



COMPANY UPDATE AND QUARTERLY REPORT

Structural Monitoring Systems plc is pleased to present this update on the Group's activities for the December 2004 quarter.

During the December quarter:

- Mark Vellacott was appointed to the position of Chief Executive Officer.

Mr Vellacott has an impressive record in the aerospace industry with BAE Systems where he was Head of Engineering Technology, Corporate Development, based in Adelaide from 1998 to 2001. More recently Mark was Technical Director, Asia Pacific Space Centre, based in Sydney.

He has also served as President and Chairman of the Board of the Electronic Industry Association (South Australia) from 1999 to 2001 contributing to the development of the association and the creation and launch of the South Australian Electronics Industry Strategic Plan in partnership with the SA State Government.

- The Group was awarded an Australian Army contract to trial its patented Comparative Vacuum Monitoring (CVM™) system on the Army's Sikorsky Black Hawk helicopters.

The contract value is approximately A\$215,000 and provides for the Company to initially fit its technology to three aircraft.

The trial is significant as the Australian Army is one of many users of the worldwide Black Hawk fleet of approximately 2,600 helicopters, of which 2,000 are operated by the United States military.

The contract with the Australian Army paves the way for the Company to approach other operators of the Black Hawk and marks another milestone in the commercialisation of the unique airframe monitoring technology in an industry hungry for solutions to the myriad problems associated with operating and maintenance costs.

- The Group has continued to focus on the commercialisation process of its patented CVM™ technology, and in particular:
 - the continuing involvement in full scale testing of the new Airbus A380 jumbo aircraft, which had its official roll out on 16 January 2005 and a number of other programs with Airbus;
 - finalising negotiations in the United Kingdom for the fitment of CVM™ on Royal Navy (RN) and Royal Air Force (RAF) aircraft;
 - advanced discussions with other Air Forces regarding the use of CVM™ for monitoring military aircraft; and
 - the commencement of a programme to have CVM™ incorporated in the Boeing NDT Standard Practises Manual.

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ARBN 106 307 322

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

Financial

Enclosed with this update is the Appendix 4C for the quarter ended 31 December June 2004.

The net cash outflow for the quarter was \$1,292,546 and is in line with the Group's budget. Cash flows are being closely monitored during the commercialisation phase of the Group's CVM™ technology.

Enquiries can be directed to Mark Vellacott, Chief Executive Officer on (08) 9204 4844.

For and behalf of

STRUCTURAL MONITORING SYSTEMS plc

Kent Hunter

COMPANY SECRETARY

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

STRUCTURAL MONITORING SYSTEMS PLC

ARBN

106 307 322

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	86	150
1.2 Payments for		
(a) staff costs	(847)	(1,791)
(b) advertising and marketing	(151)	(314)
(c) research and development	(17)	(47)
(d) leased assets		
(e) other working capital	(395)	(974)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	52	95
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(1,272)	(2,881)

+ See chapter 19 for defined terms.

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	117
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	<p>Explanation necessary for an understanding of the transactions</p> <div style="border: 1px solid black; padding: 5px;"> The amount represents salary and superannuation payments in respect of the Executive Director and Directors' Fees and superannuation payments in respect of Non-Executive Directors. </div>	

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

N/A

- 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

N/A

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	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

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	4,328	5,653
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		4,328	5,653

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: 31 January 2004

Print name: Robin Dean

Notes

+ See chapter 19 for defined terms.

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.

+ See chapter 19 for defined terms.