



30 April 2007

The Listing Manager  
Australian Stock Exchange Limited  
Level 8, 2 The Esplanade  
PERTH WA 6000

Dear Sir

#### **APPENDIX 4C – THIRD QUARTER COMMITMENTS TEST ENTITY**

Please find attached an Appendix 4C Quarterly Report for entities admitted on the basis of commitments for the quarter ended 31 March 2007.

The following developments occurred during the quarter:

- The Company announced that The Boeing Company had agreed to include the Company's Comparative Vacuum Monitoring (CVM) structural health monitoring technology into the Boeing Common Methods non-destructive testing manual. The CVM technology is now available to be used as a validated means for performing some types of in-situ structural integrity inspections on Boeing aircraft. This is an aviation industry world first and represents a major breakthrough for the Company's unique technology and a significant move towards revenue generation opportunities.
- The Company negotiated an option with an Australian university to acquire an exclusive licence for a revolutionary new strain measurement nanotechnology for application in the aerospace industry. The technology complements the Company's existing range of structural monitoring products, and the Company, in conjunction with Airbus, will now undertake a comprehensive technical evaluation of this new technology before deciding to exercise the option to acquire the exclusive licence.
- The Company entered into agreements with Airbus to enable Airbus to evaluate CVM and the new Advanced Strain Gauge technologies mentioned above for incorporation into structural components and as a part of the integrated structural health monitoring systems being developed for two new models of Airbus aircraft. This is a significant development for the Company as it is the first time it has entered into agreements aimed at the evaluation of its technologies on specific new aircraft types.
- The development of the relationship with Brazilian aircraft manufacturer Embraer continued with a program to provide CVM instrumentation, sensors and consultancy services over three years, worth a total of AU\$1,200,000. The technology will be incorporated into future Embraer aircraft.

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**ARBN 106 307 322**

A public limited liability company incorporated under the laws of England and Wales.

- European Aeronautic Defence & Space (EADS) is to include CVM into its integrated Vehicle Health Monitoring program, with a program of activities being commenced at its centre near Paris for the qualification of CVM for a specific application on its helicopters.
- Steady progress has been made by the SMS team in the United Kingdom with the Ministry of Defence sponsored on-aircraft trials and with other military sectors such as the British Army.
- The Company held a meeting with representatives of the People's Republic of China Air Force in Beijing in late 2006. China has more than two and a half thousand military aircraft in service. A delegation from their airframe structural test facilities visited SMS in Perth in late April to assess the opportunities for using CVM.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'Colin McDonald', written in dark ink on a white background.

Colin McDonald  
Company Secretary

## Appendix 4C

**Quarterly report  
for entities admitted  
on the basis of commitments**

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Structural Monitoring Systems plc

ABN

106 307 322

Quarter ended ("current quarter")

30 April 2007

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (..9.... months) \$A'000
1.1 Receipts from customers	143	509
1.2 Payments for		
(a) staff costs	(807)	(2,486)
(b) advertising and marketing	(110)	(301)
(c) research and development	(185)	(560)
(d) leased assets	-	-
(e) other working capital	(237)	(1,033)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	60	109
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid		
1.7 Other (provide details if material) Grant income	285	1,111
Insurance refund	-	36
<b>Net operating cash flows</b>	<b>(852)</b>	<b>(2,618)</b>

	Current quarter \$A'000	Year to date (.9.... months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(852)</b>	<b>(2,618)</b>
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property	(50)	(50)
(d) physical non-current assets	(7)	(31)
(e) other non-current assets		
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	1	1
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
	(56)	(80)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>(908)</b>	<b>(2,698)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	4	3,754
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material) Cost of issues		(151)
<b>Net financing cash flows</b>	<b>4</b>	<b>3,603</b>
<b>Net increase (decrease) in cash held</b>	<b>(904)</b>	<b>905</b>
1.21 Cash at beginning of quarter/year to date	4,571	2,762
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>3,667</b>	<b>3,667</b>

## Payments to directors of the entity and associates of the directors

## Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	126
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions	

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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## Financing facilities available

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	3,667	4,571
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)	3,667	4,571

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  . Date: .....30 April 2007.....  
(~~Director~~/Company secretary)

Print name: .....Colin McDonald.....

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.