



30 July 2009

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 June 2009.

The following developments occurred during the quarter.

Discussions with a potential strategic partner that could provide financial support and a long term licencing arrangement for the Company's CVM™ structural health monitoring system are progressing well and we expect to be able to make an announcement in the near future.

The aerospace market requires suppliers to have long-term stability and experience. A customer, especially major manufacturers, and civil and military aircraft operators need suppliers and system integrators that can support products and systems over the entire life of a program, which can be for over 50 years. These customers and potential customers have advised us in the past that they cannot make the commitment to the CVM™ system as SMS, due to its size and location, is not in a position to ensure that long term stability of supply and product back up. The company that SMS has been talking with will provide that comfort to these customers.

SMS has made significant progress developing CVM™ as a structural health monitoring technology. To fully capture all of CVM™ technology's expected benefits, an integrated on-board system is needed. This development effort requires a partner with systems integration experience, as well as qualification and certification experience with complex systems. The company we are negotiating with has significant experience developing, qualifying and manufacturing everything from a single sensor to complete flight-critical systems.

The Company expects to be able to provide further information regarding the formalisation of this strategic partnership during August.

The Company has continued to service orders for sensors and instrumentation with existing customer base. The Company has also continued marketing CVM™ products through demonstrations and trade shows. The PM200 was exhibited at both Aero India 2009 and the recent Paris International air shows, and generated significant interest.

---

**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.

Several cost-cutting measures have been made over the last year and the Board monitors the cash position closely. Costs were higher this quarter in comparison to last partly as a result of overseas travel and consulting costs in relation to visits made to several major customers and a potential strategic partner. The cost of maintaining the Company's patents was also high.

The Company has received approximately \$270,000 since the end of the quarter from the Australian Taxation Office as a rebate on research and development expenditure undertaken during the year ended 30 June 2008.

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 June 2009

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (12 ... months) \$A'000
1.1 Receipts from customers	13	447
1.2 Payments for		
(a) staff costs	(184)	(969)
(b) advertising and marketing	(35)	(71)
(c) research and development	-	(115)
(d) leased assets	-	-
(e) other working capital	(227)	(905)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	22
1.5 Interest and other costs of finance paid	(2)	(8)
1.6 Income taxes paid		
1.7 Other (provide details if material) Grant income	-	164
Redundancy payments	-	(218)
Royalty payment	(22)	(66)
<b>Net operating cash flows</b>	<b>(454)</b>	<b>(1,719)</b>

	Current quarter \$A'000	Year to date (12... months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(454)</b>	<b>(1,719)</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		
(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)		
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>(454)</b>	<b>(1,719)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	1,009
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	(6)	(12)
<b>Net financing cash flows</b>	<b>(6)</b>	<b>997</b>
<b>Net increase (decrease) in cash held</b>	<b>(460)</b>	<b>(722)</b>
1.21 Cash at beginning of quarter/year to date	805	1,067
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>345</b>	<b>345</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	93
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

--

- 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

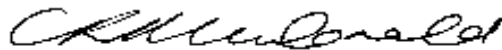
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	345	805
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)	345	805

## 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:

(~~Director~~/Company secretary)

Date: ...30 July 2009.....

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.