

**STRUCTURAL
MONITORING**
S Y S T E M S
p l c

31 October 2006

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

Dear Sir

APPENDIX 4C – FIRST 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 September 2006.

A newsletter was sent out recently which updated shareholders on the developments that occurred during the quarter. The annual report also contains an outline of recent and continuing developments.

Subsequent to the newsletter, the following developments have occurred:

- The Company announced details of a presentation by the FAA Airworthiness Assurance NDI Validation Centre (AANC) on the independent program being conducted by the FAA to validate the Company's Comparative Vacuum Monitoring (CVM™) technology for inclusion in the Boeing Non-Destructive Test (NDT) Standard Practices Manual (SPM). The Company is working with The Boeing Company and FAA AANC to finalise the associated program test reports and peripheral activities for the agreed incorporation of a CVM™ procedure into the Boeing NDT SPM during November.
- The appointment of Professor Malcolm Richmond as a non-executive director.

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")

30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (... months) \$A'000
1.1	Receipts from customers	26	26
1.2	Payments for		
	(a) staff costs	(922)	(922)
	(b) advertising and marketing	(101)	(101)
	(c) research and development	(134)	(134)
	(d) leased assets	-	-
	(e) other working capital	(327)	(327)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	26	26
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid		
1.7	Other (provide details if material) Grant income	456	456
		(977)	(977)
	Net operating cash flows		

	Current quarter \$A'000	Year to date (...3.... months) \$A'000
1.8 Net operating cash flows (carried forward)	(977)	(977)
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 (e) other non-current assets	(5)	(5)
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)	(5)	(5)
Net investing cash flows		
1.14 Total operating and investing cash flows	(982)	(982)
1.15 Cash flows related to financing activities 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)		
Net financing cash flows	-	-
Net increase (decrease) in cash held	(982)	(982)
1.21 Cash at beginning of quarter/year to date	2,762	2,762
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	1,780	1,780

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	126
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	1,780	2,762
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		1,780	2,762

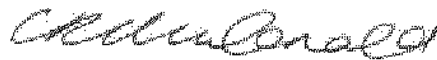
Acquisitions and disposals of business entities

	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 October 2006.....

(~~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.