



31 January 2007

The Listing Manager
Australian Stock Exchange Limited
Level 8, 2 The Esplanade
PERTH WA 6000

Dear Sir

APPENDIX 4C – SECOND QUARTER COMMITMENTS TEST ENTITY

Please find attached an Appendix 4C Quarterly Report for entities admitted on the basis of commitments for the quarter ended 31 December 2006.

The following developments occurred during the quarter:

- The Company made a placement of 30,000,000 shares at 12.5 cents per share to several institutional investors, raising \$3,750,000. The funds will be used to continue the commercialisation and development of the Company's structural health monitoring technologies, and represent sufficient funding through to 2008.
- The Company announced that the Brazilian government approved funding to the Brazilian University of Uberlandia for a three year program for the development and qualification an in-flight structural health monitoring system based on the Company's Comparative Vacuum Monitoring (CVM) technology to be available to be incorporated into future Embraer aircraft.
- The final test program being carried out in conjunction with the FAA and Boeing to enable CVM to be included in the Boeing Component Maintenance Manual is now expected to be completed during the second half of February 2007. The Company is arranging to meet with Boeing in February to finalise the supporting documentation for the inclusion of CVM in their manual.

Yours faithfully

Colin McDonald
Company Secretary

Australian Office

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ARBN 106 307 322

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

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")

31 December 2006

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	340	366
1.2 Payments for		
(a) staff costs	(757)	(1,679)
(b) advertising and marketing	(90)	(191)
(c) research and development	(241)	(375)
(d) leased assets	-	-
(e) other working capital	(469)	(796)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	23	49
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid		
1.7 Other (provide details if material) Grant income	370	826
Insurance refund	36	36
Net operating cash flows	(789)	(1,766)

	Current quarter \$A'000	Year to date (.6.... months) \$A'000
1.8 Net operating cash flows (carried forward)	(789)	(1,766)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(19)	(24)
(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)		
	(19)	(24)
Net investing cash flows		
1.14 Total operating and investing cash flows	(808)	(1,790)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	3,750	3,750
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	(151)	(151)
	3,599	3,599
Net financing cash flows		
Net increase (decrease) in cash held	2,791	1,809
1.21 Cash at beginning of quarter/year to date	1,780	2,762
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	4,571	4,571

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	130
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	4,571	1,780
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	4,571	1,780

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 January 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.