



29 January 2010

The Listing Manager  
ASX 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 2009.

The following developments occurred during the quarter:

##### **Strategic Partnership**

On 23 September 2009 the Company announced that it had entered into a strategic partnership with a major aerospace company that is a supplier of aviation systems to large aircraft manufacturers and military air forces. During the quarter the Company progressed its relationship with its strategic partner to market and provide CVM™ products to both existing and new customers. In conjunction with the strategic partner, meetings were held with Boeing, Airbus, Bombardier and Embraer, as well as a number of civil and military operators, to discuss the status of programs and future plans for the in-service introduction of CVM™ instrumentation and sensors.

The Managing Director, Mr Mark Vellacott, is currently in the United States and together with our strategic partner will be having follow-up discussions with these parties and new potential customers; updates on further progress will be released to shareholders as developments occur.

On 14 January 2010 the Company was able to announce that it had received an order for CVM™ products from the large Brazilian aircraft manufacturer Embraer as part of a phased program to qualify its periodic CVM™ system and sensors for in-service use. A further order for an on-board CVM™ system for trial on an Embraer aircraft is expected in the near future.

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**ARBN 106 307 322**

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

## **FAA/ATA**

On 25 September 2009 the Company announced that the CVM™ technology had won the “Better Way” award given by the Federal Aviation Authority and the American Transport Association. The award is significant in that it recognises all the development, testing and certification of CVM™ over the years; neither of these organisations associates their name with a new technology or system lightly. The Company would like to thank all of the staff and engineers who over the years of development of CVM™ have contributed to this excellent result.

## **Capital Requirements**

The Company has been receiving monthly payments from its strategic partner which have helped cover operating costs. In order to maximise the opportunity presented with the strategic partner to market CVM™, to provide for the anticipated increase in production of CVM™ equipment and sensors and to provide for the Company’s medium term funding requirements the Board is considering a capital raising to provide this additional working capital once Mr Vellacott has returned from overseas.

Yours faithfully

A handwritten signature in black ink, appearing to read "Colin McDonald". The signature is written in a cursive, flowing 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")

31 December 2009

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (6 ... months) \$A'000
1.1 Receipts from customers	19	96
1.2 Payments for		
(a) staff costs	( 193)	(377)
(b) advertising and marketing	-	(2)
(c) research and development	*	(5)
(d) leased assets	-	-
(e) other working capital	(185)	(407)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	3
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid		
1.7 Other (provide details if material) Tax rebate	-	271
Partnership income	207	283
Royalty	(22)	(22)
<b>Net operating cash flows</b>	<b>(174)</b>	<b>(162)</b>

	Current quarter \$A'000	Year to date (6... months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(174)</b>	<b>(162)</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	(2)	(2)
(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>(176)</b>	<b>(164)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	1	1
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>1</b>	<b>1</b>
<b>Net increase (decrease) in cash held</b>	<b>(175)</b>	<b>(163)</b>
1.21 Cash at beginning of quarter/year to date	359	347
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>184</b>	<b>184</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

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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	184	357
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)	184	357

## 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 January 2010.....

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.