



31 October 2008

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

Dear Sir

APPENDIX 4C – FIRST 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 2008.

The following developments were announced to ASX during the quarter:

- On 8 August 2008 the Company announced that it had issued termination notices to all executives and staff of the Company. All employees were been asked to work out their notice periods which varied from 6-weeks for executives to 4-weeks for other employees. All other costs were reduced to enable the Company to continue in operation as long as possible on its available funds of \$1.125 million. Payment of non-executive directors' fees were also suspended.
- On 26 August 2008 the Company announced that, due to the continuing adverse conditions in the financial markets, the Company had still not been able to secure the additional funding required to continue the process of commercialising the Company's leading CVM™ structural integrity monitoring technology, and as a result a further reduction in the activity of the Company to essential administration staff only was made.
- Orders for CVM™ equipment are still being received and filled from stock on hand with staff required being engaged on a casual basis.
- The Company called an Extraordinary General Meeting which was held on 27 October 2008 in order to restructure the capital of the Company. The restructuring was to reduce the "Nominal Value" of the shares that the Company can issue from UK£0.05 pence per share to UK£0.005 pence per share. Nominal Value is a concept that was relinquished in Australia many years ago but still persists under UK Corporations

Australian Office

Unit 5, 15 Walters Drive Osborne Park, WA 6017
Telephone: +61 8 9204 4844 ~ Fax: +61 8 9204 4866

United Kingdom Office

4 Elwick Road, Ashford, Kent TN23 1PF, United Kingdom ~ Telephone: +44 (0) 1233 666795 ~ Fax: + 44 (0) 1233 646840

ARBN 106 307 322

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

Law. The change has no impact on the market value of the Company's shares nor the number of shares held by each share holder.

- Nominal Value of £0.05 has seriously impacted on the Company's ability to raise capital as shares could not be issued for less than approximately \$0.11 per share.
- Changes to the articles of the Company were also put to shareholders to bring the Company's articles in line with changes to the UK Corporations Act 2006.
- The Company has announced a Rights Issue to shareholders. The success or otherwise of the Rights Issue will determine the future of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Colin McDonald', written in a cursive 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 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3... months) \$A'000
1.1 Receipts from customers	159	159
1.2 Payments for		
(a) staff costs	(440)	(440)
(b) advertising and marketing	(36)	(36)
(c) research and development	(115)	(115)
(d) leased assets	-	-
(e) other working capital	(310)	(310)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7	7
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	164	164
Redundancy payments	(203)	(203)
Net operating cash flows	(776)	(776)

	Current quarter \$A'000	Year to date (3... months) \$A'000
1.8 Net operating cash flows (carried forward)	(776)	(776)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(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)		
Net investing cash flows		
1.14 Total operating and investing cash flows	(776)	(776)
Cash flows related to financing activities		
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		
Net financing cash flows	-	-
Net increase (decrease) in cash held	(776)	(776)
1.21 Cash at beginning of quarter/year to date	1,067	1,067
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	291	291

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	99
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	
	Payments to non-executive directors were suspended effective 1 July 2008. Payments to the managing director ceased in August 2008.	

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

--

- 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

--

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

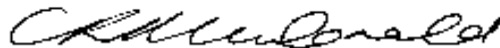
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	291	1,067
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	291	1,067

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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:

(~~Director~~/Company secretary)

Date: ...31 October 2008.....

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.