stated, this achievement does increase the confidence with which the Company is able to engage with its potential customer group and its existing contracted customer, Delta Air Lines. The milestone also provides further confidence to concurrently pursue additional applications, which is already occurring.

The CVM™ sales and engineering teams attended several key industry events during the year with Mr Lynch-Staunton presenting at the ILA Berlin Air Show.

CVM™'s installation and training partner, TESTIA, presented a new co-authored paper entitled: An Exploration of Leveraging CVM™ Sensors to Monitor Structures Across Various Industries – Part 1: Mining, Infrastructure and Marine. The paper was co-written by TESTIA's Aswin Haridas and Holger Speckmann and AEM's Trevor Lynch-Staunton and Dennis Roach.

While the financial performance of the CVM™ business segment, as detailed below, continues to be challenged by the timeline of the FAA approval process, we remain confident in an ultimately successful result and note the increasing interest from our US airline customers as timelines are met and progress achieved.

AEM CVM™ recorded gross revenue for the year of \$0.13m (2023: \$0.36m).

AEM AVIONICS

The AEM Avionics business segment performed strongly across all key metrics during the year. This strong financial performance is expected to continue in succeeding quarters as AEM special mission products are received by the market.

AEM announced in April that its new modern MTP136D forest service radio had received critical Federal Communication Commission (FCC) and Innovation, Science and Economic Development Canada (ISED) certifications. These certifications pave the way for acceptance by the US Forest Service (USFS) and a pending Supplemental Type Certification (STC).

Subsequent to the reporting date, the STC was issued on 30 July 2024 and marks a milestone towards full acceptance by the USFS.

AEM also progressed a partnership expansion during the year with Texas Aerospace Technologies, a subsidiary of Texas Aerospace Services, to add AEM's new MTP136D modern panel mount P25 VHF FM Forest Service radio to its existing lineup of product offerings for Latin American customers.

The broader management team remains focused on expansion into existing key international markets for future targeted growth and also announced a new distribution agreement with South African based Safomar Technologies in February 2024.

The successful launch of the MTP136D is a key pillar of AEM's ongoing investment in a growing suite of avionics and audio products in the Special Mission Aviation sector and builds on the continued growth of its existing line up of products to facilitate ongoing positive growth.

AEM Avionics recorded gross revenue for the year of \$11.13m (2023: \$9.33m), an increase of 19.3% on the prior year.

AEM CONTRACT MANUFACTURING

AEM's ongoing focus, as articulated throughout the year, remained on maintaining high quality manufacturing projects which has again ensured the delivery of solid results for the financial year.

The Company's strategy continues to be to support a limited number of customers generating the highest possible rate of return while remaining agile in its ability to meet increased demand for its own IP products.

AEM Contract Manufacturing recorded gross revenue for the year of \$16.69m (2023: \$12.69m), an increase of 31.5% on the prior year.

CORPORATE

LOC Facility

During the year, SMS executed revised credit facilities with its Canadian Bankers, Royal Bank of Canada. The revised facilities included an increase of C\$1.00m to C\$4.75m (increased to C\$6.00m subsequent to the balance date) in the revolving line of credit ("LOC") and a new C\$500K lease finance facility, illustrating RBC's ongoing confidence in the growth of the AEM businesses.

Share-based payments

Following approval by shareholders at the Annual General Meeting (AGM) held on 8 December 2023, the Company issued 300,000 CDIs to Executive Chair, Ross Love as the sign on award agreed in his remuneration package.

On 28 June 2024 the Company issued a total of 553,845 CDIs to members of the management team as part of their remuneration for FY24. The CDIs, which were issued under the SMS Employee Incentive Plan, are escrowed until 20 November 2024.

Share placement

On 1 November 2023 the Company completed a successful single tranche placement raising \$1.00m before costs through the issue of 2,325,581 CDIs at an issue price of \$0.43 per CDI. Bell Potter acted as Lead Manager for the Placement. The funds raised were directed towards funding the ongoing commercialisation of the Company's CVM™ technology and general working capital across the AEM Avionics and AEM Contract Manufacturing business segments.

Brand and digital presence

A new SMS investor focused website and domain was successfully launched during the June quarter, which recognises the further integration of the Groups' businesses from both a digital and operational perspective.

Projected Outlook

Looking ahead to FY25, the SMS Group is poised to continue growth and profitability trends established over the last two years with Special Mission Avionics and the anticipated Federal Aviation Administration approval towards Aft Pressure Bulkhead certification leading the pathway forward.

The Company continues to focus on growth opportunities through targeted acquisitions within the industry to facilitate that growth.

AEM AVIONICS

AEM continues to see strong demand for their avionics products, with a stable outlook on integration completions throughout the year.

In July 2024, AEM's first Transport Canada Supplemental Type Certificate (STC) was issued for its new MTP136D panel mount forest service radio. In addition to this STC, the radio is on track toward formal acceptance into the USFS approved equipment list for all its aerial firefighting contractors which will clear the way for take up among fires service cooperator

agencies in California, Colorado, Oregon, and Washington State.

AEM anticipates the MTP136D sales pipeline will continue to grow as North American operators return aircraft from summer operations for maintenance and the timeline for formal USFS acceptance is solidified. Expansion of the aerial firefighting market is projected to continue as countries invest resources into more capable fleets to combat the increased frequency and severity of fire events.

The AEM sales and marketing team will expand their direct outreach program, solidifying their position with current customers and programs and also targeting net new users. AEM continues to be well supported by our network of external sales support in identified growth regions. The team is gearing up for a busy year with a full and growing roster of industry tradeshows and events to showcase its special mission products and ongoing developments.

As part of AEM's ongoing investment in a growing suite of avionics and audio products it is expected that several new product derivatives will be announced during the latter portion of the financial year, supported with launch customer orders.

AEM CONTRACT MANUFACTURING

AEM remains focused on high-value contract manufacturing projects supporting a limited number of customers while generating the highest possible rate of return on utilisation of its resources.

AEM CVM™

As mentioned previously in this report, the team is progressing towards submission of the Boeing Service Bulletins and Compliance Report to the FAA by November 2024, according to the updated timeline supplied by Boeing.

The anticipated successful achievement of this milestone will enable the full commercialisation of the CVM™ technology which has been the Company's focus for many years. This will enable the Group to expand its customer base and derive commercial revenue from future sales of its CVM™ sensor kits to applicable and identified markets.

We continue to develop our relationship with global non-destructive testing consultants and service provider TESTIA, an Airbus company.

In addition to participating in a series of Delta Air Lines' APB installations, members of the TESTIA team have become certified CVM™ installers. AEM and TESTIA continue working in tandem on the development of its end-to-end installation training program. TESTIA remains a valuable partner and is committed to the provision of business development and sales support services across Europe.

As we are confident in achieving a positive outcome for the Boeing Service Bulletins, we remain actively engaged with Delta Air Lines, United Airlines, Southwest Airlines and American Airlines on this application, as well as exploring further potential applications for our sensors on both Boeing and Airbus aircraft.

Analysis Using Key Financial Performance Indicators and Milestones

As at 30 June 2024, the Group had approximately \$1.26m cash at bank (2023: \$0.96m).

The Group recorded a loss after tax for the financial year of \$1.04m (2023: \$3.31m). The decrease in loss resulted from increased sales in special mission avionics and contract manufacturing, whilst maintaining operating and finance costs at similar levels to the prior year.

The Group recorded revenue during the year of \$27.95m (2023: \$22.38m), an increase of 25% year on year. Other key expenses during the year were consumables and raw materials used of \$13.29m (2023: \$10.82m), depreciation and amortisation expenses of \$2.21m (2023: \$2.35m), employee costs of \$8.63m (2023: \$8.26m) and sales and marketing expenses of \$1.03m (2023: \$1.10m). In accordance with IAS 38 Intangible assets the Group has capitalised development expenses of \$0.65m (2023: \$1.12m) incurred in the internal development of products at the commercialisation stage of development.

At the reporting date the Group had net assets of \$14.62m (2023: \$14.91m). The Group had trade and other receivables of \$1.96m, inventory of \$13.97m and intangible assets of \$6.77m, including goodwill of \$1.57m. The key movement during the year was an increase of C\$1.00m in the Group's debt facility with Royal Bank of Canada. Issued capital increased by \$1.40m principally as the result of a \$1.00m share placement during the year before issue costs of \$0.09m.

The Group EBITDA for the financial year was \$1.99m. (2023: LBITDA \$0.27m).

Loss per share for the financial year was 0.77 cents per share (2023: Loss per share 2.49 cents).

Net tangible assets at the reporting date were 5.72 cents per ordinary security (2023: 5.57 cents).

All financials are quoted in Australian dollars unless otherwise stated.

Principal Risks and Uncertainties

The principal risks and how they are managed are set out on page 19 of the Director's Report

S172 STATEMENT

The Board has a duty under s172 of the Companies Act 2006 to promote the success of the Company to the benefit of its members as a whole. All decisions are made with this objective and the Board considers the long-term implications of its actions.

The Group has a continuous stakeholder engagement programme in which Executive and Non-Executive Directors participate to ensure the Board is aware of stakeholder interests.

The Group believes its employees are its greatest asset and it seeks to establish policies that provide a working environment that is safe, enjoyable and rewarding.

Critical to the success of the Group is its long-term relationship with its suppliers and customers, as well as its shareholders. The Board believes the decisions it has made have been appropriated both to support these stakeholders and to foster stronger, long-term relationships with them.

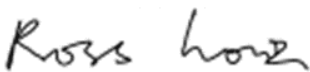
The Company has a duty to meet compliance requirements with ASIC and observe listing rules to maintain its listing on the Australian Securities Exchange.

The Group has a duty to meet debt covenants with its bankers and these are reviewed on a monthly basis.

The Group is mindful of its role with its local communities and seeks to minimise the impact of its operations on the environment and to be a good neighbour.

Overall, in considering and taking decisions the Board seeks to act in the best interests of the business and all its stakeholders, treating all members fairly.

The Strategic Report was signed on behalf of the Board.



Ross Love
Executive Chair & CEO
30 September 2024

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2024.

DIRECTORS AND OFFICERS

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

Ross Love (Executive Chair & CEO, appointed 13 July 2022)

Mr Love is an experienced executive and consultant with wide public and private sector experience in developing and executing policy reforms and business strategy transformations in Australia and the United States. He has worked with senior decision makers in government at State and Commonwealth level in Australia, the State and City Governments of New York, and the UN, as well as with Executive teams and Boards in the corporate and non-profit sectors. Formerly a Senior Partner at the Boston Consulting Group where he worked for over 25 years, Mr Love was most recently head of its New York business and prior to that it's Australian and New Zealand business.

Mr Love completed the Advanced Development Program at the London Business School and MPA (2) at the Kennedy School of Government, Harvard University. He has a first-class BA Honours degree from the University of Western Australia.

Mr Love has not held directorships of any other ASX listed companies in the last 3 years.

Sam Wright (Non-Executive Director, appointed 14 October 2020 and Company Secretary)

Mr Wright has twenty years experience in the administration of ASX listed companies, corporate governance and corporate finance. He is a member of the Australian Institute of Company Directors, the Financial Services Institute of Australasia, and the Governance Institute of Australia.

Mr Wright is currently a Director of ASX listed companies, Great Dirt Resources Limited, Reach Resources Limited and Structural Monitoring Systems plc. Previously Sam was Finance Director of PharmAust Limited (resigned 16 May 2024).

Mr Wright is currently Company Secretary for ASX and London Stock Exchange dual listed company, Resolute Mining Limited as well as ASX and Börse Frankfurt dual listed companies, Buxton Resources Limited and Dynamic Holdings Limited.

He has also filled the role of Director and Company Secretary with companies in Australia, North America and the United Kingdom.

Mr Wright is the Managing Director of Perth-based corporate advisory firm Straight Lines Consultancy, specialising in the provision of corporate services to public companies

Mr Wright has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, merger and acquisition transactions, IPO listings and shareholder relations with both retail and institutional investors.

Brian Wall (Non-Executive Director, appointed 20 June 2022)

Mr Wall has held leadership roles in a 35 year plus career with organisations such as Cintas, Troika Ventures, The Pattison Group and most recently, Anodyne Electronics Corporation ("AEM") a subsidiary of SMS.

Mr Wall joined AEM in August 2019 and held the position of Chief Executive until August 2022. He successfully navigated the company through the COVID-19 pandemic successfully position the company for profitable growth in several sectors and overseen the move to its new facility in Kelowna, BC.

Mr Wall has not held directorships of any other ASX listed companies in the last 3 years.

Heinrich Loechteken (Non-Executive Director, appointed 15 November 2022)

Mr Loechteken has held a variety of executive roles in the aviation and corporate finance fields and has a deep understanding of aircraft leasing and a strong record of financial and operational restructuring of companies ahead of sale or IPO.

He is currently CEO of JLPS Ireland Limited, which offers transportation leasing services encompassing aircraft, ships, maritime containers and solar power generation equipment.

Prior to taking on his current role, Heinrich held senior executive roles at MC Aviation Partners, International Lease Finance Corporation and AerCap.

Heinrich holds a Diplom-Kaufmann (German MBA equivalent) from the University of Muenster, Germany 1990.

Miroljub Miletic (Non-Executive Director, appointed 15 November 2022)

Mr Miletic is the Managing Director and founder of MEMKO Pty Ltd with an impressive record of leadership and achievement in both the Australian and international aerospace industries.

His contribution to the field of Aviation and Aerospace was recognised by the award of an Honorary Doctorate in Engineering (Aerospace) by RMIT University, Melbourne, Australia in 2012.

During his professional career, he has worked on a range of large commercial and military aircraft projects and has held a number of senior leadership positions including Director Engineering & Quality Assurance and Manager of Business Development and Planning with the Boeing Company Australia.

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of the design, development and manufacture of avionic products and the provision of contract electronics manufacturing services to the aviation industry as well as implementation of its commercialisation strategy for its CVM™ technology.

SHAREHOLDER MEETINGS

Structural Monitoring Systems Plc held its Annual General Meeting of Shareholders in Melbourne, Victoria on 8th 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors are required under the rules of the Australian Securities Exchange to prepare group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK").

The financial statements are required by law and IFRS adopted by the UK to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing the group and company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the UK; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the www.structuralmonitoring.systems website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and executives of the company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the reporting date, AEM bankers, Royal Bank of Canada have increased the limit on the Line of Credit ("LOC") facility from C\$4.75m to C\$6.00m. The LOC facility is issued under the Export Development Canada ("EDC") Trade Expansion Lending Program.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

RESULTS AND DIVIDEND

The operating loss, after income tax, for the year was \$1.04m (2023: \$3.31m). No dividends were proposed or paid during the financial year.

SHARE CAPITAL

The impact on share capital and share premium account of the share issues during the year, is disclosed in note 23 in the notes to the financial statements.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities, the continued financial performance of AEM and the realisation of assets and discharge of liabilities in the normal course of business as well as the availability of an established operating line of credit facility of up to C\$4.75 million (Increased subsequent to the reporting date to C\$6.00 million). The facility which is provided by AEM's bankers is long standing and is secured on receivables and inventory and is subject to loan covenants. The Directors expect compliance with the covenants to continue to be met.

The Directors have prepared forecasts in respect of future trading. Achievement of such forecasts would rely on the continued availability of loan facilities with Royal Bank of Canada which are repayable on demand. In developing these forecasts, the Directors have made assumptions and performed sensitivity analysis on variables such revenues and exchange rates based upon their view 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.

The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements. It is noted, there is a material uncertainty over going concern should the Group be unable to execute one or more of the following, raising capital through the issue of shares, amending the current debt structure to release further funds, meet its revenue targets or reduce/defer employee costs or other operating costs.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Group during the financial year:

Director	Board meetings		Audit committee		Remuneration committee	
	A	B	A	B	A	B
R Love	4	4	-	-	-	-
S Wright	4	4	-	-	-	-
B Wall	4	4	-	-	1	1
H Loechteken	3	4	-	-	1	1
M Miletic	4	4	-	-	1	1

A – Number of meetings attended

B – Number of meetings held during the time which the Director held office during the year

In addition to formal Directors' meetings held during the year regular executive meetings were held on a weekly basis throughout the year.

The Board is not currently of a sufficient size and structure to establish an audit committee. At present, the full Board carries out the duties that would ordinarily be assigned to an audit committee under the written terms of reference for that committee. As the Company grows in size, it is planned that the Company will establish a separate audit committee with its own audit committee charter. Under the Board's charter, the specific responsibilities of the Board include to recommend to shareholders the appointment of the external auditor and to meet with the external auditor when required and without management being present. The Board meets with the Company's auditors at regular intervals to continually assess and monitor the performance of the external auditors.

REMUNERATION REPORT

(AUDITED)

REMUNERATION POLICY

The Remuneration Committee of the Board of Directors of Structural Monitoring Systems Plc is responsible for determining and reviewing compensation arrangements for the Directors and executives. The Remuneration Committee (or the Board of directors) assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and senior executives' emoluments to the Company's financial and operational performance. Executive directors and employees have the opportunity to qualify for participation in the Company Employee Incentive Plan.

It is the Remuneration Committee's policy that employment agreements shall be entered into with the Executive Chair and all other executives. Any options or performance rights held lapse when the service period is completed.

REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

Details of the nature and amount of each major element of remuneration of each Director of the Group and each of the Group executives who receive the highest remuneration are:

	Salary & Fees		Post Employment	Share-based payments		Total
30 June 2024	Cash \$	Bonus \$	Superannuation \$	Options over CDIs \$	CDIs \$	\$
Directors						
Ross Love	325,000	-	-	-	166,500	491,500
Sam Wright*	120,000	-	-	-	-	120,000
Brian Wall	75,000	-	-	-	-	75,000
Heinrich Loechteken	75,000	-	-	-	-	75,000
Miroljub Miletic	67,568	-	7,432	-	-	75,000
Executive						
Gary Elwell	120,000	-	-	-	36,500	156,500
Total	782,568	-	7,432	-	203,000	993,000

	Salary & Fees		Post Employment	Share-based payments		Total
30 June 2023	Cash \$	Bonus \$	Superannuation \$	Options over CDIs \$	CDIs \$	\$
Directors						
Ross Love ⁽¹⁾	321,822	-	-	185,095	-	506,917
Sam Wright*	120,000	-	-	-	-	120,000
Brian Wall	273,523	54,875	12,883	-	-	341,281
Heinrich Loechteken ⁽²⁾	47,182	-	-	-	-	47,182
Miroljub Miletic ⁽²⁾	43,594	-	4,578	-	-	48,172
Bryant McLarty ⁽³⁾	28,125	-	-	-	-	28,125
Hendrik Deurloo ⁽⁴⁾	-	-	-	-	-	-
Executive						
Gary Elwell	116,667	-	-	-	-	116,667
Total	950,913	54,875	17,461	185,095	-	1,208,344

⁽¹⁾ appointed 13 July 2022

⁽²⁾ appointed 15 November 2022

⁽³⁾ appointed 20 October 2021, resigned 15 November 2022

⁽⁴⁾ appointed 1 April 2022, resigned 15 November 2022

*Sam Wright receives \$75,000 as Company Secretary and \$45,000 as Non-executive Director.

SHARE-BASED COMPENSATION

At the 2023 AGM, the Company did not receive any feedback at the AGM regarding its remuneration practices.

The value of CDIs granted, options converted and lapsed for directors and executives as part of compensation during the year ended 30 June 2024 are set out below:

Name	Value of CDIs granted \$	Value of options converted \$	Value of options lapsed \$
Directors			
Ross Love	166,500	-	-
Sam Wright	-	-	-
Brian Wall	-	-	-
Heinrich Loechteken	-	-	-
Miroljub Miletic	-	-	-
Executive			
Gary Elwell	36,500	-	-
Total	203,000	-	-

SERVICE AGREEMENTS

Remuneration and other terms of employment for Directors and executives are formalised in service agreements. Details of these agreements are as follows:

Name:	Ross Love
Title:	Executive Chair & CEO
Agreement commenced:	13 July 2022
Term of agreement:	no fixed term
Details:	Base salary \$325,000 plus statutory superannuation, if applicable, to be reviewed annually by the Remuneration Committee. Subject to termination notice of 6 months notice by either party.
Name:	Sam Wright
Title:	Non-Executive Director & Company Secretary
Agreement commenced:	1 January 2021
Term of agreement:	no fixed term
Details:	Base salary \$45,000 as Non-executive Director plus \$75,000 as Company Secretary to be reviewed annually by the Remuneration Committee. Subject to termination notice of 1 month by the Director and 2 months' notice by the company.
Name:	Heinrich Loechteken
Title:	Non-Executive Director
Agreement commenced:	15 November 2022
Term of agreement:	no fixed term
Details:	Base salary \$75,000 to be reviewed annually by the Remuneration Committee. No termination period in place.

Name:	Gary Elwell
Title:	Chief Financial Officer
Agreement commenced:	1 May 2020
Term of agreement:	no fixed term
Details:	Base salary \$120,000 (increased to \$150,000 on 25 September 2024) to be reviewed annually by the Remuneration Committee. A termination period of one month is in place.
Name:	Brian Wall
Title:	Non-Executive Director
Agreement commenced:	20 June 2022
Term of agreement:	no fixed term
Details:	Base salary \$75,000, to be reviewed annually by the Remuneration Committee. No termination period in place.
Name:	Miroljub Miletic
Title:	Non-Executive Director
Agreement commenced:	15 November 2022
Term of agreement:	no fixed term
Details:	Base salary of \$75,000, including statutory superannuation, to be reviewed annually by the Remuneration Committee. No termination period in place.

Directors and executives have no entitlement to termination payments in the event of removal for misconduct.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

CDIs held in Structural Monitoring Systems Plc:

30 June 2024	Balance at beg of year	CDIs held on appointment/ resignation date	Granted as Remunera- tion	Exercise of options	Net Change Other	Balance at end of year
	No.	No.	No.	No.	No.	No.
Directors						
Ross Love	-	-	300,000	-	-	300,000
Sam Wright	1,923,797	-	-	-	-	1,923,797
Brian Wall	38,218	-	-	-	-	38,218
Heinrich Loechteken	1,625,000	-	-	-	-	1,625,000
Miroljub Miletic	-	-	-	-	-	-
Executive						
Gary Elwell	560,609	-	-	-	17,229	577,838
Total	4,147,624	-	300,000	-	17,229	4,464,853

30 June 2023	Balance at beg of year No.	CDIs held on appointment/ resignation date No.	Granted as Remunera- tion No.	Exercise of options No.	Net Change Other No.	Balance at end of year No.
Directors						
Ross Love	-	-	-	-	-	-
Sam Wright	1,923,797	-	-	-	-	1,923,797
Brian Wall	38,218	-	-	-	-	38,218
Heinrich Loechteken	-	1,625,000	-	-	-	1,625,000
Miroljub Miletic	-	-	-	-	-	-
Bryant McLarty	1,850,045	(1,850,045)	-	-	-	-
Hendrik Deurloo	-	-	-	-	-	-
Executive						
Gary Elwell	-	464,119	-	-	96,490	560,609
Total	3,812,060	239,074	-	-	96,490	4,147,624

OPTIONS OVER CDIS HELD BY KEY MANAGEMENT PERSONNEL

Options over CDIs held by KMP during the current financial year and prior year are set out below:

30 June 2024	Balance at beg of year No.	Granted during the year No.	Exercised during the year No.	Other changes No.	Balance at end of the year No.
Directors					
Ross Love	1,500,000	-	-	-	1,500,000
Sam Wright	-	-	-	-	-
Brian Wall	-	-	-	-	-
Heinrich Loechteken	-	-	-	-	-
Miroljub Miletic	-	-	-	-	-
Executive					
Gary Elwell	-	-	-	-	-
	1,500,000	-	-	-	1,500,000

30 June 2023	Balance at beg of year	Granted during the year	Exercised during the year	Other changes	Balance at end of the year
	No.	No.	No.	No.	No.
Directors					
Ross Love ⁽¹⁾	-	1,500,000	-	-	1,500,000
Sam Wright	-	-	-	-	-
Brian Wall	-	-	-	-	-
Heinrich Loechteken ⁽²⁾	-	-	-	-	-
Miroljub Miletic ⁽²⁾	-	-	-	-	-
Bryant McLarty ⁽³⁾	-	-	-	-	-
Hendrik Deurloo ⁽⁴⁾	-	-	-	-	-
Executive					
Gary Elwell	-	-	-	-	-
	-	1,500,000	-	-	1,500,000

⁽¹⁾ appointed 13 July 2022

⁽²⁾ appointed 15 November 2022

⁽³⁾ appointed 20 October 2021, resigned 15 November 2022

⁽⁴⁾ appointed 1 April 2022, resigned 15 November 2022

ADDITIONAL INFORMATION

The earnings of the Group for the 5 years to 30 June 2024 are summarised below:

	2024	2023	2022	2021	2020
	\$000'	\$000'	\$000'	\$000'	\$000'
Sales revenue	27,951	22,381	15,701	15,340	19,095
EBITDA	1,993	(274)	(2,098)	(478)	(991)
EBIT	(220)	(2,629)	(3,735)	(1,445)	(2,043)
Loss after income tax	(1,041)	(3,314)	(3,851)	(1,959)	(2,072)

The factors that are considered to affect total Shareholders return ("TSR") are summarised below:

	2024	2023	2022	2021	2020
Share price at financial year end \$	0.40	0.83	0.40	0.36	0.43
Total dividends declared	-	-	-	-	-
Basic earnings per share	(0.77)	(2.49)	(3.11)	(1.64)	(2.19)

THIS CONCLUDES THE REMUNERATION REPORT

Information given to auditors

Each of the Directors has confirmed that so far as he is aware, there is no relevant audit information of which the Group's auditors are unaware, and that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Creditor payment policy

The Group's policy during the year was to pay suppliers in accordance with agreed terms and this policy will continue for the year ended 30 June 2024. The Group does not follow a specific code or standard in respect of such creditors. As at 30 June 2024, the Group's trade creditors represented 55 days' purchases (2023: 61 days).

Financial instruments and risks

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Executive Chair. The Board receives monthly reports from the finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

The Group is exposed through its operations to the following financial risks:

- credit risk;
- liquidity risk;
- foreign exchange risk

The Group is exposed to the usual credit risk associated with selling on credit and manages this through credit control procedures. Further information is provided in note 24 in the notes to the financial statements.

As a result of operations in Canada, USA and Australia, the Group's assets and liabilities can be affected by movements in the C\$/A\$, US\$/A\$ and US\$/A\$ exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group is exposed to foreign currency risk through its Canadian-based subsidiary and the risk could increase in the future as international commercialisation of the Group's technologies increase. There is currently no form of currency hedging or risk strategy in place, but this policy is constantly monitored, and appropriate strategies will be implemented if required.

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group monitors forecast cash inflows and outflows on a monthly basis. The Group has an established operating line of credit facility for up to CA\$4.75 million to assist with day to day operating requirements (Increased to C\$6.00 million subsequent to the reporting date).

Business risks and uncertainties

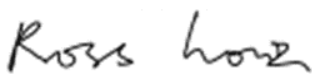
The Group has a reliance on one customer at the present time. The customer accounts for \$12.91 million of revenues totalling \$27.95 million. The relationship with the customer is secured by a licence agreement and the Group is pursuing growth opportunities.

The Group continues to make progress towards commercialisation of its CVM™ technology.

Future developments

The Directors have discussed the future developments for the business within the Strategic Report on page 4, in accordance with Section 414C of the Companies Act 2016.

By order of the Board



Ross Love
Executive Chair & CEO
30 September 2024

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

		Consolidated		Parent	
	Note	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Continuing operations					
Revenue					
Sales		27,951	22,381	-	262
Cost of sales		(13,292)	(10,820)	-	(92)
Gross profit		14,659	11,561	-	170
Other income	4	164	248	992	410
Depreciation and amortisation		(2,213)	(2,354)	-	(1)
Employee expenses	4	(8,634)	(8,260)	(670)	(1,598)
Impairment charges	4	-	-	(325)	(150)
Occupancy expenses		-	(12)	-	(12)
Research and development expenses		(889)	(465)	-	(217)
Royalty fees		(122)	(118)	-	-
Sales and marketing expenses		(1,026)	(1,095)	(146)	(337)
Share-based payments expenses	22	(471)	(514)	(471)	(514)
Administrative expenses		(1,695)	(1,728)	(602)	(816)
Operating loss before finance costs and tax		(227)	(2,737)	(1,222)	(3,065)
Finance costs		(748)	(703)	(2)	(2)
Foreign exchange gains/(losses)		7	109	4	(9)
Income tax benefit/(expense)	6	(73)	17	-	-
Loss after finance costs and tax from continuing operations		(1,041)	(3,314)	(1,220)	(3,076)
Loss attributable to members of the parent		(1,041)	(3,314)	(1,220)	(3,076)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation		(628)	(65)	-	-
Total comprehensive income for the year		(628)	(65)	-	-
Loss for the year attributable to owners of Structural Monitoring Systems Plc		(1,669)	(3,379)	(1,220)	(3,076)
Earnings per share (cents per share)					
Basic for loss from continuing operations	7	(0.77)	(2.49)		
Diluted for loss from continuing operations	7	(0.77)	(2.49)		

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

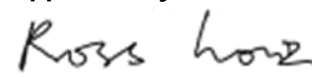
Statement of financial position

As at 30 June 2024

	Notes	Consolidated		Parent	
		2024	2023	2024	2023
		\$000'	\$000'	\$000'	\$000'
Assets					
Current assets					
Cash and cash equivalents		1,260	961	34	6
Trade receivables	8	1,963	1,981	-	-
Inventory	9	13,965	13,469	-	-
Prepayments and other receivables	10	568	615	111	133
Total current assets		17,756	17,026	145	139
Non-current assets					
Plant and equipment	11	1,314	1,627	-	-
Right-of-use assets	12	6,355	7,567	-	-
Intangible assets and goodwill	13	6,770	7,434	-	-
Deferred tax assets	14	626	-	-	-
Loans to subsidiaries	15	-	-	10,609	10,662
Total non-current assets		15,065	16,628	10,609	10,662
Total assets		32,821	33,654	10,754	10,801
Liabilities					
Current liabilities					
Trade and other payables	16	3,786	3,891	415	625
Borrowings	17	5,332	4,222	-	-
Lease liabilities	18	1,337	1,157	-	-
Provisions	19	146	86	-	-
Total current liabilities		10,601	9,356	415	625
Non-current liabilities					
Borrowings	17	997	1,196	-	-
Lease liabilities	18	6,103	7,753	-	-
Deferred tax liability	6	499	442	-	-
Total non-current liabilities		7,599	9,391	-	-
Total liabilities		18,200	18,747	415	625
Net assets		14,621	14,907	10,339	10,176
Equity attributable to equity holders of the parent					
Issued capital	23	31,962	31,959	31,962	31,959
Share premium reserve	23	44,612	43,210	44,612	43,210
Accumulated losses		(60,994)	(59,953)	(64,941)	(63,721)
Other reserves	23	(959)	(309)	(1,294)	(1,272)
Total equity		14,621	14,907	10,339	10,176

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

Approved by the Board and authorised for issue on 30 September 2024



Ross Love, Executive Chair & CEO

Statement of cash flows

For the year ended 30 June 2024

	Notes	Consolidated		Parent	
		2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Cashflows from operating activities					
Receipts from customers		27,969	23,442	992	671
Payments to suppliers and employees		(26,227)	(24,508)	(1,607)	(2,783)
Interest paid		(748)	(703)	(2)	(12)
Net cash used in operating activities before tax received	20(a)	994	(1,769)	(617)	(2,124)
Income tax received		-	248	-	-
Net cash provided by/(used in) operating activities		994	(1,521)	(617)	(2,124)
Cashflows from investing activities					
Payments for development expenses capitalised		(646)	(1,123)	-	-
Proceeds from financial asset		-	1,153	-	-
Payments for plant and equipment		(110)	(315)	-	-
Net cash used in investing activities		(756)	(285)	-	-
Cashflows from financing activities					
Proceeds from issue of shares		1,000	1,925	1,000	1,925
Issue costs		(89)	(150)	(89)	(150)
Proceeds from borrowings		1,109	-	-	-
Repayment of borrowings		(166)	(43)	(266)	-
Repayment of lease liabilities		(1,882)	(963)	-	-
Loans from subsidiaries		-	-	-	355
Net cash provided by/(used in) financing activities		(28)	769	645	2,130
Net increase/(decrease) in cash held		210	(1,037)	28	6
Cash and cash equivalents at beginning of year		961	1,803	6	-
Effect of foreign exchange on balances		89	195	-	-
Cash and cash equivalents at end of year	20(b)	1,260	961	34	6
Cash and cash equivalents		1,260	961	34	6
Borrowings		(6,329)	(5,418)	-	-
Cash and cash equivalents net of borrowings at end of year		(5,069)	(4,457)	34	6

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

Statement of changes in equity For the year ended 30 June 2024

Consolidated	Issued capital \$000'	Accumulated losses \$000'	Share premium reserve \$000'	Share-based payments reserve \$000'	Foreign currency translation reserve \$000'	Total \$000'
At 1 July 2023	31,959	(59,953)	43,210	999	(1,308)	14,907
Loss for the year	-	(1,041)	-	-	-	(1,041)
Foreign currency translation	-	-	-	-	(628)	(628)
Total comprehensive loss for the year	-	(1,041)	-	-	(628)	(1,669)
Transactions with owners:						
Issue of CDIs for cash	2	-	998	-	-	1,000
Share-based payments: CDIs	1	-	493	(22)	-	472
Share issue costs	-	-	(89)	-	-	(89)
Total transactions with owners	3	-	1,402	(22)	-	1,383
At 30 June 2024	31,962	(60,994)	44,612	977	(1,936)	14,621
At 1 July 2022	31,954	(56,789)	41,327	749	(1,243)	15,998
Loss for the year	-	(3,314)	-	-	-	(3,314)
Foreign currency translation	-	-	-	-	(65)	(65)
Total comprehensive loss for the year	-	(3,314)	-	-	(65)	(3,379)
Transactions with owners:						
Issue of CDIs for cash	5	-	1,920	-	-	1,925
Issued on conversion of performance rights	-	68	-	(68)	-	-
Share-based payments: performance rights	-	-	-	215	-	215
Share-based payments: options	-	-	-	185	-	185
Share-based payments: CDIs	-	-	113	-	-	113
Expiry of performance rights	-	82	-	(82)	-	-
Share issue costs	-	-	(150)	-	-	(150)
Total transactions with owners	5	150	1,883	250	-	2,288
At 30 June 2023	31,959	(59,953)	43,210	999	(1,308)	14,907

Statement of changes in equity For the year ended 30 June 2024

Parent	Issued capital \$000'	Accumulated losses \$000'	Share premium reserve \$000'	Share-based payments reserve \$000'	Foreign currency translation reserve \$000'	Total \$000'
At 1 July 2023	31,959	(63,721)	43,210	999	(2,271)	10,176
Loss for the year	-	(1,220)	-	-	-	(1,220)
Total comprehensive loss for the year	-	(1,220)	-	-	-	(1,220)
Transactions with owners:						
Issue of CDIs for cash	2	-	998	-	-	1,000
Share-based payments: CDIs	1	-	493	(22)	-	472
Share issue costs	-	-	(89)	-	-	(89)
Total transactions with owners	3	-	1,402	(22)	-	1,383
At 30 June 2024	31,962	(64,941)	44,612	977	(2,271)	10,339
At 1 July 2022	31,954	(60,795)	41,327	749	(2,271)	10,964
Loss for the year	-	(3,076)	-	-	-	(3,076)
Total comprehensive loss for the year	-	(3,076)	-	-	-	(3,076)
Transactions with owners:						
Issue of CDIs for cash	5	-	1,920	-	-	1,925
Issued on conversion of performance rights	-	68	-	(68)	-	-
Share-based payments: performance rights	-	-	-	215	-	215
Share-based payments: options	-	-	-	185	-	185
Share-based payments: CDIs	-	-	113	-	-	113
Expiry of performance rights	-	82	-	(82)	-	-
Share issue costs	-	-	(150)	-	-	(150)
Total transactions with owners	5	150	1,883	250	-	2,288
At 30 June 2023	31,959	(63,721)	43,210	999	(2,271)	10,176

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

Notes to the financial statements

30 June 2024

1. Corporate information and authorisation of financial statements

The financial statements of Structural Monitoring Systems Plc for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 30 September 2024 and the statements of financial position were signed on the Board's behalf by Ross Love.

Structural Monitoring Systems Plc is a public limited company incorporated and domiciled in the United Kingdom. The Company's registered office and principal place of business are disclosed on page 2 of this report. The Company's ordinary shares, when held as a Chess Depository Interest (CDI) and registered on the CDI register, are tradable on the Australian Securities Exchange (ASX). Ordinary shares on the UK register cannot be traded on the Australian Securities Exchange.

2. Material accounting policy information

(a) Basis of Preparation

The consolidated financial statements and those of the parent entity are presented in Australian dollars which is the Company's functional currency and are rounded to the nearest one thousand Australian dollars. The average AUD:CAD rate for the year was 0.8883 (2023: 0.9011) and the reporting date AUD:CAD spot rate was 0.9130 (2023: 0.8823). CAD is the presentational currency of Anodyne Electronics Manufacturing Corp (AEM), a wholly owned subsidiary of the Company.

(b) Financial Position

The Group reported a net loss after tax of \$1.04 million (2023: loss \$3.31 million) and an operating cash inflow of \$0.99 million (2023: outflow \$1.52 million) for the year ended 30 June 2024 and reported working capital of \$7.15 million including cash of \$1.26 million as at that date.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities, the continued financial performance of AEM, the continued development of the CVM™ technology and the realisation of assets and discharge of liabilities in the normal course of business as well as the continued availability of an established operating line of credit facility of C\$4.75 million (increased to C\$6.00 million subsequent to the reporting date) with Royal Bank of Canada (RBC) which is secured on receivables and inventory and is subject to loan covenants. The Directors expect compliance with the covenants to continue to be met.

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 revenues and employee costs based upon their view 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. The Directors have also made assumptions regarding future funding comprising one or more of the following;

The Company has the ability to issue shares for cash in accordance with the Corporations Act 2001.

The Company also has the ability to remunerate directors and senior management in shares or other equity instruments rather than cash or defer payments due in cash in an effort to reduce cash outflow in the short to medium term.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

The Directors and senior management will formally consider all measures which would favourably reduce/defer operational expenses should actual cash flows be less than budgeted, as they have done in previous years.

The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements. It is noted, there is a material uncertainty over going concern should the Group be unable to execute one or more of the following, raising capital through the issue of shares, amending the current debt structure to release further funds, achieve its forecast revenue target or reduce/defer employee costs or other operating costs.

(c) Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom (previously as adopted by the European Union, no changes have arisen as a consequence of the change) as they apply to the financial statements of the Group for the year ended 30 June 2024 and are applied in accordance with the Companies Act 2006. The Group and the Company have not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements for the year ended 30 June 2024. See note 2(d) for further consideration.

(d) Accounting standards and Interpretations

New Accounting Standards and Interpretations not yet mandatory or early adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2024. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

(e) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Structural Monitoring Systems Plc at the end of the reporting period. A controlled entity is any entity over which Structural Monitoring Systems Plc is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired, and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured at the end of each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(f) Foreign currency translation

(i) Functional currency

Items included in the financial statements of each of the companies in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of Structural Monitoring Systems Plc is Australian dollars, and its presentation currency is Australian dollars. The functional currency of its overseas subsidiary, Structural Monitoring Systems Limited, is Australian dollars and the functional currency of its overseas subsidiary, Anodyne Electronics Manufacturing Corp is Canadian dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

(f) Foreign currency translation (continued)

- All resulting exchange differences are recognised as a separate component of equity and in Other comprehensive Income.
- On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(g) Impairment of property, plant and equipment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade, Group and other receivables

Trade, other and group receivables are recorded initially at fair value and subsequently measured at amortised cost.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade, other and Group payables

Trade, Group and other payables are initially measured at fair value net of direct transaction costs and subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Group are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset, it is derecognised ("written off"). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

For trade receivables, material expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, an expected credit loss is calculated. This is calculated based on the expected cash flows arising from the subsidiary and weighted for probability likelihood variations in cash flows.

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Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is significantly more than the associated credit terms past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Write-off policy

Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than materially past due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Share-based payment transactions

The Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The fair value of options is determined using the Black-Scholes pricing model or using the trinomial option pricing model.

There is currently one plan in place to provide these benefits, the Employee Incentive Plan (EIP), which provides benefits to directors and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Structural Monitoring Systems Plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(k) Revenue

Revenue recognition – Repair services

Repairs meet the definition of a distinct service whereby the associated revenue is to be recognised at a point in time, evidenced by the completion of the agreed upon service and delivery of the repaired parts/components to the customer. The point in time criteria is met as the following transfers of control exist: (a) The entity has the present right to payment for the asset; (b) the customer has the legal right to the asset; (c) the entity has transferred physical possession of the asset; (d) the customer has the significant risks and rewards of ownership of the asset; (e) the customer has accepted the asset. Pricing is fixed and determinable pursuant to agreed upon pricing lists that establish stand-alone selling prices.

Revenue recognition – Product sales (stock or customised parts)

Product sales meet the definition of a distinct service whereby the associated revenue is to be recognised at a point in time, evidenced by the delivery of the products to the customer. The point in time criteria are met as the following transfers of control exist: (a) The entity has the present right to payment for the asset; (b) the customer has the legal right to the asset; (c) the entity has transferred physical possession of the asset; (d) the customer has the significant risks and rewards of ownership of the asset; (e) the customer has accepted the asset. Pricing is fixed and determinable pursuant to agreed upon pricing lists that establish stand-alone selling prices. There are no further performance obligations associated with these sales.

At times, multiple services or goods are sold to customers, however, contracts detail out separate prices for each different good or service purchased. As each service or good purchased has a standalone selling price in the negotiated contract there is no need to allocate a purchase price across multiple deliverables. In addition, each contract includes payment terms.

The Group recognises revenue on shipping for stock parts, customized product and customer product. When the Group provides a service (prototyping) it generally recognizes revenue when the prototype is shipped or as the service is provided if there is no item to be shipped. The Group recognises revenue when it satisfies its performance obligation under the contract (when the Group ships the product which is also when the customer obtains control over the product or service).

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on a fixed price.

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3 - 5 years
Leasehold improvements	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(n) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(o) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in the statement of comprehensive income arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Certifications

Significant costs associated with certifications are amortised on a straight-line basis over the period of their expected benefit, being the finite life of 5 years.

Licence agreement

Significant costs associated with a licence agreement are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Technology

Significant costs associated with technological intellectual property are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer relationships

Value attached to relationships with key customers arising from business acquisitions is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Intellectual property

Significant costs incurred in securing supplementary type certificates are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

(p) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

(q) Income tax

The charge for taxation for the year is the tax payable on the profit or loss for the year based on the applicable income tax rate for each jurisdiction 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.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

(r) Other taxes

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- where the VAT/GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT/GST included.

The net amount of VAT/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the VAT/GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT/GST recoverable from, or payable to, the taxation authority.

(s) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(t) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed repayments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(u) Employee entitlements

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(v) Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less, where appropriate, allowances for impairment.

(w) Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions concerning the future which impact the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

i) Share-based payment transaction:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Black-Scholes or binomial pricing models, using the assumptions detailed in note 23 Share-based payments in the notes to the financial statements.

ii) Impairment resulting from acquisition of Anodyne Electronics Manufacturing (AEM)

Impairment of goodwill and intangible assets

An annual review is carried out (as set out in note 14 as to whether the current carrying value of goodwill is impaired. Detailed calculations are performed based on (i) discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate; and/or (ii) the comparison of carrying value to the net selling price of the cash generating unit; the determination of these factors require the exercise of judgement.

iii) Impairment of inter-company receivables

The Company has intercompany loans to its subsidiary companies which are repayable on demand. As the subsidiaries did not have sufficient highly liquid resources to repay the loans at 30 June 2023, an expected credit loss provision is calculated under IFRS 9.

Notes to the financial statements

30 June 2024

2. Material accounting policy information (continued)

For Structural Monitoring Systems Canada Corporation, the calculation is based upon the expectation that AEM will trade profitably in the future and that this will allow it to repay the loans in time. Forecast cash flows under a range of possible outcomes are assessed to derive a probability-weighted value for the loan based upon the time taken to repay the outstanding amount in full. These calculations rely on management judgements as to the future cash flow forecasts and the probability weightings assigned.

As at 30 June 2024, there are no other critical accounting estimates and judgements contained in the financial report.

3. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates predominantly in three industries, being avionics, contract manufacturing and structural health monitoring (CVMTM). Costs associated with maintaining the parent company listing on the Australian Securities Exchange and share-based payments are included under other segments.

The main geographic areas that the entity operates in are the USA, Canada and Europe. The Group has operations in Canada. The parent company is registered in the United Kingdom.

The following tables present revenue, expenditure and certain asset and liability information regarding geographical segments for the years ended 30 June 2024 and 30 June 2023:

Notes to the financial statements

30 June 2024

3. Operating segments (continued)

	AEM Avionics \$000'	AEM Contract Manufacturing \$000'	AEM CVM™ \$000'	Other segments \$000'	Total \$000'
Year ended 30 June 2024					
Revenue					
Sale of goods	10,605	15,546	114	-	26,265
Rendering of services	527	1,144	15	-	1,686
Total sales revenue	11,132	16,690	129	-	27,951
Other income	164	-	-	-	164
FX gains/(losses)	-	-	-	7	7
Total revenue	11,296	16,690	129	7	28,122
Sales revenue by customer location:					
Americas	8,772	16,644	70	-	25,486
Europe/UK	1,623	46	46	-	1,715
Asia/Middle East	601	-	13	-	614
Australasia	79	-	-	-	79
Africa	57	-	-	-	57
Total sales revenue	11,132	16,690	129	-	27,951
Result					
EBITDA	2,151	3,202	(1,908)	(1,452)	1,993
Depreciation and amortisation					(2,213)
Finance costs					(748)
Loss before income tax expense					(968)
Income tax expense					(73)
Loss for the year					(1,041)
Assets					
Segment assets	19,576	10,041	1,318	-	30,935
<i>Unallocated assets</i>					
Cash and cash equivalents					1,260
Deferred tax asset					626
Total assets					32,821
Liabilities					
Segment liabilities	5,063	5,631	14	-	10,708
<i>Unallocated liabilities</i>					
Trade and other payables					664
Borrowings					6,329
Deferred tax liability					499
Total liabilities					18,200

Notes to the financial statements

30 June 2024

3. Operating segments (continued)

	AEM Avionics \$000'	AEM Contract Manufacturing \$000'	AEM CVM™ \$000'	Other segments \$000'	Total \$000'
Year ended 30 June 2023					
Revenue					
Sale of goods	8,712	11,770	365	-	20,847
Rendering of services	605	929	-	-	1,534
Total sales revenue	9,317	12,699	365	-	22,381
Other income	-	-	-	248	248
FX gains/(losses)	-	-	-	18	18
Total revenue	9,317	12,699	365	266	22,647
Sales revenue by customer location:					
Americas	6,680	12,667	365	-	19,712
Europe/UK	2,331	32	-	-	2,363
Asia/Middle East	261	-	-	-	261
Australasia	6	-	-	-	6
Africa	39	-	-	-	39
Total sales revenue	9,317	12,699	365	-	22,381
Result					
EBITDA	1,886	2,637	(1,875)	(2,922)	(274)
Depreciation and amortisation					(2,354)
Finance costs					(703)
Loss before income tax benefit					(3,331)
Income tax benefit					17
Loss for the year					(3,314)
Assets					
Segment assets	20,664	11,039	990	-	32,693
<i>Unallocated assets</i>					
Cash and cash equivalents					961
Total assets					33,654
Liabilities					
Segment liabilities	5,802	6,263	31	-	12,096
<i>Unallocated liabilities</i>					
Trade and other payables					791
Borrowings					5,418
Deferred tax liability					442
Total liabilities					18,747

Notes to the financial statements

30 June 2024

3. Operating segments (continued)

Major customers

During the year ended 30 June 2024 approximately \$12.91m (2023: \$9.36m) of the Group's sales revenue was derived from sales to a single US aircraft and parts company.

Revenue

In accordance with IFRS 15, the group's revenue of \$27.95m (2023: \$22.38m) is made up of revenue from customers only and does not include any other revenue. Goods and services are transferred at a point in time, not over time, as detailed in the group's revenue recognition policy.

The Group does not have any contract assets or contract liabilities at 30 June 2024 (\$nil at 30 June 2023) as the Group does not fulfil any of its performance obligations in advance of invoicing to its customer or bill in advance for work performed. The Group however does have contractual balances in the form of trade receivables.

The Group also does not have any contractual costs capitalised at 30 June 2024 (\$nil at 30 June 2023) or have any outstanding performance obligations at 30 June 2024 (\$nil at 30 June 2023).

Notes to the financial statements

30 June 2024

4. Income and expenses

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Income				
Other income				
SRED Recovery	108	248	-	-
Gain on deferred assets written off	56	-	-	-
Management fees	-	-	661	410
On-charge of costs	-	-	331	-
	164	248	992	410
Finance income/(costs)				
Foreign exchange gains/(losses)	7	109	4	(9)
Interest and finance charges payable on borrowings	(432)	(286)	-	(2)
Interest and finance charges payable on lease liabilities	(316)	(417)	-	-
	(741)	(594)	4	(11)
Analysis of expenses by nature				
Employee remuneration (see note 5)	8,634	8,260	670	1,598
Intangible assets				
Amortisation of other intangible assets	744	742	-	-
Property, plant and equipment				
Depreciation of plant and equipment	376	378	-	1
Depreciation of ROU assets	1,093	1,234	-	-
	1,469	1,612	-	1
Total depreciation and amortisation	2,213	2,354	-	1
Consumables and raw materials used	12,984	10,753	-	92
Provision for obsolescence	17	67	-	-
Freight	291	343	-	-
Auditor's remuneration (see note 28)	445	373	223	148
Impairment charges	-	-	325	150
Share-based payments expense (see note 22)	471	514	471	514
Research and development	889	465	-	-
Other costs of sales, distribution, and administration	2,849	2,581	525	1,543
	17,946	15,096	1,544	2,447

Impairment charges relate to loans to subsidiary undertakings which are written down to the net asset values of those entities excluding the loans at the reporting date.

Notes to the financial statements

30 June 2024

5. Employees and directors

The average number of employees and directors employed by the Group during the year was:

	Consolidated		Parent	
	2024	2023	2024	2023
	No.	No.	No.	No.
Employee and directors' numbers				
Production	58	66	-	-
Research	26	25	-	-
Selling and distribution	21	12	-	3
Administration (including directors)	20	18	9	9
	125	121	9	12

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Employee remuneration				
Wages and salaries	7,713	7,356	663	1,594
Social security costs	538	530	-	-
Defined contribution costs	383	374	7	4
Total employee costs	8,634	8,260	670	1,598
Share-based payments	471	514	471	514
	9,105	8,774	1,141	2,112

Directors' remuneration

Directors' fees, comprising cash and superannuation of \$0.60m (2023: \$0.55m) are included in employee expenses in the Statement of profit and loss and other comprehensive income. Directors' share-based payments of \$0.17m (2023: \$0.19m) are included in share-based payments in the Statement of profit and loss and other comprehensive income. Refer to the Remuneration report in the Director's report for further details. This also includes details of the highest paid Director.

Notes to the financial statements

30 June 2024

6. Income tax

The major components of income tax benefit/(expense) for the years ended 30 June 2024 and 30 June 2023 are:

a) Income tax benefit/(expense)

Current tax benefit/(expense)

Deferred tax benefit/(expense)

Income tax benefit/(expense) reported in statement of comprehensive income

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Current tax benefit/(expense)	-	-	-	-
Deferred tax benefit/(expense)	(73)	17	-	-
Income tax benefit/(expense) reported in statement of comprehensive income	(73)	17	-	-

A reconciliation of income tax benefit/(expense) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the effective income tax rate for the years ended 30 June 2024 and 30 June 2023 is as follows:

Loss before tax	(968)	(3,331)	(1,220)	(3,076)
Accounting loss before tax from continuing operations at the statutory income tax rate of 27.00% (2023: 27.00%)	(261)	(900)	(329)	(831)
Expenses/(income) not assessable for income tax purposes	77	535	231	642
Deferred tax benefit/(expense) not recognised	111	382	98	189
Income tax benefit/(expense) reported in statement of comprehensive income	(73)	17	-	-

Deferred tax liabilities/(assets)

Deferred tax liabilities and assets are attributable to the following:

Plant & equipment and Right of use assets	880	1,165	-	-
Deferred development costs	582	572	-	-
Lease liabilities	(1,851)	(2,145)	-	-
SR&ED Investment tax credits	74	(156)	-	-
Warranty provision	(39)	(23)	-	-
Intangible assets	844	1,021	-	-
Costs deductible over 5 years	-	13	-	13
Accrued expenses	(21)	(85)	(23)	56
Tax losses	14,176	14,023	3,809	3,707
Deferred tax assets not recognised	(14,146)	(13,943)	(3,786)	(3,776)
Deferred tax liabilities recognised	499	442	-	-

The Company and its subsidiaries are subject to the tax regime of the countries they operate in. Under UK and Australian tax regimes, tax losses can be carried forward indefinitely, subject to meeting certain requirements. Under the Canadian tax regime, non-capital losses can be carried forward for 20 years and carried back for up to 3 years.

Notes to the financial statements

30 June 2024

6. Income tax (continued)

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2024 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
 - The Group continues to comply with conditions for deductibility imposed by law; and
- No changes in legislation adversely affect the Group in realising the benefit from the deductions for the loss.

	Business combination \$000'	Tax losses \$000'	Other timing difference \$000'	Total \$000'
2024				
Recognised deferred tax liabilities				
Movement in deferred tax liabilities during the year:				
Brought forward	1,021	9	(588)	442
Charge/(credit) to Statement of comprehensive income	(146)	-	219	73
Effect of fx on balances	(30)	-	14	(16)
Carried forward	845	9	(355)	499

	Business combination \$000'	Tax losses \$000'	Other timing difference \$000'	Total \$000'
2023				
Recognised deferred tax liabilities				
Movement in deferred tax liabilities during the year:				
Brought forward	1,231	(133)	(760)	338
Charge/(credit) to Statement of comprehensive income	(181)	144	20	(17)
Restated 2022	(33)	(4)	156	119
Effect of fx on balances	4	2	(4)	2
Carried forward	1,021	9	(588)	442

Notes to the financial statements

30 June 2024

7. Earnings per share

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

The number of options at 30 June 2024 was 1,500,000 (2023: 9,730,896) and the number of performance rights at 30 June 2024 was 300,000 (2023: 433,954). Of those performance rights 300,000 were exercisable at 30 June 2024 but have been excluded from the diluted earnings per share calculation, together with the unlisted options, on the basis they are anti-dilutive.

The following reflects the income and share data used in the total operation's basic loss per share computations:

	Consolidated	
	2024	2023
	\$000'	\$000'
Net loss attributable to equity holders from continuing operations	(1,041)	(3,314)
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for basic loss per share	135,809,021	132,838,089
Weighted average number of ordinary shares for diluted loss per share	135,809,021	132,838,089

8. Current assets – Trade receivables

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Trade receivables	1,963	1,981	-	-
	1,963	1,981	-	-

9. Current assets - Inventory

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Raw materials	7,340	9,075	-	-
Work in progress	2,798	2,231	-	-
Finished goods	3,827	2,196	-	-
Provision for obsolescence	-	(33)	-	-
	13,965	13,469	-	-

Notes to the financial statements

30 June 2024

10. Current assets – Prepayments and other receivables

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Prepayments	405	286	62	80
Other receivable	-	152	-	-
GST receivable	163	177	49	53
	568	615	111	133

11. Non-current assets – Property, plant and equipment

	Leasehold improvements	Plant and equipment	Total
Consolidated	\$000'	\$000'	\$000'
Balance at 1 July 2023	977	650	1,627
Additions	-	110	110
Depreciation expense	(102)	(274)	(376)
Effect of FX movement on balances	(29)	(18)	(47)
Balance at 30 June 2024	846	468	1,314
Balance at 1 July 2022	1,103	630	1,733
Additions/(disposals)	12	303	315
Depreciation expense	(133)	(262)	(395)
Effect of FX movement on balances	(5)	(21)	(26)
Balance at 30 June 2023	977	650	1,627

Notes to the financial statements

30 June 2024

12. Non-current assets –Right-of-use assets

	Land and buildings	Equipment	Motor vehicle	Total
Consolidated	\$000'	\$000'	\$000'	\$000'
Balance at 1 July 2023	5,509	2,058	-	7,567
Additions	-	109	-	109
Depreciation expense	(631)	(462)	-	(1,093)
Effect of FX movement on balances	(169)	(59)	-	(228)
Balance at 30 June 2024	4,709	1,646	-	6,355
Balance at 1 July 2022	6,118	2,653	1	8,772
Additions/(disposals)	-	-	-	-
Depreciation expense	(631)	(602)	(1)	(1,234)
Effect of FX movement on balances	22	7	-	29
Balance at 30 June 2023	5,509	2,058	-	7,567

The Group leases land and buildings for its offices and a manufacturing facility under a 10 year agreement. The Group also leases manufacturing equipment, IT equipment and a motor vehicle under agreements of between 3 years and 5 years.

Notes to the financial statements

30 June 2024

13. Non-current assets – Intangible assets and goodwill

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

	Goodwill	Technology	Eagle audio IP	Eagle audio customer relationships	Total
	\$000'	\$000'	\$000'	\$000'	\$000'
Consolidated					
Balance at 1 July 2023	1,628	2,832	2,806	169	7,435
Capitalised during the year	-	646	-	-	646
Written back to statement of income during the year	-	(545)	-	-	(545)
Amortisation expense	-	(360)	(331)	(53)	(744)
Effect of FX on balances	(55)	122	(85)	(4)	(22)
Balance at 30 June 2024	1,573	2,695	2,390	112	6,770

	Goodwill	Certifications	Licence agreement	Technology	Eagle audio IP	Eagle audio customer relationships	Total
	\$000'	\$000'	\$000'	\$000'	\$000'	\$000'	\$000'
Consolidated							
Balance at 1 July 2022	1,613	124	11	2,098	3,082	221	7,149
Capitalised during the year	-	-	-	934	-	-	934
Amortisation expense	-	(122)	(11)	(230)	(327)	(52)	(742)
Effect of FX on balances	15	(2)	-	30	50	-	93
Balance at 30 June 2023	1,628	-	-	2,832	2,805	169	7,434

Notes to the financial statements

30 June 2024

13. Non-current assets – Intangible assets and goodwill (continued)

Intangible assets

Certifications

AEM possesses distinct aircraft manufacturing and maintenance certifications, which are requisite to the sale and maintenance of their products in key markets.

Licence agreement

AEM has a licence agreement in place with one of their key customers to be the producer and seller of certain aircraft instruments. This has identifiable cash flows in the form of future sales to aircraft manufacturing and maintenance providers who require these instruments.

Technology

AEM has developed proprietary aircraft parts and manufacturing technology which are expected to continue to yield future sales. This intellectual property is separable and identifiable to the extent that it could be licensed or acquired. In addition, there are identifiable future benefits in the form of cash flows from the sale of the resulting products to AEM customers.

Eagle audio

In September 2021 the Group acquired Canadian based business, Eagle Audio including the following intangible assets:

- Intellectual property comprising drawings and certifications, and
- Customer relationships

Amortisation

The amortisation period applied to the intangible assets are as follows:

Certifications – 5 years, remaining amortisation period is 2.5 years

Licence agreement – 5 years, remaining amortisation period is 2.5 years

Technology – 10 years, remaining amortisation period is 7.5 years

Intellectual property – 10 years, remaining amortisation period is 9.2 years

Customer relationships – 5 years, remaining amortisation period is 4.2 years

Impairment testing

Goodwill of \$1.57m acquired through business combinations has been allocated to the AEM cash generating unit of Contract Manufacturing (2023 one unit AEM \$1.63m).

The impairment test has been carried out using a discounted cash flow model covering a 5 year period. Cash flow projections are based on a budget for 2024/2025 and extrapolated for a further 4 years using a growth rate, together with a terminal value, approved by management. The principal assumptions made in determining the recoverable amount of goodwill as at 30 June 2024 include revenue growth of 26.40% per annum in 2025 and 7.50% from 2026 onwards, EBITDA margin of 17.60% from 2025 increasing to 19.6% by 2029 (2024: 17%) and a discount rate of 12.25% (2024: 12.75%).

If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 5% less favourable in management's estimate the Group would need to reduce the carrying value of goodwill by \$nil (2023: \$nil).

Notes to the financial statements

30 June 2024

13. Non-current assets – Intangible assets and goodwill (continued)

If the EBITDA margin applied to the discounted cash flows had been 10% less favourable in management's estimate the Group would have been to reduce the carrying value of goodwill by \$nil (2023: \$nil).

The same reduction of \$nil (2023: \$nil) applies if revenues had been 10% less favourable.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of AEM's division's goodwill is based would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

14. Non-current – Deferred tax assets

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Income tax credit	626	-	-	-
	626	-	-	-

Notes to the financial statements

30 June 2024

15. Non-current assets/(liabilities) - Loans

	Loans to subsidiary undertakings \$000'	Total \$000'
Company		
Year ended 30 June 2024		
Cost		
At 1 July 2023	24,630	24,630
Arising during the year	272	272
At 30 June 2024	24,902	24,902
Impairment		
At 1 July 2023	13,968	13,968
Impairment charge	325	325
	14,293	14,293
Net carrying amount at 30 June 2024	10,609	10,609
Year ended 30 June 2023		
Cost		
At 1 July 2022	25,282	25,282
Arising during the year	(652)	(652)
At 30 June 2023	24,630	24,630
Impairment		
At 1 July 2022	13,818	13,818
Impairment charge	150	150
	13,968	13,968
Net carrying amount at 30 June 2023	10,662	10,662
	Loans from subsidiary undertakings \$000'	Total \$000'
Company		
Year ended 30 June 2024		
Cost		
At 1 July 2023	-	-
Received/(repaid) during the year	-	-
Net carrying amount at 30 June 2024	-	-
Year ended 30 June 2023		
Cost		
At 1 July 2022	298	298
Received/(repaid) during the year	(298)	(298)
Net carrying amount at 30 June 2023	-	-

Notes to the financial statements

30 June 2024

15. Non-current assets/(liabilities) – Loans (continued)

Loans to/from subsidiaries are unsecured, have no fixed date for repayment and attract no interest charge.

As the parent does not intend to call in the loans within the next 12 months the loans are classified as non-current assets

See Note 24 for further details on impairment of intercompany receivables. The consolidated financial statements include the financial statements of the Company, and the subsidiaries listed in the following table:

	Country of Incorporation	Type of equity	% Equity Interest	
			2024	2023
Structural Monitoring Systems Limited Registered office: Suite 116, 1 Kyle Way Claremont WA 6010 Australia	Australia	Ordinary share	100	100
Structural Monitoring Systems Canada Corp (SMSCC) Registered office: Unit 100-966Crowley Avenue Kelowna BC Canada	Canada	Ordinary share	100	100
Anodyne Electronics Manufacturing Corp (AEM) Registered office: Unit 100-966Crowley Avenue Kelowna BC Canada	Canada	Ordinary share	100	100

16. Current liabilities – Trade and other payables

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Trade payables	2,266	2,524	142	272
Other payables	1,425	1,344	259	353
Taxes payable – HST, payroll tax	95	23	14	-
	<u>3,786</u>	<u>3,891</u>	<u>415</u>	<u>625</u>

Trade payables are non-interest bearing and are normally settled within 30 day terms. Other payables are non-interest bearing and have an average term of 49 days (2023: 61 days).

Notes to the financial statements

30 June 2024

17. Borrowings

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Current				
Term loan	173	163	-	-
Line of credit - secured	5,159	4,059	-	-
	<u>5,332</u>	<u>4,222</u>	<u>-</u>	<u>-</u>
Non-current				
Term loan	997	1,196	-	-
	<u>997</u>	<u>1,196</u>	<u>-</u>	<u>-</u>

AEM has an operating line of credit of C\$4.75m (increased to C\$6.00m subsequent to the reporting date) secured at 7.55% variable with no maturity date and a 7 year term loan of C\$1.25m secured at 6.78% fixed for 3 years with a Canadian banking institution. The facilities are secured on trade receivables and inventory. At the date of this report C\$4.71m has been drawn on the line of credit facility.

18. Lease liabilities

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Opening balance	8,910	9,850	-	-
Interest charged	354	307	-	-
Repayments made during the year	(1,882)	(1,327)	-	-
Lease finance purchases during the year	268	-	-	-
Effect of foreign exchange on balances	(210)	80	-	-
Closing balance	<u>7,440</u>	<u>8,910</u>	<u>-</u>	<u>-</u>
Split between:				
Current	1,337	1,157	-	-
Non-current	<u>6,103</u>	<u>7,753</u>	<u>-</u>	<u>-</u>
	<u>7,440</u>	<u>8,910</u>	<u>-</u>	<u>-</u>

19. Current liabilities – Provisions

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Provision for warranties	<u>146</u>	<u>86</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

30 June 2024

20. (a) Reconciliation of the net loss after tax to the net cash provided by/(used in) operating activities before tax paid

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Loss before tax for the year	(968)	(3,331)	(1,220)	(3,076)
<i>Adjustments for:</i>				
Share based payments	471	514	471	514
Depreciation and amortisation	2,213	2,354	-	1
SRED recovery	(165)	-	-	-
Development costs written back to statement of income	545	-	-	-
Impairment of investments in subsidiaries	-	-	325	150
Other movements	-	(7)	-	-
<i>Changes in assets and liabilities</i>				
Trade receivables exc SRED recovery	18	813	-	5
Prepayments and other receivables	47	(110)	21	(61)
Inventory	(496)	(2,137)	-	172
Deferred tax asset	(626)	-	-	-
Trade and other payables	(105)	181	(214)	171
Provisions	60	(46)	-	-
Net cash provided by/(used in) operating activities before tax paid	994	(1,769)	(617)	(2,124)

20. (b) Cash and cash equivalents

Cash at bank	1,259	960	34	6
Cash on hand	1	1	-	-
	1,260	961	34	6

Notes to the financial statements

30 June 2024

21. Employee benefits

(a) Employees incentive plan

On 11 December 2018 shareholders approved the employee incentive plan (EIP) for the granting of nontransferable Chess Depositary Interests (CDIs) or performance rights (PRs) to directors, employees and relevant contractors with more than six months' service at the grant date. The shares vest immediately and the PRs vest upon the satisfaction of the relevant performance hurdles within 3 years of issue. During the year 853,845 shares were issued to employees under the plan (2023: 300,000 shares).

(b) Pensions and other post-employment benefit plans

AEM maintains a defined contribution pension plan for its' employees. AEM contributes 5% of salary to the Plan. Employees must be employed with the company for 12 months before they are entitled to the benefit. There are currently 90 employees participating in the plan. Contributions are paid monthly and recognised in the Statement of comprehensive income totalling \$0.33m (2023: \$0.36m). Contributions of \$nil (2023: \$nil) are outstanding at 30 June 2024.

22. Share-based payments

The share-based payment expense for the year is as follows:

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Issue of CDIs to directors and executives	203	-	203	-
Issue of options to directors and executives	-	185	-	185
Issue of CDIs to eligible staff under EIP	268	238	268	238
Issue of performance rights to eligible staff under EIP	-	91	-	91
	471	514	471	514

Chess Depositary Interests (CDIs) – Directors & Executives

During the year 300,000 CDIs were issued to the Executive Chair & CEO, Ross Love as a sign on award agreed as part of his employment agreement. The CDIs were approved by shareholders at the Annual General Meeting held on 8 December 2023. The fair value of the CDIs was calculated by the closing share price on the grant date.

During the year 50,000 CDIs were granted to Chief Financial Officer, Gary Elwell under the Company's Employee Incentive Plan. The CDIs were granted on 20 November 2023. The fair value of the CDIs was calculated by the closing share price on the grant date. The CDIs are escrowed for 12 months from grant date.

The expense recognised during the year on those CDIs was \$0.203 million.

Notes to the financial statements

30 June 2024

22. Share-based payments (continued)

Chess Depositary Interests (CDIs) - Staff

On 20 November 2023 300,000 CDIs were granted to eligible staff under the Company's Employee Incentive Plan.

On 3 June 2024 203,845 CDIs were granted to a member of the AEM management team under the terms of his employment.

The fair value of those CDIs granted was determined by the closing share price on the grant date. The CDIs are escrowed until 20 November 2024.

A further 62,500 CDIs are due to a member of the AEM management team under the terms of his employment and are held in the share based payments reserve pending issue. The fair value of those CDIs was determined by the closing share price on 30 June 2024. The CDIs are subject to continuing employment with the Company until 30 June 2025.

The expense recognised during the year on those CDIs was \$0.268 million.

The number of performance rights that were outstanding, their weighted average exercise price and their movement during the year is as follows:

	2024 No.	2023 No.	Weighted ave ex price 2024 \$	2023 \$
At 1 July	433,954	430,608	-	0.96
Granted	-	350,000	-	-
Exercised	-	(146,654)	-	-
Expired	(133,954)	(200,000)	-	2.06
At 30 June	300,000	433,954	-	-
Exercisable at 30 June	300,000	433,954	-	-

The weighted average contractual term remaining on performance rights outstanding at 30 June 2024 is 6 months (2023: 18 months).

The outstanding number of performance rights at 30 June 2024 and 30 June 2023 was as follows:

Exercise price	Grant date	Expiry date	2024 No.	2023 No.
\$0.001	27 September 2022	31 December 2024	300,000	300,000
\$0.001	18 February 2021	18 February 2024	-	30,000
\$0.001	21 January 2021	21 January 2024	-	103,954
			300,000	433,954

Notes to the financial statements

30 June 2024

22. Share-based payments (continued)

Terms of Performance Rights

1. The Performance Rights are non-transferable.
2. The Performance Rights do not confer any entitlement to attend or vote at meetings of the Company, to dividends, to participation in new issues of securities or entitlement to participate in any return of capital.
3. The Performance Rights vest upon the satisfaction of the relevant performance hurdle within 3 years of the issue of the Performance Rights and at the election of the holder.
4. The Performance Rights lapse if the performance hurdle is not satisfied or the election to convert is not given by the holder within 3 years of the issue of the Performance Rights except as otherwise provided for in the terms and conditions of the Plan.
5. Upon vesting, one ordinary share will be issued for every one Performance Right on the payment of the par value of the ordinary share, being GBP0.0005 per share by the holder. The Shares will rank equally in all respects within the existing shares on issue.
6. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights, the share prices relevant to the performance hurdles and any exercise price may be reconstructed in accordance with the terms and conditions of the Plan.

The number of unlisted options over CDIs that were outstanding, their weighted average exercise price and their movement during the year is as follows:

	2024 No.	2023 No.	Weighted ave ex price 2024 \$	2023 \$
At 1 July	1,500,000	-	0.90	-
Granted	-	1,500,000	-	0.90
At 30 June	1,500,000	1,500,000	0.90	0.90
Exercisable at 30 June	1,500,000	1,500,000	0.90	0.90

The weighted average contractual term remaining on performance rights outstanding at 30 June 2024 is 16.37 months (2023: 34.37 months).

The outstanding number of unlisted options over CDIs at 30 June 2024 and 30 June 2023 was as follows:

Exercise price \$	Grant date	Expiry date	2024 No.	2023 No.
\$1.200	29 September 2022	11 November 2025	500,000	500,000
\$0.900	29 September 2022	11 November 2025	500,000	500,000
\$0.593	29 September 2022	11 November 2025	500,000	500,000
			1,500,000	1,500,000

Notes to the financial statements

30 June 2024

23. Issued capital and reserves

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Chess depositary interests				
On issue 137,359,229, (2023: 134,179,803)				
Issued and fully paid	31,962	31,959	31,962	31,959
Total issued and fully paid	31,962	31,959	31,962	31,959

	CDIs on issue (No.)	\$000'
Movement in chess depositary interests (CDIs) in issue At 30 June 2022	128,233,149	31,954
Issued on 20 September 2022 – CDIs issued for cash	5,500,000	5
Issued on 20 September 2022 – conversion of PRs	146,654	-
Issued on 27 September 2022 – CDIs issued to staff	300,000	-
At 30 June 2023	134,179,803	31,959
Issued on 9 November 2023 – CDIs issued for cash	2,325,581	2
Issued on 12 January 2024 – CDIs issued to Director/executive	350,000	-
Issued on 28 June 2024 – CDIs issued to staff	503,845	1
At 30 June 2024	137,359,229	31,962

Chess Depositary Interests (CDIs)

CDIs entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Notes to the financial statements

30 June 2024

23. Issued capital and reserves (continued)

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Share Premium Reserve				
Share Premium Reserve	44,612	43,210	44,612	43,210

	Shares on issue (No.)	\$000'
Movement in ordinary shares with CDIs in issue		
At 1 July 2022	128,233,149	41,327
Issued on 20 September 2022 – CDIs issued for cash	5,500,000	1,920
Issued on 20 September 2022 – conversion of PRs	146,654	-
Issued on 27 September 2022 – CDIs issued to staff member	300,000	113
Share issue costs		(150)
At 30 June 2023	134,179,803	43,210
Issued on 9 November 2023 – CDIs issued for cash	2,325,581	998
Issued on 12 January 2024 – CDIs issued to Director/executive	350,000	166
Issued on 28 June 2024 – CDIs issued to staff	503,845	326
Share issue costs		(88)
At 30 June 2024	137,359,229	44,612

	Consolidated		Parent	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Other Reserves				
Foreign currency translation reserve	(1,936)	(1,308)	(2,271)	(2,271)
Share-based payment reserve	977	999	977	999
	(959)	(309)	(1,294)	(1,272)

	Performance rights on issue (PRs) No.	\$000'
Share-based payment reserve		
Outstanding at 30 June 2022	430,608	749
CDIs held in reserve pending issue	-	124
Options granted during the year	-	185
PRs granted during the year	300,000	91
PRs converted during the year	(146,654)	(68)
PRs expired during the year	(150,000)	(82)
Outstanding at 30 June 2023	433,954	999
CDIs transferred from reserve on issue	-	(22)
PRs expired during the year	(133,954)	-
Outstanding at 30 June 2024	300,000	977

Notes to the financial statements

30 June 2024

23. Issued capital and reserves (continued)

Nature and purpose of reserves

Share premium reserve

The share premium reserve 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 currently GBP0.0005 (2023: GBP0.0005). Costs of the issues are written off against the reserve.

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration, or to other parties in lieu of cash compensation.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the company.

Reserves classified on the face of the consolidated statement of financial position as retained earnings represent accumulated earnings and are distributable. All the other reserves are non-distributable.

24. Financial risk management objective and policies

Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Market risk, including foreign currency risk, price risk and interest rate risk
- Credit and cashflow risk
- Liquidity risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

The Board of Directors oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

The Company and the Group's principal financial instruments are cash, receivables, borrowings and payables. The financial assets are categorised as loans and receivables measured at amortised cost and the financial liabilities are categorised as other financial liabilities measured at amortised cost.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Interest bearing liabilities include a bank overdraft facility secured on trade receivables and inventory and lease finance on plant and equipment.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis as 2023.

	Carrying value at year end \$000'	Profit or loss		Equity	
		100bp increase \$000'	100bp decrease \$000'	100bp increase \$000'	100bp decrease \$000'
Consolidated - 30 June 2024					
Cash and cash equivalents	1,260	13	(13)	13	(13)
Borrowings	(6,329)	(63)	63	(63)	63
		(50)	50	(50)	50
Consolidated – 30 June 2023					
Cash and cash equivalents	961	10	(10)	10	(10)
Borrowings	(5,418)	(54)	54	(54)	54
		(44)	44	(44)	44

Credit and cash flow risk

Credit and cash flow risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit and cash flow risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and term deposits, the Group's exposure to credit and cash flow risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient Fitch Ratings credit rating of at least A-, Moody's credit rating of at least A2, and Standard & Poor's credit rating of at least A-. The Group does not place funds on terms longer than 30 days and has the facility to place the deposit funds with more than one bank. The Group does not hold collateral as security for any of its' receivables.

The Company has exposure to credit and cashflow risk arising from the making of loans to subsidiaries. The loans carry no interest rate or date for repayment. Loans are impaired to the carrying value of the subsidiary's' assets.

The Group and Company undertake the following procedures to determine whether there has been a significant increase in the credit risk of its other receivables, including group balances, since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The Group and Company have not determined that credit loss has increased during the year in respect of the Group's trade receivables.

Exposure to credit and cash flow risk

The carrying amount of the Group's financial assets and liabilities represents the maximum credit exposure. The Group's maximum exposure to credit and cash flow risk at the reporting date was:

	Consolidated		Parent	
	Carrying amount		Carrying amount	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Cash and cash equivalents	1,260	961	34	6
Trade receivables	1,963	1,981	-	-
Loans to subsidiaries	-	-	10,609	10,662
	3,223	2,942	10,643	10,668

The Group's maximum exposure to credit and cash flow risk for trade receivables and cash and cash equivalents at the reporting date by geographic region was:

	Consolidated		Parent	
	Carrying amount		Carrying amount	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Americas	3,189	2,931	10,609	10,662
Australasia	34	11	34	6
	3,223	2,942	10,643	10,668

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

Trade receivables at 30 June 2024 represent 26 debtors' days (2023: 32 debtor days).

There were no trade receivables impairment losses at 30 June 2024 (2023: \$nil).

Impairment of company receivables from subsidiaries

The Company's group receivables represent trading balances and loan amounts advanced to other group companies with no fixed repayment dates. Under IFRS 9 the fair value of this intercompany receivable is repayable on demand to the company.

The Company was due the following amounts as at 30 June 2024 before the recognition of any impairment loss provisions:

	SMS Ltd \$000'	SMSCC \$000'	Total \$000'
Gross	14,293	10,609	24,902
Impairment	(14,293)	-	(14,293)
Carrying value at 30 June 2024	-	10,609	10,609

In respect of the balance due from Structural Monitoring Systems Limited (SMS Ltd), the Company did not have sufficient liquid resources at 30 June 2024 to repay the loan in full. An impairment loss provision has been recognised to the extent the carrying value at 30 June 2024 is covered by the recovery of net assets in the balance sheet of SMS Ltd. This has been measured based on lifetime expected credit losses on the basis that credit risk has increased since initial recognition.

In respect of the balance due from Structural Monitoring Systems Canada Corporation (SMSCC), the Company did not have sufficient liquid resources at 30 June 2024 to repay the loan in full. However, on the basis that there has been no significant increase in credit risk and the balance is expected to be recovered by the subsidiary's trading, no impairment loss provision has been recognised on the basis that any impairment loss provision would be immaterial (2023: \$nil). This has been measured based on 12 month expected credit losses.

Credit risk

The measurement of impairment losses depends on whether the financial asset is "performing", "underperforming" or "non-performing" based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows.

The financial asset moves from "performing" to "underperforming" when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12 month expected credit losses") for "performing financial assets, and all possible default events over the expected life of those receivables("the lifetime expected credit losses") for "underperforming" financial assets.

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

Consolidated - 30 June 2024	Carrying amount \$000'	Contractual cash flows \$000'	1 year or less \$000'	More than 1 year \$000'
Trade and other payables	(3,691)	(3,691)	(3,691)	-
Borrowings*	(6,329)	(6,329)	(5,332)	(997)
Lease liabilities	(7,440)	(7,440)	(6,103)	(1,337)
	<u>(17,460)</u>	<u>(17,460)</u>	<u>(15,126)</u>	<u>(2,334)</u>

Consolidated - 30 June 2023	Carrying amount \$000'	Contractual cash flows \$000'	1 year or less \$000'	More than 1 year \$000'
Trade and other payables	(3,861)	(3,861)	(3,861)	-
Borrowings*	(5,418)	(5,418)	(4,222)	(1,196)
Lease liabilities	(8,910)	(8,910)	(1,210)	(7,700)
	<u>(18,189)</u>	<u>(18,189)</u>	<u>(9,293)</u>	<u>(8,896)</u>

*Although classed as payable within 1 year or less, the debt facility is expected to continue beyond FY2024.

The carrying amount of financial assets and financial liabilities at amortised cost recorded by category is as follows:

	Consolidated Carrying amount		Parent Carrying amount	
	2024 \$000'	2023 \$000'	2024 \$000'	2023 \$000'
Financial assets measured at amortised cost				
Cash and cash equivalents	1,260	961	34	6
Trade receivables	1,963	1,981	-	-
Loans to subsidiary undertakings	-	-	10,609	10,662
	<u>3,223</u>	<u>2,942</u>	<u>10,643</u>	<u>10,668</u>
Financial liabilities measured at amortised costs				
Borrowings	6,329	5,418	-	-
Trade and other payables	3,691	3,868	401	625
Lease liabilities	7,440	8,910	-	-
	<u>17,460</u>	<u>18,196</u>	<u>401</u>	<u>625</u>

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

Foreign currency risk

The Group undertakes sales and purchases that are denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations in the US dollar, Canadian dollar, the Euro and the British pound.

Exposure to currency risk

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

30 June 2024

In AUD	AUD 000'	CAD 000'	USD 000'	GBP 000'	Total 000'
Cash	35	541	684	-	1,260
Trade receivables	-	392	1,571	-	1,963
Trade and other payables	(383)	(2,372)	(844)	(92)	(3,691)
Borrowings	-	(6,329)	-	-	(6,329)
	(348)	(7,768)	1,411	(92)	(6,797)

30 June 2023

In AUD	AUD 000'	CAD 000'	USD 000'	GBP 000'	Total 000'
Cash	9	82	870	-	961
Trade receivables	-	272	1,709	-	1,981
Trade and other payables	(652)	(1,802)	(1,344)	(70)	(3,868)
Borrowings	-	(5,418)	-	-	(5,418)
	(643)	(6,866)	1,235	(70)	(6,344)

The Group had net assets denominated in foreign currencies of \$15.95m as at 30 June 2024 (2023: net assets of \$14.63m). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2023: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's loss before tax for the year would have been \$1.59m lower/\$0.80m higher (2023: \$1.46m lower/\$0.73m higher).

The Board regularly monitors the Group's exposure to foreign exchange fluctuations.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2024	2023	2024	2023
AUD:CAD	0.8883	0.9011	0.9130	0.8823
AUD:USD	0.6556	0.6630	0.6624	0.6734

Notes to the financial statements

30 June 2024

24. Financial risk management objective and policies (continued)

Capital risk management

The Company and the Group's objectives when managing capital are to safeguard the Company and the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company and the Group's capital is performed by the Board.

Given the level of operations of the Group, the Board has a secured overdraft facility available with a credit limit of C\$4.75 million (Increased to C\$6.00 million subsequent to the reporting date). The facility was used in part in 2021 to finance the acquisition of Eagle Audio (CA\$4.28m) and general working capital. The Board regularly monitors, liquidity, exchange rates, cash flow and financial assets and liabilities balances by means of financial reports and cashflow forecasting. The Company also has a history of successfully raising capital through the issue of shares to fund its activities.

None of the Group's entities are subject to externally imposed capital requirements.

25. Commitments and contingencies

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

26. Related party disclosure

The consolidated financial statements include the financial statements of Structural Monitoring Systems Plc and the subsidiaries listed in the following table.

	Country of incorporation	% Equity interest 2024	2023
Structural Monitoring Systems Ltd	Australia	100	100
Structural Monitoring Systems Canada Corp (SMSCC)	Canada	100	100
Anodyne Electronics Manufacturing Corp (AEM)	Canada	100	100

Structural Monitoring Systems Plc is the ultimate parent entity and is incorporated in the United Kingdom. The Company carries on the business of developing the Group's structural health monitoring technology.

Notes to the financial statements

30 June 2024

26. Related party disclosure (continued)

Structural Monitoring Systems Limited is a subsidiary of the Group and is incorporated in Australia. It is the owner of the intellectual property pertaining to the structural health monitoring technology.

SMSCC was incorporated on 24 October 2017.

Anodyne Electronics Manufacturing Corporation (AEM) was acquired by SMSCC on 8 December 2017 for a consideration of \$10,998,750. Remuneration paid to the Directors and executives, who are considered key management personnel, for the year is disclosed in the remuneration report in the Directors' Report.

The share-based payments charge for directors and executives for the year was \$0.203m (2023: \$0.185m).

The following are the amounts due to key management personnel at the reporting date:

	2024 \$000'	2023 \$000'
Due to Director – Ross Love	113	117
Due to Director – Sam Wright	13	-
Due to Director – Brian Wall	19	19
Due to Director – Miro Miletic	19	19
Due to Director – Heinrich Loechteken	19	6
Due to Executive – Gary Elwell	11	33

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Notes to the financial statements

30 June 2024

27. Events after the balance sheet date

Subsequent to the reporting date, AEM bankers, Royal Bank of Canada have increased the limit on the Line of Credit ("LOC") facility from C\$4.75m to C\$6.00m. The LOC facility is issued under the Export Development Canada ("EDC") Trade Expansion Lending Program.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

28. Auditors' remuneration

Details of the amounts paid to the auditor of the Company, Gerald Edelman LLP, and other auditors for audit and non-audit services provided during the year are set out below.

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Fees payable to Gerald Edelman LLP and its Component in respect of both audit and non-audit services are as follows:				
Audit services – statutory audit of parent and consolidated accounts fees payable to the company's auditors for the audit of the company's annual accounts	223	148	223	148
Audit of the accounts of subsidiaries	222	192	-	-
Other services				
Audit-related assurance services	-	33	-	-
	445	373	223	148

Consolidated Entity Disclosure Statement

Name of entity	Type of entity	Trustee, partner or participant in JV	% of share capital	Place of incorporation	Australian resident or foreign resident	Foreign jurisdiction(s) of foreign residents
Structural Monitoring Systems Plc	Body corporate	-	n/a	Australia	Australian	n/a
Structural Monitoring Systems Ltd	Body corporate	-	100.00%	Australia	Australian	n/a
Structural Monitoring Systems Canada Corp (SMSCC)	Body corporate	-	100.00%	Canada	Foreign resident	n/a
Anodyne Electronics Manufacturing Corp (AEM)	Body corporate	-	100.00%	Canada	Foreign resident	n/a

Independent auditor's report to the members of Structural Monitoring Systems Plc

Opinion

We have audited the consolidated financial statements of Structural Monitoring Systems PLC (the "Company") and its subsidiaries (the "Group"), for the year ended 30 June 2024, which comprise the consolidated and Company statements of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards (IFRS).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2024 and of the Group's and Company's loss for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In auditing the 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 Group's ability to obtain further financing may affect the future prospects and trading activities of the Group.

The Group's going concern assessment is dependent on the projected revenue growth, deferment of Key Management Personnel remuneration, continuation of the loan facility of CAD 6m from the Group bank and the ability to raise additional equity funding requirements if required. 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Structural Monitoring Systems Plc

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 Group's ability to continue as a going concern and the assessment comprises a base case scenario that includes a reasonable worst-case scenario. The overall assessment includes key assumptions considered by management that required significant judgement in relation to the estimation of future revenues.

We assessed the significant judgements made by the management in relation to the stress test to ensure that these are adequately considered and in line with current events and trading performance.

We performed the following audit 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
- Assessing the various scenario considered by management in line with the key assumptions involved and other relevant events to determine the potential impact that these may have in respect of the current covenants related to the external borrowing facilities.
- Assessing the covenants attached to the external borrowing facilities and challenging management's approach and assessment of any potential breaches of covenants during the subsequent period.
- Reviewing the subsequent trading activities and performance in line with the covenants attached to the external borrowing facilities.
- Reviewing the recent past track record in raising equity funding and any factors that may indicate that this may be impacted by market conditions.
- Assessing the relevant disclosures within the annual report in line with the management's assessment and other related aspects considered.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditor's report to the members of Structural Monitoring Systems Plc

As there is a material uncertainty for the going concern assumption, this key audit matter has not been included within this key audit matters section. This is in accordance with the guidance set out within ISA (UK) 705.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Total consolidated revenue of the financial year amounted to AUD 27.95 million (2023: AUD 22.38 million). The Group's revenue relates to the sale of avionic products and the provision of contract electronics manufacturing services to the aviation industry. In line with IFRS 15, the Group recognises revenue when a performance obligation is satisfied either by transferring control over a promised good for sales of products or over time as the services are rendered based on a fixed price for revenue from a contract to provide services. We consider revenue recognition to be a key audit matter due to the fraud risk related to occurrence and due to revenue being a key performance indicator and therefore in internal and external stakeholders' focus. Consequently, there might be pressure to achieve forecasted results.	We instructed the component auditors of the audit procedures to be performed and reviewed work undertaken by them in relation to revenue, please see below the summary of the work performed by us and the component auditors: • Reviewed inquiries made by the component auditors with the management regarding significant new contracts and relevant changes in existing contracts. The procedures also included reviewing a sample of contracts to understand the terms and conditions and their impact on revenue recognition; • Walkthroughs were performed to gain an understanding of processes and internal controls, including management reviews, with respect to revenue recognition; • Total revenue for the year was reconciled to the external sales listing to ensure that revenue recognised was complete and consistent between the listing and the financial statements; • A sample of sales were agreed to the supporting documentation, including sales invoices, contracts and sales orders, to confirm the occurrence of revenue that has been recognised. Based on the audit work performed by us and component auditors we are satisfied that revenue has been correctly recognised, and that revenue recognised is complete, has occurred and has been accounted for in the correct accounting period.
Impairment of intangible assets The Group has intangible assets of AUD 6,770,000 (2023: AUD 7,434,000) at the year-end relating to goodwill, licences, intellectual	Intangibles are only assessed for impairment when indicators of impairment exist. We have considered the life cycle, public perception through the share price of the Company and the fair value of intangibles held by the Company.

Independent auditor's report to the members of Structural Monitoring Systems Plc

property and customer relationships. The goodwill of AUD 1,573,000 (2023: 1,628,000) is subject to annual impairment reviews and the other intangible assets are being amortised over a 5- 10 year period. The risk is that the goodwill may have become impaired or useful economic life of the intangible assets may be different to the management assumptions or technological advancements may render its market value below its carrying value.	We instructed the component auditors of the audit procedures to be performed and reviewed work undertaken by them in relation to impairment of intangible assets, please see below the summary of the work performed by us and the component auditors: • Obtained management's forecast for future value in use of all intangible assets; • Assessed the reliability of forecasts by agreeing to historical inputs; • Reviewed management and challenged management on their judgements of the forecasted sales and estimates useful life of the intangible assets; • Assessed the appropriateness and applicability of discount rate applied to the current business performance; • Assessed the ongoing projects viability and ensured they met the criteria defined in the accounting standards for intangibles; and tested the clerical accuracy of management's forecast; • Confirmed cost and useful life by reviewing the underlying contracts for purchase of the intangible assets, including those acquired on acquisition of subsidiary during the year; • Reviewed the latest management accounts to assess post year end cashflows due to the technology and license held. Based on the audit work performed by us and the component auditors we are satisfied that no indicators of impairment of goodwill have been identified and that all intangible assets have been correctly recognised and disclosed in the financial statements.
Valuation of Inventory Inventory consists of raw materials, work in progress and finished goods which are stated at the lower of cost and net realisable value. Cost comprises of direct material and delivery costs, direct labour, import duties and other	The inventory balance as at year was AUD 13,965,000 which is held by Anodyne Electronics Manufacturing Corp (AEM). We instructed the component auditors of the audit procedures to be performed and reviewed work undertaken by them in relation to

Independent auditor’s report to the members of Structural Monitoring Systems Plc

taxes including an appropriate level of fixed overheads based on normal operating capacity. As a result, judgement is applied in determining the levels of provisions required for obsolete inventories and an appropriate apportionment of labour and overhead.	inventory, please see below the summary of the work performed by us and the component auditors: Our work performed included the following: • Reviewed the work performed in relation to slow-moving inventory by reviewing and verifying the accuracy of the aged inventory listing and assessed completeness of the provision of slow moving, damaged or obsolete inventory; • Reviewed the work performed by the component auditor on stock existence of inventory by attending stock count; • Reviewed the analytical procedure performed on the comparison of the overhead absorption rate with recent experience and operating capacity; • Reviewed work performed on the realisable value evidenced by sales subsequent to the year end; • Assessing the relevant disclosures within the annual report in line with the management's assessment and other related aspects considered. Based on the work we have performed by us and component auditors, we have not identified any material uncertainties to the valuation of inventory.
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Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report to the members of Structural Monitoring Systems Plc

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows

	Group financial statements	Company financial statements
	AUD 420,000	AUD 160,000
How we determined it	1.5% of turnover	1.5% of gross assets
Rationale for benchmark applied	We believe that revenue is a primary measure used by shareholders in assessing the performance of the Group. All are generally accepted auditing benchmarks.	We believe that the gross assets is an appropriate measure used by shareholders. In assessing the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between AUD 5,000 and AUD 420,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above AUD 21,000 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of all reporting units.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

Independent auditor's report to the members of Structural Monitoring Systems Plc

the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Structural Monitoring Systems Plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the digital marketing and advertising sector.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including Companies Act 2006, taxation legislation, data protection, an bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships; tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions

Independent auditor's report to the members of Structural Monitoring Systems Plc

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and the Company's legal advisor

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hemen Doshi FCCA

Senior Statutory Auditor
For and on behalf of Gerald Edelman LLP

Chartered Accountants
Statutory Auditors

30 September 2024
73 Cornhill
London
EC3V 3QQ

ASX ADDITIONAL INFORMATION

Annual Report Disclosure on Corporate Governance

The Company has established, and continues to refine and improve procedures to ensure a culture of good corporate governance exists and is respected across the consolidated entity.

The Company has a written policy designed to ensure compliance with ASX Listing Rules and all other regulatory requirements for disclosures. Additionally the Company has adopted a policy designed to ensure procedures to implement the policy are suitable and effective.

The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company. The Corporate Governance Policy and the Company's corporate governance practices is set out on the Company's web site at structuralmonitoring.systems.

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 19 September 2024.

(a) Distribution of CDI securities

Computershare			
STRUCTURAL MONITORING SYSTEMS PLC		CHESS DEPOSITORY INTEREST (Total)	
Range of Units As Of 19/09/2024		Composition : CDI,ES1,ES2	
Range	Total holders	Units	% Units
1 - 1,000	494	260,175	0.19
1,001 - 5,000	757	2,063,019	1.51
5,001 - 10,000	362	2,824,146	2.07
10,001 - 100,000	790	27,726,961	20.28
100,001 Over	232	103,834,751	75.95
Rounding			0.00
Total	2,635	136,709,052	100.00
Unmarketable Parcels			
	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.5600 per unit	893	355	122,722

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder	Number of Shares
Drake Private Investments LLC	21,040,142 (15.39%)

ASX ADDITIONAL INFORMATION (CONTINUED)

(c) Top Holders (Grouped As Of 19 September 2024)

Computershare			
STRUCTURAL MONITORING SYSTEMS PLC		CHESS DEPOSITORY INTEREST (Total)	
Top Holders (Grouped) As Of 19/09/2024		Composition : CDI,ES1,ES2	
Rank	Name	Units	% Units
1	DRAKE PRIVATE INVESTMENTS LLC	21,040,142	15.39
2	CITICORP NOMINEES PTY LIMITED	4,088,621	2.99
3	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	3,641,532	2.66
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	3,126,437	2.29
5	MR ROBERT GREGORY LOOBY <THE NOROB FAMILY A/C>	2,935,430	2.15
6	BNP PARIBAS NOMS PTY LTD	2,382,900	1.74
7	MR ROBERT GILLIS WYNNE	1,945,000	1.42
8	STRAIGHT LINES CONSULTANCY PTY LTD <STRAIGHT LINES CONSULT A/C>	1,923,797	1.41
9	MR STEPHEN CAMPBELL FORMAN	1,884,976	1.38
10	ROSHERVILLE PTY LTD <AYTON SUPER FUND A/C>	1,700,000	1.24
11	PETER FRANCIS BOYLE NOMINEES PTY LTD <PETER F BOYLE S/FUND A/C>	1,325,350	0.97
12	ANODYNE ELECTRONICS HOLDING CORP	1,320,000	0.97
13	LANDMARK CONSTRUCTION PTY LTD <MEYER SHIRCORE UNIT S/F A/C>	1,155,569	0.85
14	LOOBY HOLDINGS PTY LTD <K & F LOOBY SUPER FUND A/C>	1,150,000	0.84
15	MR ROBERT GREGORY LOOBY <ROB LOOBY SUPER ACCOUNT>	1,000,000	0.73
16	RODNDEB INVESTMENTS PTY LTD <THE DUGGAN SUPER FUND A/C>	939,444	0.69
17	MELBOURNE SECURITIES CORPORATION LTD <BV1 FUND A/C>	931,444	0.68
18	STONY RISES PTY LTD <BOYLE FAMILY A/C>	917,722	0.67
19	DBE MANAGEMENT HOLDINGS P/L <DB ENT MANAGEMENT A/C>	900,000	0.66
20	MR ROSS MALCOLM SPENCER + MR CLINTON LEON SPENCER <SPENCER FAMILY SUPERFUND A/C>	885,520	0.65
Totals: Top 20 holders of CHESS DEPOSITORY INTEREST (Total)		55,193,884	40.37
Total Remaining Holders Balance		81,515,168	59.63

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