



31 October 2007

The Listing Manager  
ASX Limited  
Level 8, 2 The Esplanade  
PERTH WA 6000

Dear Sir

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

Please find attached an Appendix 4C Quarterly Report for entities admitted on the basis of commitments for the quarter ended 30 September 2007.

Some recent significant achievements have been:

- Orders have increased with the commencement of commercial production of the PM200 hand held system for on-ground monitoring of aircraft and the CVM™ switch for non-aviation applications.
- CVM™ switch opens up a broad new market for non-aviation applications of the CVM™ technology;
- Agreement in principle by the Royal Air Force (RAF) in the UK to use CVM™ to monitor structure on Nimrod aircraft, and an on-going assessment of applications on the Sea King helicopters and other fixed and rotary wing UK military aircraft;
- Sale of equipment to structural test institutes in China and their successful evaluation for the use of CVM™ in structural test programs and for retrofit to military aircraft of the Republic of China;
- An order from the US Air Force for equipment to evaluate the use of CVM™ technology for use on the large fleet of C-130 Hercules transport aircraft, and firm expressions of interest for condition based monitoring applications on other military aircraft types;
- An order from the Polish Air Force for equipment to evaluate CVM™ for use on their mixed fleet of US and former Soviet Union military aircraft; and
- Sales of equipment for the evaluation of CVM™ on a European helicopter and F-16 fighter aircraft fleet, and by a large North American aircraft manufacturer.

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**ARBN 106 307 322**

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

An investor newsletter will be released in the near future which will have a more comprehensive coverage of these significant achievements and details of future developments.

Yours faithfully

A handwritten signature in cursive script, appearing to read "Colin McDonald". The ink is dark and the signature is written in a fluid, connected style.

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 September 2007

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (... months) \$A'000
1.1 Receipts from customers	28	28
1.2 Payments for		
(a) staff costs	(854)	(854)
(b) advertising and marketing	(50)	(50)
(c) research and development	(137)	(137)
(d) leased assets	-	-
(e) other working capital	(342)	(342)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	83	83
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid		
1.7 Other (provide details if material) Grant income	291	291
<b>Net operating cash flows</b>	<b>(983)</b>	<b>(983)</b>

	Current quarter \$A'000	Year to date (3... months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(983)</b>	<b>(983)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(30)	(30)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(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)		
	(30)	(30)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>(1,013)</b>	<b>(1,013)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		
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		
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	<b>(1,013)</b>	<b>1,013</b>
1.21 Cash at beginning of quarter/year to date	6,130	6,130
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>5,117</b>	<b>5,117</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	133
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	5,117	6,130
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)	5,117	6,130

## 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: .....31 October 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.