

# Appendix 4E

## Preliminary final Report

<b>Name of Entity</b>	Structural Monitoring Systems plc
<b>ABRN</b>	106 307 322
<b>Year Ended</b>	30 June 2005
<b>Previous Corresponding Reporting Period</b>	30 June 2004

### Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	544	534%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	(24,271)	447%
<b>Net profit / (loss) for the period attributable to members</b>	(24,271)	447%
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	It is Not proposed to pay –Dividends	
<b>Interim Dividend</b>	It is not proposed to pay Dividends	
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

#### Consolidated Results

- The Group incurred a loss from ordinary activities of \$24.271 million for the 12 months ended 30 June 2005, which included a charge of \$1.043 million for amortisation of goodwill on consolidation and a further writedown of \$18.628 million of this intangible asset. The adoption of International Accounting Standards means that the Board had to consider an impairment of value test of the carrying value of the goodwill. In the absence of detailed discounted net cash flow calculations, it was decided that the most conservative treatment of the carrying value was to write off the entire balance, notwithstanding the view that the Company and its technology has significant future revenue earning potential. At this stage, without historical earnings results and difficulties in reliably determining potential market sizes and future revenues, it was decided to write off the balance in its entirety. Future years' profit results will be unaffected by further such adjustments.
- A comparison of the year's profit results before amortisation and writeoff of intangibles with last year's results shows that the loss of \$4.600 million is 47% higher than the adjusted loss in the year ended 30 June 2004 of \$3.124 million.

**Dividends**

<b>Date the dividend is payable</b>	Not Applicable
<b>Record date to determine entitlement to the dividend</b>	Not Applicable
<b>Amount per security</b>	-c
<b>Total dividend</b>	-c
<b>Amount per security of foreign sourced dividend or distribution</b>	-c
<b>Details of any dividend reinvestment plans in operation</b>	Not Applicable
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	Not Applicable

**Statement of Financial Performance**

See attached

**Statement of Financial Position**

See attached

**Statement of Cash flows**

See attached

**Statement of Retained Earnings**

See attached

**Net Tangible Assets per Security**

	<b>Current Period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security</b>	1.43c	1.54c

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

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

**Details of Associates and Joint Venture Entities**

<b>Name of Entity</b>	<b>Percentage Held</b>		<b>Share of Net Profit</b>	
	<b>Current Period</b>	<b>Previous Period</b>	<b>Current Period</b>	<b>Previous Period</b>
Not Applicable				
<b>Aggregate Share of Net Profits</b>				

## Significant Information Relating to the Entity's Financial Performance

--

## Foreign Entities Accounting Framework

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

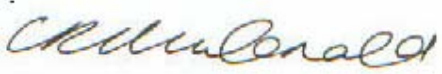
Accounting Standards applicable in the United Kingdom have been adopted by the Company in the preparation of this report.

## Commentary on the Results for the Period

As disclosed above, the results for the period have been affected by a significant writedown of goodwill on consolidation as a result of applying International Accounting Standards. A comparison of this years result excluding the intangible asset writedowns would have resulted in a 52% increase in the loss from 2004 (a loss of \$4.599 million). Revenues increased 534% on last year.

## Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Condensed Consolidated Financial Statements
2	

Signed By ( <del>Director</del> /Company Secretary)	
Print Name	Colin McDonald
Date	31 August 2005

STRUCTURAL MONITORING SYSTEMS plc  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For Period 01 July 2004 to 30 June 2005

		<b>2005</b>	<b>2004</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Turnover</b>	<b>2</b>	543,543	85,682
<b>Cost of sales</b>		67,486	52,626
<b>Gross profit</b>		476,057	33,056
Administrative expenses		(5,239,469)	(3,156,539)
Write-down of Goodwill on Consolidation		(18,628,002)	-
Amortisation of Goodwill		(1,043,435)	(1,406,301)
<b>Operating loss</b>	<b>3</b>	<b>(24,434,849)</b>	<b>(4,529,790)</b>
Other interest receivable and similar income		163,894	95,969
<b>Loss on ordinary activities before taxation</b>		<b>(24,270,955)</b>	<b>(4,433,821)</b>
Tax charge on ordinary activities		-	-
<b>Retained loss on ordinary activities after taxation for the period 1 July 2004 to 30 June 2005</b>		<b>(24,270,955)</b>	<b>(4,433,821)</b>
All amounts relate to acquisitions in the period.			
Basic loss per share	<b>4</b>	(0.138)	(0.048)
Diluted loss per ordinary share	<b>4</b>	(0.099)	(0.046)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for Period 1 July 2004 to 30 June 2005

		<b>2005</b>	<b>2004</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Total gains/(losses)		(4,271,709)	-
Opening balance		(23,783,475)	(4,433,821)
Consolidated loss after taxation	<b>2</b>	(487,480)	162,112
Currency translation differences		(28,542,664)	(4,271,709)
<b>Total recognised losses for the period since incorporation</b>		<b>(28,542,664)</b>	<b>(4,271,709)</b>

STRUCTURAL MONITORING SYSTEMS plc  
**CONSOLIDATED BALANCE SHEET**  
**30 June 2005**

	Note	2005 \$	2004 \$
<b>Fixed assets</b>			
Intangible assets	5	-	19,823,332
Tangible assets		358,709	384,539
		<b>358,709</b>	<b>20,207,871</b>
<b>Current assets</b>			
Stocks		23,682	65,219
Debtors and Prepayments		263,772	290,181
Cash at bank and in hand		2,592,737	2,721,722
		2,880,191	3,077,122
<b>Creditors:</b> amounts falling due within one year		(694,985)	(1,022,120)
<b>Net current assets</b>		<b>2,185,206</b>	<b>2,055,002</b>
<b>Net assets</b>		<b>2,543,915</b>	<b>22,262,873</b>
<b>Capital and share reserves</b>			
Called up share capital	6	21,327,114	18,735,051
Share premium account	6	9,759,465	7,799,531
Profit and loss account		(28,542,664)	(4,271,709)
<b>Equity shareholders' funds</b>		<b>2,543,915</b>	<b>22,262,873</b>

STRUCTURAL MONITORING SYSTEMS plc  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For Period 1 July 2004 to 30 June 2005**

		<b>2005</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>
Net outflow from operating activities		(2,130,584)	(2,132,835)
Returns on investments	<b>8</b>	215,972	95,969
Net capital expenditure and financial investment	<b>8</b>	(145,607)	(242,929)
Acquisitions	<b>8</b>	-	2,952,169
<b>Cash inflow before financing</b>		<b>(2,060,219)</b>	<b>672,374</b>
Financing	<b>8</b>	4,652,956	2,049,348
<b>Net funds at 30 June 2005</b>		<b>2,592,737</b>	<b>2,721,722</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>\$</b>	<b>\$</b>
Increase/(Decrease) in cash in the period	(128,985)	2,721,722
<b>Net funds at 30 June 2005</b>	<b>2,592,737</b>	<b>2,721,722</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**For Period 1 July 2004 to 30 June 2005**

		<b>2005</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>
Opening Balance		22,262,873	-
Loss for Period	<b>2</b>	(24,270,955)	(4,271,709)
Issue of shares	<b>6</b>	2,592,063	18,735,051
Share premium on issue of shares (net of expenses of issue)	<b>6</b>	1,959,934	7,799,531
<b>Equity shareholders' funds at 30 June 2005</b>		<b>2,543,915</b>	<b>22,262,873</b>

**NOTE 1: . STATEMENT OF ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the historical cost convention and applicable Accounting Standards in the United Kingdom.

A summary of the more important Group accounting policies is set out below.

**a) Basis of preparation**

Unless otherwise stated all amounts are stated in Australian dollars, being the functional currency of the group. The exchange rate at the balance sheet date was £1:\$2.37006, and the average for the year was £1:\$2.47038.

The Group's loss for this period was \$24,270,955. A separate profit and loss account for the parent has not been presented as permitted by Section 230(2) of the Companies Act 1985.

**b) Basis of consolidation**

The consolidated financial statements include the results of the Company and its subsidiary undertaking on an acquisition accounting basis. The results of the subsidiary undertaking acquired during the last financial year are included in the consolidated profit and loss account and consolidated cash flow statement from the date of acquisition.

**c) Turnover**

Turnover, which excludes GST and value added tax and trade discounts, represents the invoiced value of goods and services supplied during the period.

**d) Intangible fixed assets**

Goodwill arising on consolidation 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. Goodwill on consolidation has been capitalised as a fixed asset. At 30 June 2005 the value of goodwill on consolidation was written down to nil.

**e) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month after being brought into use. The principal annual rates used for this purpose are Plant, equipment, and other assets 6.66% - 40%.

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

**f) Stocks**

Stocks are stated at the lower of cost and net realisable value.

**g) Research and development expenditure**

Research and development expenditure is written off to the profit and loss account as incurred.

**NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)**

**h) Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is more likely than not they will be recovered.

**i) Foreign currency**

Assets and liabilities in foreign currencies are translated into Australian dollars at rates of exchange ruling at the end of the financial period. Transactions denominated in foreign currency are translated into Australian dollars at the exchange rates prevailing at the date of the transaction. All foreign exchange differences arising on transactions are taken to the profit and loss account in the year in which they arise.

**j) Employee Entitlements**

Provision is made for long service and annual leave payable to employees on the basis of relevant statutory requirements or contractual entitlements applicable in Australia.

**k) Pensions**

The company is below the threshold requiring it to maintain a Stakeholder Pension for its UK employees and there is no equivalent legislation in Australia. Accordingly, the group does not maintain a pension fund for its employees or directors. However, statutory NI payments of 12.8% are made on behalf of English employees and statutory payments of 9% are contributed on behalf of Australian employees.



STRUCTURAL MONITORING SYSTEMS plc  
**Notes to the financial statements**  
**For Period 1 July 2004 to 30 June 2005**

**NOTE 2: SEGMENTAL ANALYSIS – TURNOVER**

Turnover for 2005 is generated only from acquired operations, which are continuing.

	<b>Group 2005 \$</b>	<b>Group 2004 \$</b>
Geographic Analysis by Origin:		
UK/Europe	76,175	-
Australasia	467,368	85,682
	<b>543,543</b>	<b>85,682</b>
Geographic Analysis by Destination:		
UK/Europe	302,260	85,682
Australasia	241,283	-
	<b>543,543</b>	<b>85,682</b>

**Business Analysis**

The Company operates predominantly in one industry, being Structural Health Monitoring.

An analysis of loss before tax and net assets is given below:

	<b>Loss before tax 2005 \$</b>	<b>Loss before tax 2004 \$</b>	<b>Net assets 2005 \$</b>	<b>Net assets 2004 \$</b>
Geographical Analysis:				
UK/Europe	(1,251,423)	(590,153)	1,840	30,385
Australasia	(3,348,095)	(2,646,412)	2,542,075	22,232,488
Goodwill (subsidiaries only)	(19,671,437)	(1,197,256)	-	-
	<b>(24,270,955)</b>	<b>(4,433,821)</b>	<b>2,543,915</b>	<b>22,262,873</b>

---

STRUCTURAL MONITORING SYSTEMS plc  
Notes to the financial statements  
For Period 1 July 2004 to 30 June 2005

**NOTE 3: OPERATING LOSS**

	<b>Group 2005 \$</b>	<b>Group 2004 \$</b>
Operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets	136,600	69,430
Write-down of Intangible Assets	18,628,002	-
Amortisation of intangible assets	1,043,435	1,406,307
Group audit fees	84,636	19,000
Non audit fees:		
Corporate advice	-	7,050
Taxation advice	27,260	34,831
Research and development expenditure	-	1,422,022
Operating lease rentals: Premises	72,700	48,277
Net foreign exchange gains/(losses)	(147,100)	(27,595)
Export market development grant	(52,078)	(67,460)

---

---

**STRUCTURAL MONITORING SYSTEMS plc**  
**Notes to the financial statements**  
**For Period 1 July 2004 to 30 June 2005**

**NOTE 4: EARNINGS PER ORDINARY SHARE**

Basic earnings per share ("EPS") is calculated by dividing the earnings loss attributable to shareholders of (\$24,270,955) by the weighted average number of shares on issue during the period of 176,569,471

For calculation of diluted EPS, the weighted average number of ordinary shares on issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

	Loss 2005 \$	Shares No.	Per share amount \$
Earnings attributable to ordinary shareholders	(24,270,955)	176,569,471	(0.1375)
Effect of dilutive share options	-	69,707,622	-
	<u>(24,270,955)</u>	<u>246,277,093</u>	<u>(0.0986)</u>

**NOTE 5: INTANGIBLE FIXED ASSETS**

**The Group**

	Goodwill arising on consolidation \$	Technology licence \$	Patents \$	Total \$
<b>COST</b>				
Opening Balance	19,671,438	12,500	139,394	19,823,332
Additions	-	-	-	-
<b>AT 30 JUNE 2005</b>	<b><u>19,671,438</u></b>	<b><u>12,500</u></b>	<b><u>139,394</u></b>	<b><u>19,823,332</u></b>
<b>ACCUMULATED AMORTISATION</b>				
Amortisation	1,043,435	12,500	139,394	1,195,329
Impairment	18,628,003	-	-	18,628,003
<b>AT 30 JUNE 2005</b>	<b><u>19,671,438</u></b>	<b><u>12,500</u></b>	<b><u>139,394</u></b>	<b><u>19,823,332</u></b>
<b>NET BOOK VALUE AT 30 JUNE 2005</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

In accordance with UK Financial Reporting Standard Number 10, the directors have undertaken an impairment review of goodwill at 30 June 2005. At 30 June 2005, the directors have written goodwill down to nil.

---

---

**STRUCTURAL MONITORING SYSTEMS plc**  
**Notes to the financial statements**  
**For Period 1 July 2004 to 30 June 2005**

**NOTE 6: CALLED UP SHARE CAPITAL**

The number of authorised, allotted, called up and fully paid shares is as follows:

	<b>2005 Number</b>	<b>2005 GBP</b>
<b>Authorised</b>		
Ordinary Shares of 5p each	<u>500,000,000</u>	<u>25,000,000</u>
<b>Allotted, called up and fully paid</b>		
Ordinary Shares of 5p each	<u>178,281,568</u>	<u>\$ 21,327,114</u>

The following changes in the issued share capital arose during the year:

1. On 31 July 2004 the Company issued 20,000,000 Ordinary Shares of 25 cents each.
2. On 16 December 2004 the Company issued 138,889 Ordinary Shares at an issue price of 18 cents each to Equilateral Limited as consideration for pre-IPO Shares.

**NOTE 7: OPTIONS OVER SHARES OF STRUCTURAL MONITORING SYSTEMS PLC**

The following movements on options outstanding arose during the year ended 30 June 2005:

Opening Balance	42,179,622
Exercised during the year ended 30 June 2005	-
Granted during the year ended 30 June 2005	20,000,000
Outstanding options at 30 June 2005	<b>62,179,622</b>

Exercise price	20 cents
Last date of exercise	30 April 2007

Opening Balance	-
Granted during the year ended 30 June 2005	10,000,000
Outstanding options at 30 June 2005	<b>10,000,000</b>

Exercise price	25 cents
Last date of exercise	31 December 2009

---

---

STRUCTURAL MONITORING SYSTEMS plc  
Notes to the financial statements  
For Period 1 July 2004 to 30 June 2005

**NOTE 8: ANALYSIS OF CASH FLOWS**

	<b>Group 2005 \$</b>	<b>Group 2004 \$</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	215,972	95,969
<b>Capital expenditure and financial investment</b>		
Fixed assets	(146,998)	(252,353)
Proceeds from sale of equipment	1,391	9,424
Purchase of fixed asset investments	<u>(145,607)</u>	<u>(242,929)</u>
<b>Acquisitions</b>		
Cash acquired on acquisitions	<u>-</u>	<u>2,952,169</u>
<b>Financing</b>		
Issue of ordinary shares by Company	5,000,000	2,493,239
Issue costs	<u>(347,044)</u>	<u>(443,891)</u>
	<b>4,652,956</b>	<b>2,049,348</b>

---