

Structural Monitoring Systems plc
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Structural Monitoring Systems Plc
ARBN:	106 307 322
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	25% to	27,951
Loss from ordinary activities after tax attributable to the owners of Structural Monitoring Systems plc	down	69% to	(1,041)
Loss for the year attributable to the owners of Structural Monitoring Systems plc	down	69% to	(1,041)
Dividends			
It is not proposed to pay dividends.			

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1.04m (30 June 2023): \$3.31m).

For further details refer to the financial statements and the review of operations that follows in this report.

Review of Operations

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

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

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

CONSOLIDATED	FY24 \$000'	FY23 \$000'	%
Gross Revenue	27,951	22,381	25
Net Loss After Tax	(1,041)	(3,314)	(69)
EBITDA/(LBITDA)	1,993	(275)	-

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

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

AEM CVM™

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

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

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

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

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

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

Review of Operations (continued)

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

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

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

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

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

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

AEM CVM™ recorded gross revenue for the year of \$0.13m (2023: \$0.37m).

AEM Avionics

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

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

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

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

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

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

AEM Avionics recorded gross revenue for the year of \$11.13m (2023: \$9.32m), an increase of 19.5% on the prior year.

Review of Operations (continued)

AEM Contract Manufacturing

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

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

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

Corporate

LOC Facility

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

Share-based payments

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

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

Share placement

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

Brand and digital presence

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

Projected Outlook

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

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

AEM Avionics

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

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

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

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

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

AEM Contract Manufacturing

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

AEM CVM™

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

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

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

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

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

Group Revenue Projected Outlook

On a consolidated basis the Group is projecting an increase in revenue of approximately 25% for 2025 Financial Year and will report on progress against that target, and the net profit and EBITDA implications on a quarterly basis.

Analysis Using Key Financial Performance Indicators and Milestones

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

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

The Group recorded revenue during the year of \$27.95m (2023: \$22.38m), an increase of 25% year on year. Other key expenses during the year were consumables and raw materials used of \$13.29m (2023: \$10.82m), depreciation and amortisation expenses of \$2.21m (2023: \$2.35m), employee costs of \$8.63m (2023: \$8.26m) and sales and marketing expenses of \$1.03m (2023: \$1.09m). In accordance with IAS 38 *Intangible assets* the Group has capitalised development expenses of \$1.27m (2023: \$1.12m) incurred in the internal development of products at the commercialisation stage of development.

At the reporting date the Group had net assets of \$14.62m (2023: \$14.91m). The Group had trade and other receivables of \$2.59m, inventory of \$13.97m and intangible assets of \$6.77m, including goodwill of \$1.57m. The key movements during the year were an increase of C\$1.00m in the Group's debt facility with Royal Bank of Canada, an increase in trade receivables of 31% as revenues grew by 25%. Issued capital increased by \$1.40m principally as the result of a \$1.00m share placement during the year before issue costs of \$0.09m.

The Group EBITDA for the financial year was \$1.99m. (2023: LBITDA \$0.28m).

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

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

All financials are quoted in Australian dollars unless otherwise stated.

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Statement of comprehensive income
For the year ended 30 June 2024

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

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Statement of financial position
As at 30 June 2024

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Assets				
Current assets				
Cash and cash equivalents	1,260	961	34	6
Trade and other receivables	2,589	1,981	-	-
Inventory	13,965	13,469	-	-
Prepayments and other current assets	568	615	111	133
Total current assets	18,382	17,026	145	139
Non-current assets				
Plant and equipment	1,314	1,627	-	-
Right-of-use assets	6,355	7,567	-	-
Intangible assets and goodwill	6,770	7,434	-	-
Loans to subsidiaries	-	-	10,609	10,662
Total non-current assets	14,439	16,628	10,609	10,662
Total assets	32,821	33,654	10,754	10,801
Liabilities				
Current liabilities				
Trade and other payables	3,786	3,891	415	625
Borrowings	5,332	4,222	-	-
Lease liabilities	1,337	1,157	-	-
Provisions	146	86	-	-
Total current liabilities	10,601	9,356	415	625
Non-current liabilities				
Borrowings	997	1,196	-	-
Lease liabilities	6,103	7,753	-	-
Deferred tax liability	499	442	-	-
Total non-current liabilities	7,599	9,391	-	-
Total liabilities	18,200	18,747	415	625
Net assets	14,621	14,907	10,339	10,176
Equity attributable to equity holders of the parent				
Issued capital	31,962	31,959	31,962	31,959
Share premium reserve	44,612	43,210	44,612	43,210
Accumulated losses	(60,994)	(59,953)	(64,941)	(63,721)
Other reserves	(959)	(309)	(1,294)	(1,272)
Total equity	14,621	14,907	10,339	10,176

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Statement of cash flows
For the year ended 30 June 2024

	Consolidated		Parent	
	2024	2023	2024	2023
	\$000'	\$000'	\$000'	\$000'
Cashflows from operating activities				
Receipts from customers	27,358	23,442	992	671
Payments to suppliers and employees	(25,600)	(24,508)	(1,607)	(2,783)
Interest paid	(752)	(703)	(2)	(12)
Net cash used in operating activities before tax received	(1,006)	(1,769)	(617)	(2,124)
Income tax received	-	248	-	-
Net cash provided by/(used in) operating activities	1,006	(1,521)	(617)	(2,124)
Cashflows from investing activities				
Proceeds from financial assets	-	1,153	-	-
Payments for development expenses capitalised	(1,157)	(1,123)	-	-
Payments for plant and equipment	(217)	(315)	-	-
Net cash used in investing activities	(1,374)	(285)	-	-
Cashflows from financing activities				
Proceeds from issue of shares	1,000	1,925	1,000	1,925
Issue costs	(89)	(150)	(89)	(150)
Proceeds from borrowings	1,434	-	-	-
Repayment of borrowings	(473)	(43)	(266)	-
Repayment of lease liabilities	(1,141)	(963)	-	-
Loans from subsidiaries	-	-	-	355
Net cash provided by financing activities	731	769	645	2,130
Net increase/(decrease) in cash held	363	(1,037)	28	6
Cash and cash equivalents at beginning of year	961	1,803	6	-
Effect of foreign exchange on balances	(64)	195	-	-
Cash and cash equivalents at end of year	1,260	961	34	6
Cash and cash equivalents	1,260	961	34	6
Borrowings	(6,329)	(5,418)	-	-
Cash and cash equivalents net of borrowings at end of year	(5,069)	(4,457)	34	6

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Consolidated statement of changes in equity
For the year ended 30 June 2024

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

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Consolidated statement of changes in equity (continued)
For the year ended 30 June 2024

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.72</u>	<u>5.57</u>

4. Control gained over entities

Name of entity	n/a
Date control gained	n/a

	\$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited.

The results for the year have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the UK. Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the UK, this announcement does not itself contain sufficient information to comply with IFRSs.

The audited financial information for the year ended 30 June 2023 is based on the statutory accounts for the financial year ended 30 June 2023 that has been filed with the Registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 30 June 2024 are expected to be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and signed following approval by the Board of Directors.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 30 June 2024 or 2023 as defined by Section 434 of the Companies Act 2006.

8. Attachments

Details of attachments (if any):

n/a

9. Signed

Signed Ross Love

Date: 30th August 2024

R. Love
Chairman