

Appendix 4D Listing Rule 4.2A.3

Half Year Report

SMS MANAGEMENT & TECHNOLOGY LIMITED
ABN 49 009 558 865

1) Details of the reporting period and the previous corresponding period

Reporting period: Half year ended 31 December 2013
 Previous corresponding period: Half year ended 31 December 2012

2) Results for announcement to the market

Results	Change from previous corresponding period			December 2013
Total revenue from ordinary activities	up	\$8.7m or 6%	to	\$153.5m
Profit from ordinary activities after tax attributable to members	down	\$7.1m or 55%	to	\$5.8m
Net profit for the period attributable to members	down	\$7.1m or 55%	to	\$5.8m


Dividends	Amount per security	Franked amount per security
<i>Current period:</i> Interim dividend	5.0 cents	5.0 cents
<i>Previous corresponding period:</i> Interim dividend	13.5 cents	13.5 cents
Record date for determining entitlements to interim dividend	7 March 2014	
Payment date of interim dividend	28 March 2014	

A brief explanation of the results can be found in the accompanying Media Release, Investor Presentation and attached Interim Financial Report.

3) Net tangible assets

	Current period	Previous corresponding period
Net tangible assets per ordinary security	23 cents	89 cents

- 4) Details of entities over which control has been gained or lost during the period**
Indicium Technology Group Pty Ltd, Access Networks & Communications Unit Trust and Access Networks and Communications Pty Ltd were acquired on 4 July 2013. The Birchman Group Asia Pacific Pty Ltd and its controlled entity were acquired on 3 October 2013. For details of the profit contribution of these entities, refer note 6 to the interim financial statements in the attached Interim Financial Report.
- 5) Details of individual and total dividends and payment dates**
Refer section 2 above and also note 10 to the interim financial statements in the attached Interim Financial Report.
- 6) Details of dividend reinvestment plan**
Not applicable.
- 7) Details of associates and joint venture entities**
Not applicable.
- 8) For foreign entities, accounting standards used in compiling the report**
Not applicable.
- 9) Description of any modified opinion, emphasis of matter or other matter paragraph contained in the independent auditor's review report**
Not applicable. The independent auditor's review report does not contain any modified opinion, emphasis of matter or other matter paragraph. The independent auditor's review report is included in the attached Interim Financial Report.



Anna Gorton
Company Secretary

Date: 19 February 2014



SMS Management & Technology Limited

Appendix 4D

Interim Financial Report

31 December 2013

ABN 49 009 558 865

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SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

The directors of SMS Management & Technology Limited ("the Company") present their report, together with the financial report of the Company and its controlled entities (collectively "the Group") for the six months ended 31 December 2013 and the auditor's review report thereon.

DIRECTORS

The directors of the Company during the six months ended 31 December 2013 and up to the date of this report are:

Name	Period of Directorship
Non-Executive	
Laurence Cox	Director since 9 May 2001 - Chairman
Bruce Thompson	Director since 18 October 2000
Nicole Birrell	Director since 20 December 2004
Kerry Smith	Director since 20 December 2004, retired 22 October 2013
Derek Young	Director since 22 November 2011
Deborah Radford	Appointed 9 September 2013
Executive	
Thomas Stianos	Director since 25 March 2002 - Chief Executive Officer ("CEO")

STATE OF AFFAIRS

During the period, the Group acquired two businesses, Indicium Technology Group Pty Ltd and Access Networks & Communications Unit Trust (together "Indicium") and The Birchman Group Asia Pacific Pty Ltd and its controlled entity ("Birchman"). Please refer to the Review of Operations on page 4 for further information. In the opinion of the directors, there were no other significant changes in the state of affairs of the Group during the six months ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group operates under two separate business brands.

Under the SMS Consulting brand, the Group offers a range of value added management and technology related business services including:

- Business Performance Improvement
- Business Process Management
- Customer Relationship Management
- Information and Data Management
- Infrastructure Consulting
- Managed Services
- Operational Learning and Change
- Program and Project Services
- Systems Integration.

Under the M&T Resources brand, the Group offers:

- Recruitment and Contract Labour (predominantly in the Information Technology ("IT") sector).

There were no significant changes in the nature of the principal activities of the Group during the six months ended 31 December 2013.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Group earned total revenue from services of \$153.5 million, up 6% on the previous corresponding period. Net profit after tax of \$5.8 million was down 55% on the previous corresponding period.

During the period, the Group acquired two businesses. Indicium was acquired on 4 July 2013 for \$22 million, comprising of an up-front payment of \$12.1 million and two deferred payments conditional on profit performance over a two year period. Birchman was acquired on 3 October 2013 for \$25 million, comprising of an up-front payment of \$12.5 million and two deferred payments conditional on profit performance over a two year period. The up-front payment for Birchman was funded by debt. Please refer to Note 6 for further information.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the six months ended 31 December 2013.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated interim financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.



Laurence G Cox
Director



Thomas Stianos
Director

Signed at Melbourne on this 19th day of February 2014



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of SMS Management & Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne
19 February 2014

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	31 December 2013 \$'000	31 December 2012 \$'000
Revenue from services	153,508	144,820
Other income	-	1,307
Total income	153,508	146,127
Employee benefits expense	(125,204)	(117,077)
Other project expenses	(8,352)	(2,611)
Depreciation and amortisation expense	(778)	(412)
Administrative expenses	(3,995)	(2,582)
Occupancy expenses	(2,937)	(2,247)
Due diligence and acquisition related costs	(428)	-
Other expenses	(3,241)	(3,491)
Results from operating activities	8,573	17,707
Finance income	244	486
Finance costs	(298)	(84)
Net finance (costs) income	(54)	402
Profit before income tax	8,519	18,109
Income tax expense	(2,731)	(5,190)
Profit for the period	5,788	12,919
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences - foreign operations	116	(57)
Profit and other comprehensive income for the period attributable to the ordinary equity holders of the Company	5,904	12,862
Earnings per share:		
Basic earnings per share	8.3 cents	18.8 cents
Diluted earnings per share	8.0 cents	18.4 cents

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 10 to 22.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	31 December 2013 \$'000	30 June 2013 \$'000
Current assets			
Cash and cash equivalents		19,546	36,998
Trade and other receivables		51,662	45,061
Other		3,551	2,168
Total current assets		74,759	84,227
Non-current assets			
Plant and equipment		3,781	3,164
Deferred tax assets		1,101	-
Intangible assets	7	108,312	62,290
Total non-current assets		113,194	65,454
Total assets		187,953	149,681
Current liabilities			
Trade and other payables		12,092	9,582
Loans and borrowings	8	5,029	-
Current tax liabilities		939	3,098
Employee benefits		10,988	9,090
Other	9	13,798	777
Total current liabilities		42,846	22,547
Non-current liabilities			
Loans and borrowings	8	6,497	-
Employee benefits		963	765
Deferred tax liabilities		1,546	1,048
Other	9	11,704	1,183
Total non-current liabilities		20,710	2,996
Total liabilities		63,556	25,543
Net assets		124,397	124,138
Equity			
Issued capital		68,016	65,596
Reserves		9,725	9,262
Retained earnings		46,656	49,280
Total equity		124,397	124,138

The consolidated interim statement of financial position is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 10 to 22.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Issued capital	Foreign currency translation reserve	Equity compensation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	62,825	(827)	8,038	49,242	119,278
Total comprehensive income for the period					
Profit	-	-	-	12,919	12,919
Other comprehensive income	-	(57)	-	-	(57)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares related to business combinations	2,771	-	-	-	2,771
Equity settled share based payment transactions	-	-	905	-	905
Dividends to shareholders	-	-	-	(11,713)	(11,713)
Balance at 31 December 2012	65,596	(884)	8,943	50,448	124,103
Balance at 1 July 2013	65,596	(280)	9,542	49,280	124,138
Total comprehensive income for the period					
Profit	-	-	-	5,788	5,788
Other comprehensive income	-	116	-	-	116
Transactions with owners, recorded directly in equity					
Issue of ordinary shares related to business combinations	2,420	-	-	-	2,420
Equity settled share based payment transactions	-	-	347	-	347
Dividends to shareholders	-	-	-	(8,412)	(8,412)
Balance at 31 December 2013	68,016	(164)	9,889	46,656	124,397

The amounts recognised directly in equity are disclosed net of tax.

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 10 to 22.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Notes	31 December 2013 \$'000	31 December 2012 \$'000
Cash flows from operating activities			
Receipts from customers		169,152	168,766
Payments to suppliers and employees		(162,800)	(150,615)
Cash generated from operations		6,352	18,151
Interest received		271	467
Income taxes paid		(6,961)	(5,638)
Net cash (used in) from operating activities		(338)	12,980
Cash flows from investing activities			
Acquisition of plant and equipment		(266)	(271)
Acquisition of other assets		-	(916)
Proceeds on sale of other assets		-	1,288
Due diligence and acquisition related costs		(428)	-
Payment for controlled entities, net of cash acquired	6	(19,133)	-
Payments of deferred consideration related to previous business combinations		-	(2,021)
Net cash used in investing activities		(19,827)	(1,920)
Cash flows from financing activities			
Proceeds from borrowings		12,500	-
Repayment of borrowings		(1,290)	-
Dividends paid to shareholders		(8,412)	(11,713)
Borrowing costs paid		(252)	(4)
Net cash from (used in) financing activities		2,546	(11,717)
Net decrease in cash and cash equivalents		(17,619)	(657)
Cash and cash equivalents at 1 July		36,998	29,979
Effect of exchange rate fluctuations on cash held		167	(27)
Cash and cash equivalents at 31 December		19,546	29,295

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 10 to 22.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

1. Reporting entity

SMS Management & Technology Limited (“the Company”) is a for-profit company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2013 comprise the Company and its controlled entities (collectively “the Group”).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2013 are available upon request from the Company’s registered office at Level 41, 140 William St, Melbourne, Victoria, 3000, or at www.smsmt.com.

2. Basis of preparation

Statement of compliance

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

The consolidated interim financial statements were authorised for issue by the Board of Directors on 19 February 2014.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all amounts in the consolidated interim financial statements have been presented in Australian dollars and rounded to the nearest thousand dollars, unless otherwise stated.

Estimates

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing the consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial statements as at and for the year ended 30 June 2013.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 30 June 2013.

(a) Intangible assets

(i) Identifiable intangible assets

Identifiable intangible assets that are acquired separately or in a business combination are initially measured at cost. The cost of an identifiable intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets with a finite life are carried at cost less any accumulated amortisation and any accumulated impairment losses. Identifiable intangible assets with an indefinite life are not amortised but the recoverable amount of these assets is tested for impairment at least annually.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use:

- Customer contracts 4 - 6 years
- Customer relationships 4 - 6 years

(b) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the liabilities on an effective interest basis.

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in profit or loss in the event that the liabilities are derecognised.

(c) Revenue

Revenue from annuity based managed services contracts is recognised in profit or loss on a straight-line basis over the term of the contract.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

3. Significant accounting policies (continued)

(d) AASB 13 Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has had no significant impact on the measurement of the Group's assets and liabilities.

4. Financial risk management

During the period, the Group entered into a variable interest rate debt facility. Please refer to Note 8 for further information.

Other than the above, the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 30 June 2013.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

5. Operating segments

(i) Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate expenses and income tax liabilities.

(ii) Reportable segments

The Group has two reportable segments, which offer different services and are managed separately because they require different resources and marketing strategies. For each of the operating segments, the CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Under the SMS Consulting brand, the Group offers a range of value added management and technology related business services including:

- Business Performance Improvement
- Business Process Management
- Customer Relationship Management
- Information and Data Management
- Infrastructure Consulting
- Managed Services
- Operational Learning and Change
- Program and Project Services
- Systems Integration.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

5. Operating segments (continued)

Under the M&T Resources brand, the Group offers:

- Recruitment and Contract Labour (predominantly in the IT sector).

Refer to the table below for financial information relating to the reportable segments.

For the six months ended 31 December

	SMS Consulting		M&T Resources		Other		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
External revenue	117,147	112,344	36,361	32,476	-	-	153,508	144,820
Inter-segment revenue	-	-	7,074	4,693	-	-	7,074	4,693
Reportable segment EBITDA*	14,934	21,141	1,498	1,378	-	-	16,432	22,519
Unallocated amounts:								
Other income	-	-	-	-	-	1,307	-	1,307
Corporate expenses	-	-	-	-	(7,081)	(5,707)	(7,081)	(5,707)
Consolidated EBITDA	-	-	-	-	-	-	9,351	18,119
Net finance (expense) / income	-	-	-	-	(54)	402	(54)	402
Depreciation and amortisation	-	-	-	-	(778)	(412)	(778)	(412)
Profit before income tax	-	-	-	-	-	-	8,519	18,109
Income tax expense	-	-	-	-	(2,731)	(5,190)	(2,731)	(5,190)
Net profit after tax	-	-	-	-	-	-	5,788	12,919
Reportable segment assets	150,081	106,254	9,745	6,979	28,127	34,983	187,953	148,216

*EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

6. Business combinations

Indicium

On 4 July 2013, the Group acquired 100% of the shares in Indicium Technology Group Pty Ltd and 100% of the units in Access Networks & Communications Unit Trust (together "Indicium") for \$22,000,000, comprising of an up-front payment of \$9,680,000 in cash and \$2,420,000 in shares and two deferred payments conditional on profit performance over a two year period. Deferred payments may fall due in August 2014 and August 2015, being the contingent amount of the purchase price to be paid subject to meeting profit targets. Further amounts may be payable if profit exceeds agreed targets. The Group has provided for an amount of \$9,900,000 payable in cash and shares on the basis that the business meets certain established performance criteria. All payments and contingent payments, which have been provided for, in excess of net assets for the business have been included within goodwill.

The acquisition of Indicium is expected to provide the Group with a proven and mature managed services capability, as Indicium is a managed services provider specialising in Business Cloud and Infrastructure Management solutions for the corporate market.

For the period 4 July 2013 to 31 December 2013, Indicium contributed revenue of \$9,366,428 and profit before tax of \$2,145,308 to the Group. If the acquisition had occurred on 1 July 2013, management estimates that revenue and profit before tax would have been materially the same.

As set out below, contingent consideration, identifiable assets acquired and liabilities assumed have been recognised at acquisition date on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the provisional basis adopted, then the acquisition accounting will be revised.

Consideration

	\$'000
Cash	9,680
Shares (541,388 ordinary shares)	2,420
Contingent consideration (discounted)	9,618
Total consideration	21,718

The fair value of the ordinary shares of the Company issued as consideration was based on the volume weighted average price of \$4.47 for the 20 trading days up to and including 3 July 2013. Contingent consideration represents its fair value at the acquisition date and has been recognised at acquisition date on a provisional basis.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

6. Business combinations (continued)

Identifiable assets acquired and liabilities assumed

Notes	Pre-acquisition carrying amounts \$'000	Fair value adjustments \$'000	Recognised values on acquisition \$'000
	1,659	-	1,659
	1,457	-	1,457
	56	-	56
	819	-	819
	78	74	152
7	1,054	(1,036)	18
7	-	2,895	2,895
	-	(869)	(869)
	(2,218)	-	(2,218)
	(501)	-	(501)
	(239)	(260)	(499)
	(1,083)	-	(1,083)
	(424)	-	(424)
	658	804	1,462

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. The fair values of the identifiable assets acquired and liabilities assumed have all been recognised at acquisition date on a provisional basis.

Goodwill

Notes	\$'000
	21,718
	1,462
7	20,256

The goodwill recognised on the acquisition is attributable to the skills of the acquired employees, the client base, and the synergies expected to be achieved from integrating Indicum into the SMS business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Transaction costs

The Group incurred acquisition costs of \$99,515 relating to legal fees, due diligence and stamp duty. These costs have been included in due diligence and acquisition related costs in profit and loss.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

6. Business combinations (continued)

Birchman

On 3 October 2013, the Group acquired 100% of the shares in The Birchman Group Asia Pacific Pty Ltd and its controlled entity ("Birchman") for \$25,000,000, comprising of an up-front payment of \$12,500,000 in cash and two deferred payments conditional on profit performance over a two year period. Deferred payments may fall due in December 2014 and December 2015, being the contingent amount of the purchase price to be paid subject to meeting profit targets. Further amounts may be payable if profit exceeds agreed targets. The Group has provided for an amount of \$12,500,000 payable in cash on the basis that the business meets certain established performance criteria. All payments and contingent payments, which have been provided for, in excess of net assets for the business have been included within goodwill.

The acquisition of Birchman is expected to provide the Group with geographic expansion, as Birchman is an established IT solutions provider offering a full range of Business Consulting, Integration and Managed Services to enterprise and Government clients in Western Australia.

For the period 3 October 2013 to 31 December 2013, Birchman contributed revenue of \$8,168,437 and profit before tax of \$1,264,991 to the Group. If the acquisition had occurred on 1 July 2013, management estimates that revenue and profit before tax would have been approximately \$16,500,000 and \$2,500,000 respectively.

As set out below, contingent consideration, identifiable assets acquired and liabilities assumed have been recognised at acquisition date on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the provisional basis adopted, then the acquisition accounting will be revised.

Consideration

	\$'000
Cash	12,500
Contingent consideration (discounted)	12,244
Total consideration	24,744

Contingent consideration represents its fair value at the acquisition date and has been recognised at acquisition date on a provisional basis.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

6. Business combinations (continued)

Identifiable assets acquired and liabilities assumed

	Notes	Pre-acquisition carrying amounts \$'000	Fair value adjustments \$'000	Recognised values on acquisition \$'000
Cash and cash equivalents		1,388	-	1,388
Trade and other receivables		6,072	-	6,072
Deferred tax assets		-	1,005	1,005
Identifiable intangible assets	7	-	1,040	1,040
Deferred tax liabilities		-	(312)	(312)
Trade and other payables		(3,383)	-	(3,383)
Current tax liabilities		(866)	-	(866)
Employee benefits		(1,496)	-	(1,496)
Other current liabilities		(440)	-	(440)
Other non-current liabilities		(380)	-	(380)
Total net identifiable assets		895	1,733	2,628

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. The fair values of the identifiable assets acquired and liabilities assumed have all been recognised at acquisition date on a provisional basis.

Goodwill

	Notes	\$'000
Total consideration		24,744
Less: total net identifiable assets		2,628
Goodwill	7	22,116

The goodwill recognised on the acquisition is attributable to the skills of the acquired employees, the client base, and the synergies expected to be achieved from integrating Birchman into the SMS business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Transaction costs

The Group incurred acquisition costs of \$59,155 relating to legal fees and due diligence. These costs have been included in due diligence and acquisition related costs in profit and loss.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

7. Intangible assets and goodwill

	Goodwill	Customer contracts and relationships	Other	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
Balance at 1 July 2012	395,481	-	-	395,481
Balance at 31 December 2012	395,481	-	-	395,481
Balance at 1 July 2013	395,481	-	-	395,481
Acquisition through business combinations (see Note 6)	42,372	3,935	18	46,325
Additions	-	-	3	3
Balance at 31 December 2013	437,853	3,935	21	441,809
Amortisation and impairment losses				
Balance at 1 July 2012	(333,191)	-	-	(333,191)
Balance at 31 December 2012	(333,191)	-	-	(333,191)
Balance at 1 July 2013	(333,191)	-	-	(333,191)
Amortisation for the period	-	(306)	-	(306)
Balance at 31 December 2013	(333,191)	(306)	-	(333,497)
Carrying amounts				
At 1 July 2012	62,290	-	-	62,290
At 31 December 2012	62,290	-	-	62,290
At 1 July 2013	62,290	-	-	62,290
At 31 December 2013	104,662	3,629	21	108,312

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

8. Loans and borrowings

	31 December 2013 \$'000	30 June 2013 \$'000
Current		
Unsecured bank loan	4,928	-
Secured finance lease liabilities ⁽¹⁾	101	-
	5,029	-
Non-current		
Unsecured bank loan	6,213	-
Secured finance lease liabilities ⁽¹⁾	284	-
	6,497	-

(1) Secured by the assets leased

During the period, the Group entered into a \$12.5 million debt facility to fund the up-front payment for Birchman. The debt facility has a 3 year amortising term. The facility is unsecured and has been fully drawn. The facility is repayable on a quarterly basis, and cannot be re-drawn once repayments are made.

In addition, the Group has entered into a 3 year multi-option working capital facility of \$10 million. The facility is non-amortising, unsecured and remains undrawn at 31 December 2013.

Financing facilities

	31 December 2013 \$'000	30 June 2013 \$'000
Total facilities available		
Unsecured bank loan facility	11,250	-
Unsecured overdraft	10,000	-
	21,250	-
Facilities used at balance date		
Unsecured bank loan facility	11,250	-
Unsecured overdraft	-	-
	11,250	-
Facilities not utilised at balance date		
Unsecured bank loan facility	-	-
Unsecured overdraft	10,000	-
	10,000	-

During the period, the Group made total repayments of \$1.25 million with respect to the debt facility.

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

9. Other liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Current		
Revenue received in advance	1,860	777
Contingent consideration	11,900	-
Provisions	38	-
	13,798	777
Non-current		
Accrued rent	1,641	1,183
Contingent consideration	10,063	-
	11,704	1,183

10. Equity

Dividends

The following dividends were declared and paid by the Group during the six months ended 31 December:

	Cents per share	Total amount \$'000	Franked/ unfranked	Date of payment
2013				
Final 2013 ordinary	12.0	8,412	Franked	25 October 2013
2012				
Final 2012 ordinary	17.0	11,713	Franked	26 October 2012

Franked dividends declared or paid during the period were franked at the tax rate of 30%.

On 19 February 2014, the directors declared the payment of an interim 2014 ordinary (fully franked) dividend of 5.0 cents per share (\$3.5 million total) to be paid on 28 March 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the six months ended 31 December 2013 and will be recognised in subsequent financial statements.

Issue of ordinary shares

541,388 ordinary shares were issued in the six months ended 31 December 2013, forming part of the consideration paid relating to the acquisition of Indicium.

526,544 ordinary shares were issued in the six months ended 31 December 2012, forming part of deferred consideration paid relating to previous business combinations.

Additionally, 179,898 ordinary shares were issued in the six months ended 31 December 2013, upon the conversion of vested performance rights arising from the 2010 executive performance rights plan (31 December 2012: 436,020).

SMS MANAGEMENT & TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

11. Subsequent events

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The Group's state of affairs in future financial years.

Directors' Declaration

In the opinion of the directors of SMS Management & Technology Limited:

- (a) the consolidated interim financial statements and notes that are set out on pages 6 to 22 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Laurence G Cox
Director



Thomas Stianos
Director

Signed at Melbourne on this 19th day of February 2014



Independent auditor's review report to the members of SMS Management & Technology Limited

We have reviewed the accompanying interim financial report of SMS Management & Technology Limited, which comprises the consolidated interim statement of financial position as at 31 December 2013, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of SMS Management & Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of SMS Management & Technology Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne
19 February 2014