

Appendix 4E

Preliminary final Report

Name of Entity	Structural Monitoring Systems plc
ABRN	106 307 322
Year Ended	30 June 2009
Previous Corresponding Reporting Period	30 June 2008

Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	327	-34%
Profit / (loss) from ordinary activities after tax attributable to members	(1,302)	61%
Net profit / (loss) for the period attributable to members	(1,302)	61%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	It is not proposed to pay Dividends	
Interim Dividend	It is not proposed to pay Dividends	
Record date for determining entitlements to the dividends (if any)	Not Applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:		

Dividends

Date the dividend is payable	No dividends
Record date to determine entitlement to the dividend	No dividends
Amount per security	-c
Total dividend	-c
Amount per security of foreign sourced dividend or distribution	-c
Details of any dividend reinvestment plans in operation	No dividends
The last date for receipt of an election notice for participation in any dividend reinvestment plans	No dividends

Statement of Financial Performance

See attached

Statement of Financial Position

See attached

Statement of Cash flows

See attached

Statement of Retained Earnings

See attached

Net Tangible Assets per Security

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	0.02c	0.04c

Details of Entities over which Control has been Gained or Lost during the Period

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

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
Not Applicable				
Aggregate Share of Net Profits				

Significant Information Relating to the Entity's Financial Performance

The Company significantly downsized operations during the financial year and made all staff redundant in August 2008. Some employees were re-employed later in the year. This accounts for the reduced losses and cash outflows during the financial year.

Foreign Entities Accounting Framework

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

The financial report complies with United Kingdom Accounting Standards, which include equivalents to International Financial Reporting Standards ("IFRS").


Commentary on the Results for the Period

Refer to the brief commentary provided above.

This report is based on accounts which are in the process of being audited.

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Consolidated Financial Statements

Signed By (Director /Company Secretary)	
Print Name	Colin McDonald
Date	31 August 2009

Income Statement

FOR THE YEAR ENDED 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Continuing Operations					
Revenue					
Sale of goods		327,020	495,622	-	75,624
Cost of Sales		(97,402)	(281,309)	-	(15,964)
<hr/>					
Gross profit		229,618	214,313	-	59,660
Other Income	4(a)	269,064	579,080	-	-
Depreciation charges	4(d)	(46,328)	(139,045)	(1,050)	(2,117)
Impairment charges	4 (e)	(12,260)	(173,533)	(610,244)	(3,466,646)
Occupancy expenses		(114,924)	(112,850)	-	-
Marketing expenses		(205,858)	(884,666)	-	(2,619)
Research and development expenses		(662,609)	(2,874,284)	(29,294)	(475,927)
Selling expenses		-	(1,521)	-	-
Administrative expenses		(782,347)	(195,543)	(124,960)	(349,308)
Loss from continuing operations before income tax and finance costs		(1,325,644)	(3,588,049)	(765,548)	(4,236,957)
Finance income	4(c)	24,013	222,786	65	706
Finance costs	4(b)	(266)	(6,251)	-	-
Income tax expense		-	-	-	-
<hr/>					
Loss after finance costs and tax from continuing operations		(1,301,897)	(3,371,514)	(765,483)	(4,236,251)
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Loss attributable to members of the parent		(1,301,897)	(3,371,514)	(765,483)	(4,236,251)
<hr/>					
Earnings per share (\$ per share)	5				
- basic for loss from continuing operations		(0.045)	(0.0133)		-
- diluted for loss from continuing operations		(0.045)	(0.0133)		

Balance Sheet

AS AT 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
ASSETS					
Non-Current Assets					
Property, plant and equipment		29,118	89,255	-	13,310
Other financial assets		-	-	-	-
Deferred tax asset		587,020	587,020	7,164	7,164
Total Non-current assets		616,138	676,275	7,164	20,474
Current Assets					
Inventories		115,337	172,636	-	-
Prepayments		9,959	11,232	-	-
Trade and other receivables		319,165	388,282	78	5,480
Cash and cash equivalents		347,271	1,054,682	4,561	3,549
Total Current Assets		791,732	1,626,832	4,639	9,029
TOTAL ASSETS		1,407,870	2,303,107	11,803	29,503
LIABILITIES					
Non Current Liabilities					
Deferred tax liabilities		587,020	587,020	7,164	7,164
Total Non Current Liabilities		587,020	587,020	7,164	7,164
Current Liabilities					
Trade and other payables		246,901	478,823	-	32,948
Provisions		-	159,500	-	17,351
Total Current Liabilities		246,901	638,323	-	50,299
TOTAL LIABILITIES		833,921	1,225,343	7,164	57,463
NET ASSETS		573,949	1,077,764	4,639	(27,960)
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	7	30,648,561	30,499,685	30,648,561	30,499,685
Share premium account	7	11,670,488	10,841,078	11,670,488	10,841,078
Accumulated losses		(39,634,216)	(38,332,319)	(40,203,526)	(39,438,043)
Other reserves	7	(2,110,884)	(1,930,680)	(2,110,884)	(1,930,680)
TOTAL EQUITY		573,949	1,077,764	4,639	(27,960)

Cash Flow Statement

FOR THE YEAR ENDED 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		644,736	423,432	5,480	70,144
Payments to suppliers and employees		(2,406,723)	(5,942,777)	(200,398)	(745,209)
Receipt of government grants		-	397,540	-	-
Other income		-	18,802	-	-
Net cash flows from/(used in) operating activities	6	(1,761,987)	(5,103,003)	(194,918)	(675,065)
Cash flows from investing activities					
Interest received		21,351	222,786	65	706
Finance costs		(266)	(6,251)	-	-
Proceeds from sale of property, plant and equipment		1,501	-	-	-
Purchase of property, plant and equipment		-	(147,405)	-	(1,987)
Purchase of option to acquire technology rights		-	(3,845)	-	(3,845)
Net cash flows from/(used in) investing activities		22,586	65,285	65	(5,126)
Cash flows from financing activities					
Proceeds from issue of shares	7	978,286	-	978,286	-
Loan to subsidiary		-	-	(598,186)	2,306,096
Net cash flows from/(used in) financing activities		978,286	-	380,100	2,306,096
Net increase/(decrease) in cash and cash equivalents		(761,115)	(5,037,718)	185,247	1,625,905
Net foreign exchange differences		53,704	(37,740)	(184,235)	(1,634,550)
Cash and cash equivalents at beginning of year		1,054,682	6,130,140	3,549	12,194
Cash and cash equivalents at end of year	6	347,271	1,054,682	4,561	3,549

Statement Of Changes In Equity

FOR THE YEAR ENDED 30 June 2009

CONSOLIDATED

At 1 July 2007

Currency translation differences

Profit/(loss) for the year

Cost of share based payments

At 30 June 2008

Currency translation differences

Profit/(loss) for the year

Issue of share capital

Cost of share issues

Cost of share based payments

At 30 June 2009

	Issued Capital	Accumulated losses	Share Premium Reserve Note 7	Other Reserves Note 7	Total
At 1 July 2007	30,499,685	(34,960,807)	10,841,078	(427,152)	5,952,804
Currency translation differences				(1,634,655)	(1,634,655)
Profit/(loss) for the year		(3,371,512)			(3,371,512)
Cost of share based payments				131,127	131,127
At 30 June 2008	30,499,685	(38,332,319)	10,841,078	(1,930,680)	1,077,764
Currency translation differences				(184,235)	(184,235)
Profit/(loss) for the year		(1,301,897)			(1,301,897)
Issue of share capital	148,876		860,248		1,009,124
Cost of share issues			(30,838)		(30,838)
Cost of share based payments				4,031	4,031
At 30 June 2009	30,648,561	(39,634,216)	11,670,488	(2,110,884)	573,949

PARENT

At 1 July 2007

Currency translation differences

Profit/(loss) for the year

Cost of share based payments

At 30 June 2008

Currency translation differences

Profit/(loss) for the year

Issue of share capital

Cost of share issues

Cost of share based payments

At 30 June 2009

	Issued Capital	Accumulated losses	Share Premium Reserve Note 7	Other Reserves Note 7	Total
At 1 July 2007	30,499,685	(35,201,792)	10,841,078	(427,152)	5,711,819
Currency translation differences				(1,634,655)	(1,634,655)
Profit/(loss) for the year		(4,236,251)			(4,236,251)
Cost of share based payments				131,127	131,127
At 30 June 2008	30,499,685	(39,438,043)	10,841,078	(1,930,680)	(27,960)
Currency translation differences				(184,235)	(184,235)
Profit/(loss) for the year		(765,483)			(765,483)
Issue of share capital	148,876		860,248		1,009,124
Cost of share issues			(30,838)		(30,838)
Cost of share based payments				4,031	4,031
At 30 June 2009	30,648,561	(40,203,526)	11,670,488	(2,110,884)	4,639

Notes to the Financial Statements

FOR THE YEAR ENDED 30 June 2009

CORPORATE INFORMATION

Structural Monitoring Systems Plc is a company limited by shares incorporated in the United Kingdom whose shares are publicly traded on the Australian Securities Exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements and those of the parent entity are presented in Australian dollars and have been prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied. The exchange rate at the balance sheet date was £1:\$2.05, and the average for the year was £1:\$2.16.

Going Concern

The company has achieved a number of significant milestones and accreditations which the Board is confident will ultimately lead to new revenue streams for the Group and enhance the commercialisation of the technology.

The Company has completed negotiations with a major international company in the aerospace sector to enter into a partnership to develop and commercialise the Company's CVM™ technology. The associated agreement documentation is being finalised, and is expected to be available for signature by both parties shortly. With the signing of such an agreement, the Company will receive cash payments which will enable the Company to continue its' operations. The Company intends to make a detailed statement regarding this partnership once the agreement has been executed.

The possible licensing of the CVM ® technology will enable the Company to increase its revenues from previous, existing and new customers as confidence that the Company will be able to provide its products and services in the long term increases.

The Company also will have access to further fund raisings in the future should it need to supplement its capital.

Consequently the directors consider that it is appropriate to prepare the financial statements on the basis that the company is able to continue as a going concern. The directors recognise that there can be no certainty that the partnership with the international company will provide all of the necessary funding requirements and revenue increases and if this is the case the Company may not be able to continue as a going concern. No adjustments have been made to these financial statements to record the impact of such an occurrence, however, the directors do not consider that such adjustments would be significant and are most likely to relate to reclassification of non-current assets as current and non-current liabilities to current liabilities. All necessary impairments in asset values have been made.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

The consolidated financial statements and the financial statements of the parent company have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the European Union. The financial statements have been prepared in accordance with those parts of the Companies Act 1985 and the Australian Corporations Act.

The financial statements are prepared in accordance with International Financial Reporting Standards and Interpretations in force at the reporting date. The Group has 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.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and parent entity financial statements.

New accounting standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
New and revised Standards			
<i>IAS 1 Presentation of Financial Statements (January 2008)</i>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore adoption has no impact on amounts recognised in the financial statements.
<i>IAS 23 Borrowing Costs (January 2008)</i>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	Unless, the group engages in such transactions in future periods, there will be no impact to amounts recognised.
<i>IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements (January 2008)</i>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<i>IFRS 8 Operating Segments (January 2008)</i>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore adoption has no impact on amounts recognised in the financial statements.
<i>IFRS 2 Share Based Payments</i>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard will impact of the effect on the valuation of options issued by the Group. Impact will only be known when new grants occur.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Structural Monitoring Systems Plc and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Foreign currency translation

The presentation currency of the group is Australian dollars (\$AUD). The functional currency of Structural Monitoring Systems Plc is pounds sterling and the functional currency of its Australian subsidiary is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

As at the reporting date the assets and liabilities of the group are translated into the presentation currency of Structural Monitoring Systems Plc at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year. The exchange difference arising on translation is taken directly to a separate component of equity.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis to write off the cost less estimated residual value over the estimated useful life of the asset as follows:

Plant and equipment	6.66% - 20%
Furniture and fittings	6.66%-20%
Computers	20%-40%

Leasehold buildings and improvements are written off over the period of the lease.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(f) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(g) Intangible Assets

(i) Research and patent costs are expensed as incurred.

(ii) Development expenditure incurred is carried forward when its future recoverability can reasonably be regarded as assured.

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

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

A summary of the policies applied to the Group's intangible assets is as follows:

	Technology Licence	Patents and Licences
<i>Useful lives</i>	<i>Finite</i>	<i>Finite</i>
<i>Method used</i>	<i>5 years – Straight line</i>	<i>5 years- Straight line</i>
<i>Internally generated/ Acquired</i>	<i>Acquired</i>	<i>Acquired</i>
<i>Impairment test / Recoverable amount testing</i>	<i>The balance has been fully amortised</i>	<i>The balance has been fully amortised</i>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other financial assets

At each reporting date, the Group assesses the value of other financial assets for any indication that the asset may be impaired. Refer to note 2 (i) for the policy on recoverable amounts of assets.

The terms, conditions and circumstances of loans between entities in the Group are assessed at each reporting date to determine whether the loan is more likely to be in the nature of an investment, and if so, the loans are reclassified accordingly.

(i) Recoverable amount of assets

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 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.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 income statement 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.

(n) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions').

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP), 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').

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 balance sheet 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.

(o) Revenue

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

Sale of goods

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

(p) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

The gross amount of grants received are recognised as Other Income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

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

Cash flows are included in the Cash Flow statement 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) Employee Entitlements

- (i) Provision is made for long service and annual leave payable to employees on the basis of relevant statutory requirements or contractual entitlements applicable in Australia.
- (ii) Group employees are rewarded with share based options. These are stated at fair value at the date of grant and this is expensed on a straight line basis over the estimated vesting period.

Fair value is estimated using the binomial valuation model.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(u) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Critical accounting estimates and judgements

The preparation of a financial report in conformity with International Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The main areas where estimates and judgements have been made is in the following:

- valuation of inventories
- carrying value of plant and equipment
- classifications of intercompany loans and investments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

3 SEGMENT INFORMATION

The Group's primary reporting format is geographical segments. The Group does not report by business segment as it is involved in one segment only, the development and commercialisation of its structural health monitoring technology.

Geographical segments

The Group's geographical segments are determined by the location of the Group's assets and operations.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2009 and 2008.

	<i>Australia</i>	<i>UK/Europe</i>	<i>Total</i>
Year ended 30 June 2009			
Revenue			
Sales to external customers	327,020	-	327,020
Finance income	23,948	65	24,013
Other revenues from external parties	269,064	-	269,064
Revenue from continuing operations	<u>620,032</u>	<u>65</u>	<u>620,097</u>
Inter-segment sales	-	-	-
Segment revenue	<u>620,032</u>	<u>65</u>	<u>620,097</u>
Sales revenue by customer location			
Australasia	13,529	-	13,529
Europe	206,970	-	206,970
Americas	106,521	-	106,521
Total revenue	<u>327,020</u>	<u>-</u>	<u>327,020</u>
Result			
Segment result	(1,134,599)	(167,298)	(1,301,897)
Unallocated expenses	-	-	-
Loss before tax	<u>(1,134,599)</u>	<u>(167,298)</u>	<u>(1,301,897)</u>
Income tax expense	-	-	-
Loss for the year	<u>(1,134,599)</u>	<u>(167,298)</u>	<u>(1,301,897)</u>
Assets and liabilities			
Segment assets	1,396,067	11,803	1,407,807
Unallocated assets	-	-	-
Total assets	<u>1,396,067</u>	<u>11,803</u>	<u>1,407,807</u>
Segment liabilities	826,757	7,164	833,921
Unallocated liabilities	-	-	-
Total liabilities	<u>826,757</u>	<u>7,164</u>	<u>833,921</u>
Other segment information			
Capital expenditure	-	-	-
Depreciation	45,278	1,050	46,328
Impairment of fixed assets	-	12,260	12,260

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

3 SEGMENT INFORMATION (continued)

	<i>Australia</i>	<i>UK/Europe</i>	<i>Total</i>
Year ended 30 June 2008			
Revenue			
Sales to external customers	419,998	75,624	495,622
Finance income	222,080	706	222,786
Other revenues from external parties	579,080	-	579,080
Revenue from continuing operations	1,221,158	76,330	1,297,488
Inter-segment sales	-	-	-
Segment revenue	1,221,158	76,330	1,297,488
Sales revenue by customer location			
Australia	7,167	-	7,167
Asia	-	-	-
Europe	99,539	75,624	175,163
Americas	313,292	-	313,292
Total revenue	419,998	75,624	495,622
Result			
Segment result	(2,601,909)	(769,605)	(3,371,514)
Unallocated expenses	-	-	-
Loss before tax	(2,601,909)	(769,605)	(3,371,514)
Income tax expense	-	-	-
Loss for the year	(2,601,909)	(769,605)	(3,371,514)
Assets and liabilities			
Segment assets	2,273,604	29,503	2,303,107
Unallocated assets	-	-	-
Total assets	2,273,604	29,503	2,303,107
Segment liabilities	1,167,880	57,463	1,225,343
Unallocated liabilities	-	-	-
Total liabilities	1,167,880	57,463	1,225,343
Other segment information			
Capital expenditure	145,418	1,987	147,405
Depreciation	136,928	2,117	139,045
Impairment of fixed assets	175,533	-	173,533

4 INCOME AND EXPENSES

(a) Other income

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
AusIndustry Commercial Ready grant	-	470,745	-	-
Export Market Development grant	-	89,533	-	-
Insurance refund	-	18,802	-	-
Research and development tax concession	269,064	-	-	-
	269,064	579,080	-	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

4 REVENUES AND EXPENSES (continued)

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
(b) Finance costs				
Interest expense	(266)	(6,251)	-	-
(c) Finance income				
Bank interest receivable	24,013	222,786	65	706
(d) Depreciation, amortisation and foreign exchange differences included in income statement				
Included in cost of sales:				
Depreciation	46,328	139,046	1,050	2,117
Net foreign exchange differences	(40,580)	24,173	8,174	1,620,981
(e) Impairment charges				
Impairment of investment in subsidiary	-	-	598,184	3,466,646
Impairment of fixed assets	12,060	173,533	12,060	-
(f) Employee benefits expense				
Wages and salaries	568,167	2,714,005	7,586	346,638
Workers' compensation costs	11,983	26,649	-	-
Superannuation costs	67,892	220,322	-	-
Social security costs	6,535	55,361	6,535	55,361
Expense of share-based payments	4,031	131,127	4,031	131,127
Redundancy payments	270,471	72,204	10,465	17,695
	929,079	3,219,668	28,617	550,821
	No	No	No	No
Average monthly number of employees				
Administration	3	3	-	-
Business development	2	5	-	2
Operations and technical	4	17	-	1
Total average employees	9	25	-	3
f) Research and development costs				
Research and development costs charged	662,609	2,874,284	29,293	475,927

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

5 EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations basic earnings per share computations:

	<i>CONSOLIDATED</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
Net loss attributable to equity holders from continuing operations	(1,301,897)	(3,371,514)
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>Shares</i>
Weighted average number of ordinary shares for basic earnings per share	290,392,669	254,024,768
Weighted average number of ordinary shares for diluted earnings per share	290,392,669	254,024,768

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

6 RECONCILIATION FROM THE NET LOSS AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net Loss	(1,301,897)	(3,371,514)	(765,483)	(4,236,251)
<i>Adjustments for:</i>				
Finance income	(24,013)	(222,786)	(65)	(706)
Finance costs	266	6,251	-	-
Purchase of option to acquire technology rights	-	3,845	-	3,845
Depreciation and amortisation	44,815	139,045	1,050	2,117
Net (profit)/loss on disposal of plant and equipment	48	-	-	-
Writeoffs and adjustments in carrying value of plant and equipment	12,260	173,533	12,260	-
Currency translation	(231,892)	(1,596,808)	-	-
Share options expensed	4,031	131,127	4,031	131,127
Impairment of investment in subsidiary	-	-	598,184	3,466,646
<i>Changes in assets and liabilities</i>				
(increase)/decrease in inventories	57,299	(100,824)	-	-
(increase)/decrease in trade and other receivables	(391,422)	(273,911)	5,403	(5,480)
(increase)/decrease in prepayments	1,273	18,960	-	507
(decrease)/increase in trade and other payables	67,245	(9,921)	(50,298)	(36,870)
Net cash from operating activities	<u>(1,761,987)</u>	<u>(5,103,003)</u>	<u>(194,918)</u>	<u>(675,065)</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

7 ISSUED CAPITAL AND RESERVES

	2009	2008	2009	2008
	Number	Number	GBP	GBP
<i>Authorised Capital</i>				
Ordinary shares of 0.5p each		500,000,000		25,000,000
	<i>CONSOLIDATED</i>	<i>PARENT</i>		
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Ordinary Shares</i>				
Issued and fully paid	30,648,561	30,499,685	30,648,561	30,499,685
	<i>Shares in Issue</i>	\$		
<i>Movement in ordinary shares in issue</i>				
At 1 July 2007	254,024,768	30,499,685		
At 30 June 2008	254,024,768	30,499,685		
Issued on 15 December 2008 for cash	62,543,032	138,282		
Issued on 18 December 2008 for cash	4,681,113	10,474		
Issued on 30 December 2008 for cash	21,666	51		
Issued on 14 January 2009 for cash	30,000	69		
Issued on 20 February 2009 for cash	34	-		
At 30 June 2009	321,300,613	30,648,561		
<i>Share Premium Reserve</i>				
Share Premium Reserve	11,670,488	10,841,078	11,670,488	10,841,078
	<i>Shares in Issue</i>	\$		
<i>Movement in Share Premium Reserve</i>				
At 1 July 2007	254,024,768	10,841,078		
At 30 June 2008	254,024,768	10,841,078		
Issued on 15 December 2008 for cash	62,543,032	799,849		
Issued on 18 December 2008 for cash	4,681,113	59,743		
Issued on 30 December 2008 for cash	21,666	274		
Issued on 14 January 2009 for cash	30,000	381		
Issued on 20 February 2009 for cash	34	1		
Cost of issues		(30,838)		
At 30 June 2009	321,300,613	11,670,488		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 June 2009

7 ISSUED CAPITAL AND RESERVES (continued)

The Company has a share option scheme under which options to subscribe for the company's shares have been granted to executive directors and employees.

Other Reserves

	CONSOLIDATED				PARENT			
	Share Premium Reserve	Option Reserve	Currency translation reserve	Total	Share Premium Reserve	Option Reserve	Currency translation reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2007	10,841,078	64,199	(491,351)	10,413,926	10,841,078	64,199	(491,351)	10,413,926
Share issues	-	-	-	-	-	-	-	-
Cost of share issues	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(1,634,655)	(1,634,655)	-	-	(1,634,655)	(1,634,655)
Issues of options pursuant to Employee Option Scheme	-	131,127	-	131,127	-	131,127	-	131,127
As at 30 June 2008	10,841,078	195,326	(2,126,006)	8,910,398	10,841,078	195,326	(2,126,006)	8,910,398
Share issues	860,248	-	-	860,248	860,248	-	-	860,248
Cost of share issues	(30,838)	-	-	(30,838)	(30,838)	-	-	(30,838)
Currency translation differences	-	-	(184,235)	(184,235)	-	-	(184,235)	(184,235)
Issues of options pursuant to Employee Option Scheme	-	71,081	-	71,081	-	71,081	-	71,081
Cancellation of unvested Employee Options	-	(67,050)	-	(67,050)	-	(67,050)	-	(67,050)
As at 30 June 2009	11,670,488	199,357	(2,310,241)	9,559,604	11,670,488	199,357	(2,310,241)	9,559,604

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. Costs of the issues are written off against the reserve.

Option reserve

The option 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 foreign subsidiary

