



29 July 2008

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 2008.

The following developments were announced to ASX during the quarter:

- The Company announced that Airbus, the major European aircraft manufacturer, had acknowledged that the Company's leading edge Comparative Vacuum Monitoring (CVM)™ technology is "Technology Ready" for inclusion in its commercial aircraft maintenance programs. Airbus has subsequently demonstrated CVM™ sensors and instrumentation to a number of airlines operating their aircraft, and discussed with them the improvements in maintenance practices that they will deliver. Three airlines have agreed to enter into an evaluation program leading to a phased in-service introduction of CVM™ technology.
- The Company announced that an important milestone for CVM™ technology was achieved with the first trial installation of a production CVM™ sensor system on a Boeing commercial aircraft structure. The installation was conducted at the FAA Airworthiness Assurance NDI Validation Centre at Sandia National Labs. In recognition of the significance of this event the senior management of Sandia National Laboratories presented certificates to the members of the team from Boeing, the involved airlines, the AANC, and SMS stating that "this team produced the Comparative Vacuum Monitoring sensor and achieved certification to install the first on-board structural health monitoring sensor ever deployed on commercial aircraft". Discussions have been on going with Boeing and the FAA regarding the approval of this first commercial aircraft fleet CVM™ application in the near future.
- The Company announced a US\$231,000 order received from Brazilian aircraft manufacturer Embraer, the first stage of a three year program to develop and qualify

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**ARBN 106 307 322**

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

CVM™ system to be incorporated into their existing and future aircraft. The initial phase of this installation involving the installation of a large number of sensors on two Full Scale Fatigue Test aircraft structures of was completed in June.

- On 20 May 2008 the Company announced that it had implemented strategies to rationalise its cost structure, and was now focusing exclusively on activities associated with the sale and production of existing CVM™ products and services. The Company suspended expenditure on its Research and Development activities and reduced staffing levels in this area. The Company also implemented a range of other cost cutting initiatives.
- A further announcement was made on 14 July 2008 stating that all executives and staff of the Company had been placed on notices of termination, and all fees to directors have been suspended. The Company is continuing to work towards a capital raising in the immediate future so that employees can be retained, and the recent good progress that has been achieved in the commercialisation of CVM™ can continue.
- Despite the challenging circumstances, the Company's executives and staff have continued to progress the development and qualification of both existing and new applications of CVM™ technology that have arisen from recent customer enquiries and meetings. These include opportunities stemming from an enquiry from a North America airline relating to their fleet of regional aircraft, and also from a meeting with the USAF in relation to one of their fighter aircraft.

The Company is also in discussion with two large multi-national companies with a range of business interests, including integrated vehicle health management systems with a view to establishing either a partnership or supplier / teaming arrangements. Both companies are first-tier suppliers to aircraft manufacturing companies, with a significant interest in emerging structural health and condition monitoring technology. They also have well established global marketing, product delivery and support services and are well placed to support the commercialisation of CVM™ sensor and instrumentation products for use on a range of air, ground and sea vehicles, and related infrastructure.

Yours faithfully



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 2008

### 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	179	430
1.2 Payments for		
(a) staff costs	(925)	(3,664)
(b) advertising and marketing	(46)	(248)
(c) research and development	(276)	(730)
(d) leased assets	-	-
(e) other working capital	(349)	(1,351)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	24	222
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	90	412
<b>Net operating cash flows</b>	<b>(1,305)</b>	<b>(4,937)</b>

	Current quarter \$A'000	Year to date (.12.... months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(1,305)</b>	<b>(4,937)</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	(1)	(126)
(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)		
	(1)	(126)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>(1,306)</b>	<b>(5,063)</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>(1,306)</b>	<b>(5,063)</b>
1.21 Cash at beginning of quarter/year to date	2,373	6,130
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>1,067</b>	<b>1,067</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	143
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	

## 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	1,067	2,373
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)	1,067	2,373

## 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: .....29 July 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.