Appendix 4D

Half-Year Report for the period ended 31 December 2021

Results for announcement to the Market

Financial Performance

Structural Monitoring Systems Plc - Consolidated			
(AUD'000)	**Half-year ended 31 Dec 2021**	**Half-year ended 31 Dec 2020**	**Movement %**
Revenue	6,697	8,480	(21%)
(Loss) before tax attributable to members	(1,506)	(1,242)	(21%)
(Loss) after tax attributable to members	(1,472)	(1,009)	(46%)

Review of Operations

Refer to Directors' Report included in the attached half-year period under review.

Dividends

No Dividends were paid or declared for payment during the half-year period under review.

Earnings Per Share

	Half-year ended 31 Dec 2021		**Half-year ended 31 Dec 2020**
(Loss) per share (basic & diluted)	(1.21 cents)		(0.85 cents)

Net Tangible Asset Backing

	Half-year ended 31 Dec 2021		**Half-year ended 31 Dec 2020**
Net tangible asset backing	4.11 cents		9.12 cents

Compliance Statement

The report is based on financial statements which have been reviewed by the auditor, copies of which are attached.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

Will Rouse

Executive Chairman

Dated: 28 February 2022

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2021

STRUCTURAL MONITORING SYSTEMS plc

CONTENTS

Directors' Report 3
Condensed Consolidated Statement of Comprehensive Income 8
Condensed Consolidated Statement of Financial Position 9
Condensed Consolidated Statement of Cash Flows 10
Condensed Consolidated Statement of Changes in Equity 11
Notes to the Half-Year Financial Statements 12
Directors' Declaration 25
Independent Auditors' Review Report 26

CORPORATE DIRECTORY

DIRECTORS
Will Rouse
Executive Chairman

Stephen Forman
Non-Executive Director

Sam Wright
Non-Executive Director

Bryant Mclarty
Non-Executive Director

CHIEF EXECUTIVE OFFICER
Toby Chandler

COMPANY SECRETARY
Sam Wright

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

ASX CODE
Shares (CDI's): SMN

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

DIRECTORS' REPORT

The Directors submit their report for the half-year ended 31 December 2021.

DIRECTORS

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

Will Rouse	Executive Chairman
Sam Wright	Non-Executive Director
Stephen Forman	Non-Executive Director
Bryant Mclarty	Non-Executive Director (appointed 20 October 2021)
Mike Reveley	Non-Executive Director (resigned 20 October 2021)

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

REVIEW OF OPERATIONS

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

Anodyne Electronics Manufacturing Corp. new 40,000 sq. ft. facility in Kelowna BC, Canada

REVIEW OF OPERATIONS *Continued*

Manufacturing – avionics/audio ("AEM")

AEM's platform performed incredibly well in the face of unprecedented market conditions resulting from the Covid-19 pandemic, with top-line revenue for the first 6 months of the current financial year of A$6.697 million v A$8.480 million (-21.03%) for the same period in the prior year. Normalised EBITDA for the first 6 months was $A1.419 million v A$1.305 million in the prior period.(+8.74%). Revenue is expected to lift in the second half of the year as Eagle Audio products come online and total revenue is conservatively budgeted for the current year at A$15.156 million (vs A$15.340 million in the prior year). Forward looking forecasts assume a continued trend for AEM audio products in the aviation industry building on late 2021/early 2022 demand. This trend may be impacted upon by Covid-19 and any other events affecting demand and supplies within the aviation industry.

The order pipeline for the third quarter is stronger than the first two quarters, driven primarily by the AEM audio line of products. Customer enquiries have noticeably increased and sales staff have recommenced travel which has been largely non-existent for the last 2 years.

Transition to the new premises is mostly complete, from an operations perspective, approximately 95% of processes are online. Productivity has not been impacted and deliverables to customers continue to be met. Some disruption to production occurred during December 2020 and January 2021 while transitioning to the new facility but without impact to customers. AEM has invested circa $3 million in acquiring manufacturing equipment for the new facility (mostly replacing very old and obsolete equipment) and we anticipate productivity gains as we return to normal operating levels.

The Eagle Audio acquisition, announced in September 2021, is now fully integrated (inventory, production, processes) and order deliveries commenced in January 2022. Demand levels are higher than anticipated and customer feedback has been enthusiastic.

The first iteration of the new generation AEM radio is now complete and has shipped to the sponsoring launch customer. Ongoing developments will see variants of this product shipped to other customers during the calendar year 2022. These radios will replace old and obsolete competitor products. All of the IP is owned by AEM.

CVM™ ("SMS")

Wi-Fi Radome STC Update and Outlook:

As we highlighted in our recent AGM, we are in the final workflow stages for the US Federal Aviation Authority (FAA) to grant Supplemental Type Certification (STC) approval for CVM™ Sensor technology on the B737-800 Intelsat (GoGo) Wi-Fi antenna inspection. Advancement has been made with acceptance of the Non-Destructive Testing Manual by the FAA, SMS and Delta Engineering (DE) have submitted to the FAA a Similarity Assessment document linking the Environmental, Durability and Reliability testing to the current design. We are hopeful that a timely response from the FAA will see this submittal as the last step in an extensive process providing approval by early March 2022.

Post STC approval this will mark a significant milestone for the SMS group being the first-ever Structural Health Monitoring sensor validated and certified for detecting cracks on commercial aircraft.

As we have highlighted previously, post approval SMS personnel will reach out to all the major airlines who previously indicated a high level of interest in CVM™ technology, to inform them of the STC approval and validation by the FAA of CVM™. We will highlight to all airlines that the STC establishes a basis for certifying additional new inspection applications, beyond the Wi-Fi antenna structure.

REVIEW OF OPERATIONS *Continued*

737 APB Update and Outlook

Boeing has engaged with SMS and has offered support, consultation, and certification process in qualifying the APB application in 2022. Internally at Boeing, the SHM program received funding allowing Boeing Engineering to participate in a meeting early this year with SMS and plans to continue interaction with SMS throughout the program. Boeing has provided the desired initial environmental and performance specifications to SMS and has continued to work with SMS on draft revisions, Boeing has targeted early March for finalising the specifications and clarifying test requirements. This information will allow SMS to revise the associated specification document, qualification plans and procedures for submittal back to Boeing for review.

Corporate
Organisational Updates

During the half-year, the Directors have listened to and taken on board the concerns of our shareholders and to that end have made changes to the board of directors with further appointments of an aerospace executive CEO to come.

As we also highlighted at the AGM, we are very pleased and excited to announce Dr Dennis Roach has joined the SMS executive team in a consulting capacity. Dr Roach spent 35 years at Sandia National Laboratories where he was Senior Technical Fellow and the Chief Engineer in the FAA's Airworthiness Assurance Center which Sandia Labs operated for the Federal Aviation Administration. Dr Roach is recognised as a global structure health expert, his addition to our team adds expertise to the company that will be critical to the further development of CVM™ solutions.

We also expect to make further announcements in the near future regarding the appointment of an industry specific director and executives to coincide with the anticipated issue of the inaugural STC for the GoGo Wi-Fi.

Corporate
Capital Raise

Following the provision of declaratory relief under a court order pursuant to section 1322 of the Corporations Act 2001 the Company intends to lodge prospectuses for an equity issue to raise up to approximately $6 million plus an Oversubscription Facility to accept a further $3 million before costs of issue. The Company will also offer a rights issue of options to raise approximately $1 million.

The CDI Entitlement Issue and Option offer while strengthening the Group's balance sheet will also provide the necessary capital to assist in commercialising CVM™ post the expected near term GoGo WiFi STC approval. The primary purpose of the Option Offer will be to reward eligible holders with an opportunity to acquire Options at an attractive price.

All directors are committed to taking up their full CDI and option entitlements.

Executive Chairman, Will Rouse commented, "The offer will be provided to our shareholders as recognition of their invaluable support to the company. We are making solid progress in our STC application and look forward to achieving further milestones and for shareholders to benefit from their patience."

Board appointment

On 20 October 2021, the Company appointed Bryant Mclarty to the Board of Directors, where he was appointed an independent Non-Executive Director. Bryant has served on the Board of a number of Australian and UK listed companies and has over 25 years' experience in equities and capital markets.

Mike Reveley resigned as a Non-Executive Director on the same date. The Board thank him for his service and valuable contribution during his time with the Company and wish him well in his future endeavours.

REVIEW OF OPERATIONS *Continued*

Operating Results

The Group incurred an after-tax loss for the half-year ended 31 December 2021 of $1.472 million (2020: $1.009 million), an increase of 46% on the prior period. The loss was attributable to the funding of commercialisation of CVMTM technology, pursuing the Delta programme and the costs associated with operating an ASX listed company in Australia. The loss was also attributable to a reduction in sales generated by wholly-owned subsidiary, Anodyne Electronics Manufacturing Corp and payment of back-dated royalty fees for the years 2016 to 2021 of $0.584m plus interest.

The Group recorded a gross profit of $2.624 million (2020: $4.367 million), a decrease of 40% on the prior period. The Group also recorded revenues of $6.697 million (2020: $8.480 million), a decrease of 21% on the prior period. Other key expenses during the period were costs of sales of $4.073 million (2020: $4.113 million) and employee expenses of $2.308 million (2020: $2.745 million). The movements were negatively impacted by the Covid-19 pandemic. Share-based payments reduced to $0.037 million in the period (2020: $0.932 million) as a result of the grant of performance rights in prior years now fully vested. Other corporate and administration expenses increased to $1.388 million during the period (2020: $0.705 million) primarily as a result of the payment of back-dated royalty fees and associated legal costs.

During the half-year the Company granted Performance Rights to one executive in lieu of fee. The share-based payment expense recognised for the half-year was $0.037 million (2020: $0.932 million). Full details of the share-based payments are disclosed in Note 6: Share-based payments in the notes to the condensed consolidated financial statements.

During the period wholly-owned subsidiary AEM acquired Canadian based business Eagle Audio for a consideration of $4.521 million funded through the use of its existing loan facilities. Details of the acquisition are disclosed in Note 15 Business Combinations.

At the reporting date the Group had net assets of $12.728 million (30 June 2021: $14.014 million).

As at 31 December 2021, the Group held cash at bank of $0.293 million (30 June 2021: $2.381 million).

Future developments

In the short and medium-term the Group will focus on obtaining FAA approval and developing commercial sales of APB and Wi-Fi sensor applications.

Annual General Meeting

SMS held its Annual General Meeting of Shareholders as a virtual meeting on 25 January 2022.

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

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date the Company held its Annual General Meeting ("AGM") as a virtual meeting and all resolutions put to shareholders were passed by a poll.

Also, subsequent to the balance date the Company entered into a voluntary suspension of trading of its securities whilst it sought declaratory relief under a court order pursuant to section 1322 of the Corporations Act 2001 relating to potential prior trading in certain CDIs issued while those CDIs remained subject to secondary trading restrictions under the Corporations Act. Relief was obtained on 24 February 2022. The Company will seek to finalise and lodge prospectuses for an equity issue to raise up to approximately $6 million plus an Oversubscription Facility to accept a further $3 million before costs of issue. The issue will also offer a rights issue of options to raise approximately $1 million.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE *Continued*

As an interim funding measure, the directors of the Company have committed to provide an unsecured bridging loan to the Company for up to $500,000 to provide general working capital. The Directors may offset such loan amounts against any respective subscription monies that may be payable under future capital raises.

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

Signed in accordance with a resolution of the Directors.

Will Rouse
Executive Chairman
Perth, Western Australia
28 February 2022

Condensed Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2021

	Note	6 months to 31 Dec 2021 (reviewed) $000’	6 months to 31 Dec 2020 (reviewed) $000’
Continuing operations			
Revenue	5	6,697	8,480
Cost of sales		(4,073)	(4,113)
Gross profit		2,624	4,367
Other income		753	57
Loss on debt for equity swap		-	(21)
Depreciation and amortisation		(539)	(453)
Administrative and corporate expenses		(1,338)	(705)
Employee expense		(2,308)	(2,745)
Occupancy expenses		(9)	(56)
Research and development expenses		(206)	(260)
Sales and marketing expenses		(269)	(277)
Share-based payments	6	(37)	(932)
Loss from continuing operations before income tax and finance costs		(1,329)	(1,025)
Finance income		-	1
Finance costs		(164)	(10)
Foreign currency translations		(13)	(208)
Loss before income tax benefit		(1,506)	(1,242)
Income tax benefit		34	233
Net loss attributable to members of Structural Monitoring Systems Plc		(1,472)	(1,009)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		97	(206)
Other comprehensive income/(expense)		97	(206)
Total comprehensive loss for the period		(1,375)	(1,215)
Basic and diluted loss per share (cents per share)	7	(1.21)	(0.85)

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

Condensed Consolidated Statement of Financial Position
As at 31 December 2021

	Note	As at 31 December 2021 (reviewed) $000'	As at 30 June 2021 (audited) $000'
ASSETS			
Current assets			
Cash and cash equivalents		293	2,381
Trade receivables		2,367	2,347
Inventory	*8*	8,441	7,088
Other current assets	*9*	2,595	511
Total current assets		13,696	12,327
Non-current assets			
Plant & equipment		690	444
Right-of-use assets		1,608	373
Intangible assets and goodwill	*10*	7,681	3,718
Total Non-current assets		9,979	4,535
Total assets		23,675	16,862
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	3,047	1,845
Borrowings		1,771	-
Lease liabilities		164	268
Tax payable		-	126
Total current liabilities		4,982	2,239
Non-current liabilities			
Borrowings		4,090	-
Lease liabilities		1,398	70
Deferred tax		477	539
Total non-current liabilities		5,965	609
Total liabilities		10,947	2,848
NET ASSETS		12,728	14,014
Equity			
Issued capital	*12*	31,949	31,949
Share premium account	*12*	36,475	36,492
Other reserves	*13*	(1,030)	(1,233)
Accumulated losses		(54,666)	(53,194)
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF STRUCTURAL MONITORING SYSTEMS PLC		12,728	14,014

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

Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2021

	Note	6 months to 31 Dec 2021 (reviewed) $000'	6 months to 31 Dec 2020 (reviewed) $000'
Cash flows from operating activities			
Receipts from customers		6,678	7,416
Payments to suppliers and employees		(7,592)	(7,728)
Income taxes paid		(281)	(347)
Interest income		-	1
Interest expense		(164)	(10)
Net cash flows used in operating activities		(1,359)	(668)
Cash flows from investing activities			
Net cash paid on acquisition of business	*15*	(4,521)	-
Payments for development expenses capitalised		(515)	-
Payments for plant and equipment		(315)	(99)
Net cash flows used in investing activities		(5,351)	(99)
Cash flows from financing activities			
Proceeds from borrowings		5,861	-
Payment for security deposit		(1,100)	-
Repayment of lease liability		(254)	(217)
Proceeds from issue of shares		-	319
Costs of issue		(17)	(6)
Net cash flows from/(used in) financing activities		4,490	96
Net decrease in cash and cash equivalents		(2,220)	(671)
Net of borrowing cash and cash equivalents at beginning of period		2,381	2,065
Effect of foreign exchange on balances		132	(98)
Cash and cash equivalents at end of period		293	1,296

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

Condensed Consolidated Statement of Changes in Equity attributable to members of Structural Monitoring Systems PLC For the Half-Year Ended 31 December 2021

Consolidated (reviewed)	Issued capital $000'	Accumulated losses $000'	Share premium reserve $000'	Share-based payment reserve $000'	Foreign exchange reserve $000'	Total equity $000'
At 1 July 2020	31,946	(56,028)	35,967	3,492	(1,976)	13,401
Loss for the period	-	(1,009)	-	-	-	(1,009)
Other comprehensive income/ (expense)	-	-	-	-	(206)	(206)
Total comprehensive loss for the period	-	(1,009)	-	-	(206)	(1,215)
Transaction with owners in their capacity as owners:						
Share-based payments - shares	2	388	318	-	-	708
Shares issued on conversion of performance rights	-	94	-	(94)	-	-
Share-based payments – performance rights	-	-	-	884	-	884
Expiry of performance rights	-	3,743	-	(3,743)	-	-
Share issue costs	-	-	(6)	-	-	(6)
At 31 December 2020	31,948	(52,812)	36,279	539	(2,182)	13,772
At 1 July 2021	31,949	(53,194)	36,492	643	(1,876)	14,014
Loss for the period	-	(1,472)	-	-	-	(1,472)
Other comprehensive income/ (expense)	-	-	-	-	97	97
Total comprehensive loss for the period	-	(1,472)	-	-	97	(1,375)
Transaction with owners in their capacity as owners:						
Share-based payments – performance rights	-	-	-	106	-	106
Share issue costs	-	-	(17)	-	-	(17)
At 31 December 2021	31,949	(54,666)	36,475	749	(1,779)	12,728

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

1. GENERAL INFORMATION

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

The interim financial report of the Company as at and for the six months ended 31 December 2021 comprises the condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group's principal activity was the design and manufacture of electronic products and the provision of manufacturing services to the aviation industry.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the United Kingdom. The accounting policies are consistent with those set out and applied in the statutory accounts of the Group for the year ended 30 June 2021, which were prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

This condensed consolidated interim financial report is intended to provide users with an update on the latest annual financial statement of Structural Monitoring Systems PLC and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this interim financial report to be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

The interim financial information for the period from 1 July 2021 to 31 December 2021 is unaudited. In the opinion of the Directors the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in accordance with IAS 34. The financial information incorporates comparative figures for the reviewed interim period from 1 July 2020 to 31 December 2020 and audited as at 30 June 2021.

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

The comparative financial information for the year ended 30 June 2021 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts of Structural Monitoring Systems Plc for the year ended 30 June 2021 have been reported on by the Company's auditor, Elderton UK, and have been delivered to the Registrar of Companies. The report of the auditor was unqualified. The auditor's report did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

The interim financial report was authorised for issue in accordance with resolution of the directors on 28 February 2022.

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

The accounting policies have been consistently applied with those of the year ended 30 June 2021 and corresponding interim reporting period.

2. BASIS OF PREPARATION *Continued*

Significant accounting estimates

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated financial statements the significant estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 June 2021.

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the condensed consolidated financial statements, the Group incurred a loss after tax of $1.472 million and had net cash outflows from operating activities of $1.359 million for the half-year ended 31 December 2021.

Management have prepared a cashflow forecast for the 14 months to 28 February 2023. This forecast includes a capital raising of $6 million by means of a Rights Issue and if applicable, a private placement which is expected to be completed before the end of March 2022.

During February 2022 the Company has executed an agreement with two directors for a loan of $200,000 which has been drawn down to date. The directors have committed to further provide another $300,000 of an unsecured bridging loan for general working capital purposes.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities, the realisation of assets and discharge of liabilities in the normal course of business as well as the availability of an established operating loan facility of CAD$5 million (reducing to CAD$4.5 million on 31 July 2022). In addition, following the grant of relief under a court order seeking relief under section 1322 of the Corporations Act 2001, the Company will lodge a prospectus seeking to raise, through the issue of CDIs, approximately $6 million plus a further $3 million in oversubscriptions. The directors consider the going concern basis of accounting to be appropriate based on forecast cash flows, the intended capital raise and the ongoing availability of the loan facility. Should the Company be unsuccessful in raising additional funds there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

3. SUBSEQUENT EVENTS

Subsequent to the balance date the Company held its Annual General Meeting ("AGM") as a virtual meeting and all resolutions put to shareholders were passed by a poll.

Also, subsequent to the balance date the Company entered into a voluntary suspension of trading of its securities whilst it sought declaratory relief under a court order pursuant to section 1322 of the Corporations Act 2001 relating to potential prior trading in certain CDIs issued while those CDIs remained subject to secondary trading restrictions under the Corporations Act. Relief was obtained on 24 February 2022. The Company will seek to finalise and lodge prospectuses for an equity issue to raise up to approximately $6 million plus an Oversubscription Facility to accept a further $3 million before costs of issue. The issue will also offer a rights issue of options to raise approximately $1 million.

As an interim funding measure, the directors of the Company have committed to provide an unsecured bridging loan to the Company for up to $500,000 to provide general working capital. The Directors may offset such loan amounts against any respective subscription monies that may be payable under future capital raises.

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

4. OPERATING SEGMENTS

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

The Group operates predominantly in two industries, being structural health monitoring. (CVM™) and the design and manufacture of avionics and audio systems. A third segment refers to the intellectual property (IP) held in another subsidiary of the Parent. Company overheads are recorded in the Parent entity operating in the structural health monitoring segment (CVM™).

Revenue to third parties by origin is Canada (for avionics/audio) and Australia (for CVM™ segment).

The Parent Company is registered in the United Kingdom.

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

The operations of the Group are not influenced by seasonal or cyclical factors.

	CVM™ IP $000'	Avionics/ audio $000'	CVM™ $000'	Total $000'
Half-year ended 31 December 2021				
Revenue				
Revenue from contracts with customers	-	5,897	-	5,897
Revenue from the rendering of services	-	800	-	800
Segment revenue	-	6,697	-	6,697
Sales revenue by customer location:				
North America	-	5,766	-	5,766
Europe	-	836	-	836
Other	-	95	-	95
Total revenue	-	6,697	-	6,697
Results				
Other revenue	-	751	2	753
Profit/(loss) before tax	(999)	764	(1,271)	(1,506)
Income tax benefit/(expense)	-	34	-	34
Profit/(loss) for the period	(999)	798	(1,271)	(1,472)
Assets and liabilities				
Segment assets	185	23,326	164	23,675
Segment liabilities	621	9,831	495	10,947
Included within segment results:				
Depreciation and amortisation	-	538	1	539
Financial expense	(46)	(116)	(2)	164
Foreign currency gains/(losses)	3	(16)	-	(13)

4. OPERATING SEGMENTS *Continued*

	CVM™ IP $000'	Avionics/ audio $000'	CVM™ $000'	Total $000'
Half-year ended 31 December 2020				
Revenue				
Revenue from contracts with customers	-	7,471	-	7,471
Revenue from the rendering of services	-	1,009	-	1,009
Segment revenue	-	8,480	-	8,480
Sales revenue by customer location:				
North America	-	6,807	-	6,807
Europe	-	940	-	940
Middle East	-	564	-	564
Other	-	169	-	169
Total revenue	-	8,480	-	8,480
Results				
Other revenue	-	-	57	57
Profit/(loss) before tax	(186)	846	(1,902)	(1,242)
Income tax benefit	-	233	-	233
Profit/(loss) for the period	(186)	1,079	(1,902)	(1,009)
Assets and liabilities				
Segment assets	799	14,765	350	15,914
Segment liabilities	38	1,667	437	2,142
Included within segment results:				
Depreciation and amortisation	-	452	1	453
Financial income	1	-	-	1
Financial expense	-	(7)	(3)	(10)
Foreign currency gains/(losses)	-	(171)	(37)	(208)

Segment revenues represent revenue generated from external customers. There were inter-segment revenues of $nil (2020: $0.266 million) in the current period.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue from contracts with customers by customer location:	6 months to 31 December 2021 $000'	6 months to 31 December 2020 $000'
North America	5,766	6,807
Europe	836	940
Middle East	-	564
Rest of world	95	169
Total revenue	6,697	8,480

There were no impairment losses on receivables in the statement of comprehensive income for the six months ended 3 1 December 2021.

Revenue from contracts with customers by customer location:	North America $000'	Europe $000'	Middle East $000'	Rest of world $000'
Segment revenue	5,766	836	-	95
Eliminations	-	-	-	-
Total revenue from contracts with customers	5,766	836	-	95

There were no impairment losses on receivables in the statement of comprehensive income for the six months ended 31 December 2020.

Revenue from contracts with customers by customer location:	North America $000'	Europe $000'	Middle East $000'	Rest of world $000"
Segment revenue	7,073	940	564	169
Eliminations	(266)	-	-	-
Total revenue from contracts with customers	6,807	940	564	169

6. SHARE-BASED PAYMENT EXPENSE

	6 months to 31 December 2021 $000'	6 months to 31 December 2020 $000'
Performance Rights to Directors and Executive	37	507
Performance Rights to Consultants	-	36
CDIs to Directors and Executive	-	89
CDIs to Employees	-	190
CDIs to Consultants	-	110
	37	932

Performance Rights

Directors and Executive

No Performance Rights (PRs) were issued to Directors and executives in the current period.

The expense recognised during the current period on PRs granted in prior periods to Directors was $0.023 million (2020: $0.284 million).

The expense recognised during the current period on PRs granted in prior periods to the CEO was $nil million (2020: $0.223 million).

Consultants

No PRs were issued to consultants in the current period. The expense recognised during the current period on PRs granted in prior periods to consultants was $nil (2020: $0.360 million).

In lieu of fees

During the period the CEO was issued with performance rights (PRs) in lieu of fees accrued for the period 1 April to 30 June 2021. The fair value of those PRs was determined by the closing share price at the grant date. The difference between the fair value and the amount required to settle the obligations to the CEO and consultants at the grant date was recorded as a share-based payment. The expense recorded during the period was $0.014 million (2020: $0.020 million).

7. LOSS PER SHARE

Basic loss per share

The basic and diluted loss per share for the half-year ended 31 December 2021 is 1.21 cents per share (2020: 0.85 cents per share).

Earnings

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.

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

	6 months to 31 December 2021 $000'	6 months to 31 December 2020 $000'
Net loss attributable to equity holders from continuing operations	(1,472)	(1,009)
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic loss per share	122,096,538	119,680,597
Weighted average number of ordinary shares for diluted loss per share	122,096,538	119,680,597

8. INVENTORY

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Raw materials	5,476	4,373
Work in progress	1,451	906
Finished goods	1,563	1,828
Provision for obsolescence	(49)	(19)
	8,441	7,088

9. OTHER CURRENT ASSETS

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Prepayments	1,356	346
Bank guarantee	-	66
Other receivables	8	21
GST receivable	112	47
Deposits	1,119	31
	2,595	511

10. INTANGIBLE ASSETS AND GOODWILL

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

	Goodwill $000'	Certifications $000'	Licence agreement $000'	Technology $000'	Total $000'
Consolidated					
Balance at 1 July 2021	1,454	354	32	1,878	3,718
Additions through business combinations	3,623	-	-	-	3,623
Development expenses capitalised	-	-	-	515	515
Amortisation expense	-	(119)	(11)	(75)	(205)
Effect of FX on balances	12	3	-	15	30
Balance at 31 December 2021	5,089	238	21	2,333	7,681

	Goodwill $000'	Certifications $000'	Licence agreement $000'	Technology $000'	Total $000'
Consolidated					
Balance at 1 July 2020	1,444	586	53	1,118	3,201
Development expenses capitalised				901	901
Amortisation expense	-	(230)	(21)	(146)	(397)
Effect of FX on balances	10	(2)	-	5	13
Balance at 30 June 2021	1,454	354	32	1,878	3,718

11. TRADE AND OTHER PAYABLES

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Trade payables	1,587	897
Other payables	1,449	940
Taxes payable – HST, payroll tax	11	8
	3,047	1,845

12. ISSUED CAPITAL

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Ordinary Shares		
Issued and fully paid	31,949	31,949
	Shares on Issue (no.)	**$000'**
Movement in ordinary shares in issue		
At 30 June 2021	121,479,031	31,949
Issued on conversion of PRs granted previously	1,292,577	-
At 31 December 2021	122,771,608	31,949

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Share Premium Account		
Share Premium Account	36,475	36,492
	Shares on Issue (no.)	**$000'**
Movement in ordinary shares in issue		
At 30 June 2021	121,479,031	36,492
Issued on conversion of PRs granted previously	1,292,577	-
Issue costs		(17)
At 31 December 2021	122,771,608	36,475

Share premium account

The share premium account is used to record increments in the value of share issues when the issue price per share is greater than the par value. The par value of shares is GBP0.0005 (2020: GBP0.0005). Costs of the issues are written off against the account.

13. RESERVES

	As at 31 December 2021 $000'	As at 30 June 2021 $000'
Reserves		
Share-based payment reserve	749	643
Foreign currency translation reserve	(1,779)	(1,876)
	(1,030)	(1,233)

	Performance rights on issue (PRs) No.	$000'
Share-based payment reserve		
Outstanding at 30 June 2021	1,692,264	643
Grant of PRs – for PRs issued in prior years	-	23
Grant of PRs – in lieu of fees owing	180,921	83
Conversion of PRs issued previously	(1,292,577)	-
Expiry of PRs issued previously	(150,000)	-
Outstanding at 31 December 2021	430,608	749

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

Nature and purpose of reserves

Share-based payment reserve

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

Foreign currency translation reserve

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

14. FINANCIAL RISK MANAGEMENT

a) Fair Value of Financial Assets and Liabilities

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

b) Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2021	Carrying amount $000'	Contractual cash flows $000'	1 year or less $000'	1 year or more $000'
Trade and other payables (Note 11)	(3,047)	(3,047)	(3,047)	-
Borrowings	(5,861)	(5,861)	(1,771)	(4,090)
Lease liabilities	(1,562)	(1,562)	(164)	(1,398)
	(10,470)	(10,470)	(4,982)	(5,488)

30 June 2021	Carrying amount $000'	Contractual cash flows $000'	1 year or less $000'	1 year or more $000'
Trade and other payables (Note 11)	(1,845)	(1,845)	(1,845)	-
Lease liabilities	(338)	(338)	(268)	(70)
	(2,183)	(2,183)	(2,113)	(70)

c) Foreign Currency Risk

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

15. BUSINESS COMBINATION

Acquisition

On 2 September 2021 Structural Monitoring Systems Plc acquired Eagle Audio, a division of Eagle Copters Limited, a company incorporated in Canada, through its wholly owned subsidiary Anodyne Electronics Manufacturing Corporation.

Eagle Audio is a designer and manufacturer of audio systems for the rotary and fixed wing aircraft market, providing a number of leading high-quality products and technologies across a wide array of end users in a variety of critical mission sectors, including but not limited to military, EMS law enforcement and electronic news gathering.

Eagle Audio's current Gen II Audio System the P-139-HD Digital Audio System is the most capable digital system available today in its class, where the business holds several Supplemental Type Certificates in key markets in North America and internationally.

15. BUSINESS COMBINATION *Continued*

The primary reason for the acquisition was the long-term value provided by the acquisition of products and IP with synergies to AEM's existing product line at very attractive terms increasing top line revenues and earnings.

The total cost of the acquisition was $4,520,806 financed by cash reserves and the availability of an existing operating loan facility with HSBC Canada.

Consideration transferred

Acquisition date fair value of the consideration transferred

	$
Cash paid on settlement	4,597,788
Other costs	97,876
Inventory adjustment arising from acquisition (i)	(174,858)
Total consideration	4,520,806

(i) Calculated as being the difference between target inventory and closing inventory at settlement.

There were no other costs of acquisition incurred prior to the reporting date.

Assets acquired, and liabilities assumed at the date of acquisition

	Fair value $
Inventory	880,617
Property, plant and equipment	42,960
Fair value of identifiable net assets acquired	923,577
Goodwill	3,597,229
Total consideration	4,520,806

The Company is in the process of finalising the measurement of the fair value of the assets acquired and the liabilities assumed. The Company has reported provisional numbers as at 31 December 2021 and will finalise the measurement by 30 June 2022. Any changes will not affect the consideration reported.

After the measurement period ends, the Company will make adjustments to correct errors in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors.*

Post-acquisition results

Due to WIP remaining with the vendors to complete orders and the transfer of inventory and staff together with the relocation to new AEM premises post-acquisition no revenue to 31 December 2021 nor loss after tax attributable to members for the period was recorded.

16. COMMITMENTS AND CONTINGENCIES

Contingent liability

During the period, royalties for the years 2016-2020 were paid by Structural Monitoring Systems Limited (SMS Ltd) to Tulip Bay Pty ltd in accordance with an award made in an arbitration. The amount paid, including interest, was $0.527 million. A further $0.102 million in respect of the royalty fee for 2021 was paid subsequent to the reporting date. The period in which SMS Ltd is required to pay royalties would extend to the period in which US Patent 8,225,642 is active or is otherwise surrendered by SMS Ltd. US Patent 8,225,642 is due to expire 27 November 2027.

Also, subsequent to the reporting date, a claim for arbitration costs and disbursements of $0.619 million was received by the company from Tulip Bay Pty Ltd which, Tulip Bay Pty Ltd argue, are for re-imbursement of its reasonable legal costs and disbursements arising from the arbitration process and final hearing. That amount has been disputed and, following submissions by the parties, the arbitrators will determine an amount that they consider appropriate in the circumstances.

Commitments

At the reporting date AEM has committed to an additional CAD$0.494 million in equipment purchases to be financed under an existing equipment finance lease with its bankers.

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

Directors' Declaration

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

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

- (i) give a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date; and
- (ii) comply with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the United Kingdom.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Will Rouse
Executive Chairman
Perth, Western Australia
28 February 2022

ELDERTON

AUDIT (UK)

Independent review report to the members of Structural Monitoring Systems PLC

We have been engaged by Structural Monitoring System PLC (the 'parent company') and its subsidiaries (the 'group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 which comprises the condensed consolidated Statement of Profit or Loss, the condensed consolidated Statement of Comprehensive Income, the condensed consolidated Statement of Changes in Equity, the condensed consolidated Statement of Financial Position, the condensed consolidated Statement of Cash flows and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Rules of the Australian Stock Exchange. As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty related to Going Concern

We draw attention to the Basis of Preparation note on page 13 of the financial report, which described that the ability of the group to continue as a going concern is dependent on the directors loan and equity finance. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the Rules of the Australian Stock Exchange.

Limited liability by a scheme approved under Professional Standards Legislation

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Use of this report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group, for our review work, for this report, or for the conclusions we have formed.

Nicholas Hollens

Nicholas Hollens
Elderton Audit (UK)
Statutory Auditor

28 February 2022

Level 2, St Georges Terrace, Perth WA 6000.

STRUCTURAL MONITORING SYSTEMS plc