

Appendix 4D

Half Year Report to the Australian Stock Exchange

Name of Entity	Structural Monitoring Systems plc
ABRN	106 307 322
Half Year Ended	31 December 2004
Previous Corresponding Reporting Period	31 December 2003

Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	348	1,238%
Profit / (loss) from ordinary activities after tax attributable to members	(3,823)	367%
Net profit / (loss) for the period attributable to members	(3,823)	367%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	-c	-c
Interim Dividend	-c	-c
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:		
<u>Consolidated Results</u>		
<p>The Group incurred a loss from ordinary activities of \$3.823 million for the 6 months ended 31 December 2004, which includes a charge of \$1.267 million for depreciation and amortisation. The results are not directly comparable with the December 2003 half-year as:</p> <ul style="list-style-type: none"> the Company gained control of Structural Monitoring Systems Ltd on 27 November 2003 and as a consequence only 1 month's trading for the subsidiary was included in the consolidated results for the 6 months ended 31 December 2003; and the Company had no employees and was not actively carrying on business prior to October 2003. <p>The loss for the 31 December 2004 half-year is \$0.2 million (or 6%) larger than for the 6 months ended 30 June 2004.</p>		

Dividends

Date the dividend is payable	Not Applicable
Record date to determine entitlement to the dividend	Not Applicable
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	Not Applicable
The last date for receipt of an election notice for participation in any dividend reinvestment plans	Not Applicable

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	2.45c	3.16c

Control Gained Over Entities Having Material Effect

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

Loss of Control Gained Over Entities Having Material Effect

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

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
Aggregate Share of Net Profits				

Foreign Entities Accounting Framework

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

This report has been prepared in accordance with AASB Standard 1029.

Accounting Standards applicable in the United Kingdom have been adopted by the Company in the preparation of this report.

Audit/Review Status

This report is based on accounts to which one of the following applies:
(Tick one)

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

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Half Year Financial Report
2	Audit Report or Review Report

Signed By (Director/Company Secretary)

Print Name Robin Dean

Date 28 February 2005



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

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2004

CONTENTS	PAGE
Directors' Report	2
Condensed Statement of Financial Performance	3
Condensed Statement of Financial Position	4
Condensed Statement of Cash Flows	5
Notes to the Half-Year Financial Statements	6
Directors' Declaration	9
Independent Review Report	10

CORPORATE DIRECTORY

Board of Directors

Air Marshal Sir John Walker KCB, CBE, AFC, FRAeS
Non Executive Chairman

Tony Brennan B.Bus, CA
Non Executive Director

Robin Dean B.Ec
Non Executive Director

David Forsyth
Non Executive Director

Chief Executive Officer

Mark Vellacott MBA, MSc, CEng, FRAeS

Company Secretary

Kent Hunter CA

Registered and Corporate Office

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Website: www.smsystems.com.au

Share Registry

Advanced Share Registry Services
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Telephone: +61 8 9221 7288
Facsimile: +61 8 9221 7869

Auditors

PKF
Accountants and business advisors
Pannell House, Park Street, Guildford,
Surrey, GU1 4HN

Telephone: +44 1483 564646
Facsimile: +44 1483 578880

United Kingdom Office

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Ashford
Kent TN23 1PF
United Kingdom
Telephone: +44 1233 666 795
Facsimile: +44 1233 646 840

Stock Exchange Listing

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

ASX Codes:

Shares (CDI's) SMN
Options SMNO

Important Notices

Structural Monitoring Systems plc (the Company) is incorporated in the United Kingdom under the laws of England and Wales.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisitions of shares (including substantial holdings and takeovers).

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2004.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Air Marshal Sir John Walker KCB, CBE, AFC, FRAeS (Non-executive Chairman)

Anthony Thomas Brennan B.Bus CA

Robin John Dean B.Ec

David Forsyth B.E. Grad Dip, FRAeS

REVIEW AND RESULTS OF OPERATIONS

The Company was admitted to the Official List of the Australian Stock Exchange (ASX) on 11 August 2004. The listing followed a successful capital raising in which 20,000,000 shares were issued at 25 cents each to raise \$5,000,000 before costs, the Prospectus closed fully subscribed on 22 July 2004.

The consolidated entity incurred a loss for the half-year of \$3,823,468 after amortisation and depreciation of \$1,267,280. Net cash outflows from operating activities totalled \$2,880,231 which was in line with the Group's budget.

The Group was awarded an Australian Army contract to trial its patented Comparative Vacuum Monitoring (CVM™) system on the Army's Sikorsky Black Hawk helicopters. The contract value is approximately \$215,000 and initially involves applying the Group's CVM™ technology to three aircraft. This trial is significant as the Australian Army is only one of many users of Black Hawk helicopters. There is a worldwide fleet of approximately 2,600 Black Hawk helicopters, of which 2,000 are operated by the United States military. The contract with the Australian Army paves the way for the Group to approach other operators of the Black Hawk and marks another milestone in the commercialisation of the unique airframe monitoring technology.

The Group has continued to focus on the commercialisation process of its patented CVM™ technology, and in particular:

- the continuing involvement in full scale testing of the new Airbus A380 jumbo aircraft, which had its official roll out on 16 January 2005 and a number of other programs with Airbus;
- negotiations in the United Kingdom for the fitting of CVM™ to Royal Navy (RN) and Royal Air Force (RAF) aircraft;
- discussions with other Air Forces regarding the use of CVM™ for monitoring military aircraft; and
- the commencement of a programme to have CVM™ incorporated in the Boeing NDT Standard Practises Manual.

In November 2004, Mark Vellacott was appointed to the position of Chief Executive Officer. Mr Vellacott has an impressive record in the aerospace industry with BAE Systems where he was Head of Engineering Technology, Corporate Development, based in Adelaide from 1998 to 2001. More recently, Mr Vellacott was Technical Director, Asia Pacific Space Centre, based in Sydney. He served as President and Chairman of the Board of the Electronic Industry Association (South Australia) from 1999 to 2001 contributing to the development of the association and the creation and launch of the South Australian Electronics Industry Strategic Plan in partnership with the SA State Government.

Signed in accordance with a resolution of the Directors.



Director
Perth, Western Australia
28 February 2005

**Condensed Statement of Financial Performance
For The Half-Year Ended 31 December 2004**

	Note	2004 \$	2003 \$
Sales		253,067	-
Cost of sales		(35,514)	-
Gross profit		<u>217,553</u>	<u>-</u>
Other revenues from ordinary activities	2	94,893	26,079
Administrative & corporate expenses		(2,283,935)	(626,522)
Marketing expenses		(482,723)	(37,277)
Occupancy expenses		(45,963)	(7,735)
Research and development expenses		(1,308,142)	(188,145)
Selling expenses		<u>(15,151)</u>	<u>-</u>
Loss from ordinary activities before income tax expense		(3,823,468)	(833,600)
Income tax relating to ordinary activities		<u>-</u>	<u>-</u>
Net loss		(3,823,468)	(833,600)
Net loss attributable to outside equity interest		<u>-</u>	<u>15,005</u>
Net loss attributable to members of Structural Monitoring Systems Plc		<u>(3,823,468)</u>	<u>(818,595)</u>
Share issue costs		<u>(473,745)</u>	<u>(317,317)</u>
Total expenses attributable to members of Structural Monitoring Systems Plc and recognised directly in equity		<u>(473,745)</u>	<u>(317,317)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(4,297,213)</u>	<u>(1,135,912)</u>
Basic loss per share (cents per share)		(2.19)	(2.52)
Diluted loss per share (cents per share)		(1.58)	(2.52)

The accompanying notes form part of these financial statements.

**Condensed Statement of Financial Position
Half -Year Ended 31 December 2004**

	As At 31 December 2004 \$	As At 30 June 2004 \$
Current assets		
Cash	4,329,416	2,721,722
Inventories, at cost	18,853	65,219
Receivables	256,144	290,181
Total current assets	<u>4,604,413</u>	<u>3,077,122</u>
Non-current assets		
Plant and equipment	365,442	384,539
Intangibles	18,628,003	19,823,332
Total non-current assets	<u>18,993,445</u>	<u>20,207,871</u>
Total assets	<u>23,597,858</u>	<u>23,284,993</u>
Current liabilities		
Payables	449,152	921,956
Provision – employee entitlements	157,929	100,164
Total current liabilities	<u>607,081</u>	<u>1,022,120</u>
NET ASSETS	<u>22,990,777</u>	<u>22,262,873</u>
Equity		
Called up share capital	21,326,489	18,735,051
Share premium account	9,759,465	7,799,531
Accumulated losses	<u>(8,095,177)</u>	<u>(4,271,709)</u>
TOTAL EQUITY	<u>22,990,777</u>	<u>22,262,873</u>

The accompanying notes form part of these financial statements.

**Condensed Statement of Cash Flows
For The Half-Year Ended 31 December 2004**

	2004	2003
	\$	\$
Cash flows from operating activities		
Receipts from customers	150,365	-
Payments to suppliers and employees	(3,125,489)	(389,948)
Interest received	94,893	26,079
	<hr/>	<hr/>
Net cash (outflows) from operating activities	(2,880,231)	(363,869)
	<hr/>	<hr/>
Cash flows from investing activities		
Cash held by acquired subsidiary	-	2,807,107
Purchase of plant and equipment	(84,817)	(90,495)
	<hr/>	<hr/>
Net cash (outflows)/inflows from investing activities	(84,817)	2,716,612
	<hr/>	<hr/>
Net cash (outflow) / inflow before financing	(2,965,048)	2,352,743
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of shares	5,000,000	2,493,616
Payment of share issue costs	(343,608)	(233,934)
	<hr/>	<hr/>
Net cash inflows from financing activities	4,656,392	2,259,682
	<hr/>	<hr/>
Net increase in cash held	1,691,344	4,612,425
	<hr/>	<hr/>
Add opening cash brought forward	2,721,722	-
Effects of exchange rate changes on cash	(83,653)	-
	<hr/>	<hr/>
Closing Cash Carried Forward	4,329,413	4,612,425
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

Notes to the Half-Year Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

This half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 1029 and is to be read in conjunction with the financial report for the year ended 30 June 2004. It is a general purpose financial report.

The half-year financial report has been prepared in accordance with the historical cost convention and applicable Accounting Standards in the United Kingdom.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2004.

Notes of a type normally included in an annual financial report are not included.

(b) Adoption of Australian equivalents to International Financial Reporting Standards

Australian equivalents to International Financial Reporting Standards (AIFRS) will be adopted in the financial report for the year ending 30 June 2006 and the comparative information presented in that report for the year ending 30 June 2005. In preparation for the transition, opening balances as at 1 July 2004 for the comparative year ending 30 June 2005 will be converted to AIFRS in accordance with new accounting standard AASB 1 "First Time Adoption of Australian International Financial Reporting Pronouncements".

The directors are monitoring the developments in IFRS and the potential impact it will have on the consolidated entity. A plan for the consolidated entity to become IFRS compliant will be prepared and implemented during the next few months.

The key differences in accounting policies expected to arise from adoption of AIFRS are listed as follows:

Goodwill

Amortisation of goodwill will no longer be permitted under the new standard. At the date of adoption of AIFRS goodwill will be allocated to cash generating units of the entity and will be impairment tested on initial adoption of AIFRS and annually thereafter.

Any necessary impairment write down in relation to goodwill will be expensed through the statement of financial performance.

As the conditions under which impairment will be assessed are not yet known, a reliable estimation of the financial effects of this change is not practical at this stage.

Notes continued**31 December 2004**

	2004	2003
	\$	\$
2. LOSS FROM ORDINARY ACTIVITIES		
Loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Other revenues from ordinary activities		
Interest – other corporations	94,893	26,079
	94,893	26,079
3. CHANGE IN COMPOSITION		
On 9 September 2004 Structural Monitoring Systems Inc was incorporated as a wholly owned subsidiary in the United States. The corporation has not traded since incorporation and has no assets or liabilities. On 27 September 2004 Structural Monitoring Health Limited, a company incorporated in the United Kingdom was acquired by the group. The company has not traded since its incorporation and has no assets or liabilities.		
4. COMPARATIVE INFORMATION		
The Company acquired control of Structural Monitoring Systems Ltd on 27 November 2003. Accordingly, comparative information only includes results of the subsidiary for the period 27 November 2003 to 31 December 2003. Details of the acquisition are contained in the Company's 2004 Annual Report. The comparative information was not reviewed by the auditors.		
5. CONTINGENT ASSETS AND LIABILITIES		
Since the last annual reporting date, no contingent assets or contingent liabilities have arisen.		
6. INTANGIBLES		
Intangibles represents Goodwill arising on consolidation and consists of the excess of the purchase price over the fair value of the net assets of the subsidiary undertaking at the date of acquisition. The directors have reviewed the carrying value of goodwill on consolidation, taking into account the current status of the CVM™ technology being developed by the subsidiary, the potential revenues which may be obtained from that technology and the costs to be incurred in bringing the technology to market.		
In the opinion of the directors, there has been no impairment in the carrying value of the goodwill and, accordingly, they consider the carrying value of goodwill on consolidation to be appropriate.		
7. SUBSEQUENT EVENTS		
No matter or circumstance has arisen since the end of the half year end that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.		

Notes continued**31 December 2004****8. SEGMENT ANALYSIS**

Turnover for the half-year ended 31 December 2004 in respect of continuing operations

	UK/Europe \$	Australasia \$	Consolidated \$
Geographical Analysis by Origin:			
Sales to customers outside the consolidated entity	-	253,067	253,067
	<u>-</u>	<u>253,067</u>	<u>253,067</u>
Geographical Analysis by Destination:			
Sales to customers outside the consolidated entity	223,742	29,325	253,067
	<u>223,742</u>	<u>29,325</u>	<u>253,067</u>

The consolidated entity operates predominantly in one industry, being Structural Health Monitoring. An analysis of the loss before tax is given below:

	UK/Europe \$	Australasia \$	Consolidated \$
Result	(676,291)	(2,103,742)	(2,780,033)
Amortisation of goodwill (subsidiary only)			<u>(1,043,435)</u>
Consolidated entity loss from ordinary activities before income tax			<u>(3,823,468)</u>

Directors' Declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Director
Perth, Western Australia
28 February 2005

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF STRUCTURAL MONITORING SYSTEMS PLC

Scope

We have reviewed the financial report of Structural Monitoring Systems plc for the half-year ended 31 December 2004 as set out on pages 3 to 8. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with AASB 1029 which requires that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to enquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom and Australian Auditing Standards and therefore provides a lower level of assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Fundamental uncertainty

In forming our statement, we have considered the adequacy of the disclosures made in note 6 to the financial statements concerning the carrying value of the goodwill on the group balance sheet. The carrying value of the goodwill is dependant upon the future development and successful exploitation of the CVM technology being developed by the company. Due to the inherent nature of the uncertainties surrounding such development and exploitation and, hence, the carrying value of the goodwill, we consider that your attention should be drawn to this matter but our statement is not qualified in this respect.

Review Statement

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

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001.

PKF

PKF

Dated at Guildford, UK this 28... day of February 2005