Appendix 4E *Listing Rule 4.3A*

Preliminary Final Report

SMS MANAGEMENT & TECHNOLOGY LIMITED
ABN 49 009 558 865

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

Reporting period: Year ended 30 June 2014
Previous corresponding period: Year ended 30 June 2013

2. Results for announcement to the market

Results	Change from previous corresponding period			June 2014
Total revenue from ordinary activities	up	\$35.9m or 12.9%	to	\$314.4m
Profit from ordinary activities after tax attributable to members	down	\$8.4m or 39.8%	to	\$12.7m
Net profit for the period attributable to members	down	\$8.4m or 39.8%	to	\$12.7m

Dividends	Amount per security	Franked amount per security
Current period:		
Final dividend	7.5 cents	7.5 cents
Interim dividend	5.0 cents	5.0 cents
Previous corresponding period:		
Final dividend	12.0 cents	12.0 cents
Interim dividend	13.5 cents	13.5 cents
Record date for determining entitlements to final dividend		3 October 2014
Payment date of final dividend		24 October 2014

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

3. Consolidated statement of comprehensive income

Refer to the financial statements in the attached Annual Report.

4. Consolidated statement of financial position

Refer to the financial statements in the attached Annual Report.

5. Consolidated statement of cash flows

Refer to the financial statements in the attached Annual Report.

6. Consolidated statement of changes in equity

Refer to the financial statements in the attached Annual Report.

7. Details of individual and total dividends and payment dates

Refer section 2 above and also Note 22 to the financial statements in the attached Annual Report.

8. **Details of dividend reinvestment plan**

   Not applicable.

9. **Net tangible assets**

	Current period	**Previous corresponding period**
Net tangible assets per ordinary security	16 cents	89 cents

10. **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 controlled entities, refer to Note 10 to the financial statements in the attached Annual Report.

11. **Details of associates and joint venture entities**

    Not applicable.

12. **Details of any other significant information**

    Refer to the accompanying Media Release, Investor Presentation and to the Directors' Report in the attached Annual Report.

13. **For foreign entities, accounting standards used in compiling the report**

    Not applicable.

14. **Commentary on the results for the period**

    Refer to the accompanying Media Release, Investor Presentation and to the Directors' Report in the attached Annual Report.

15. **Statement as to whether the report is based on accounts which have been audited**

    The financial statements have been audited.

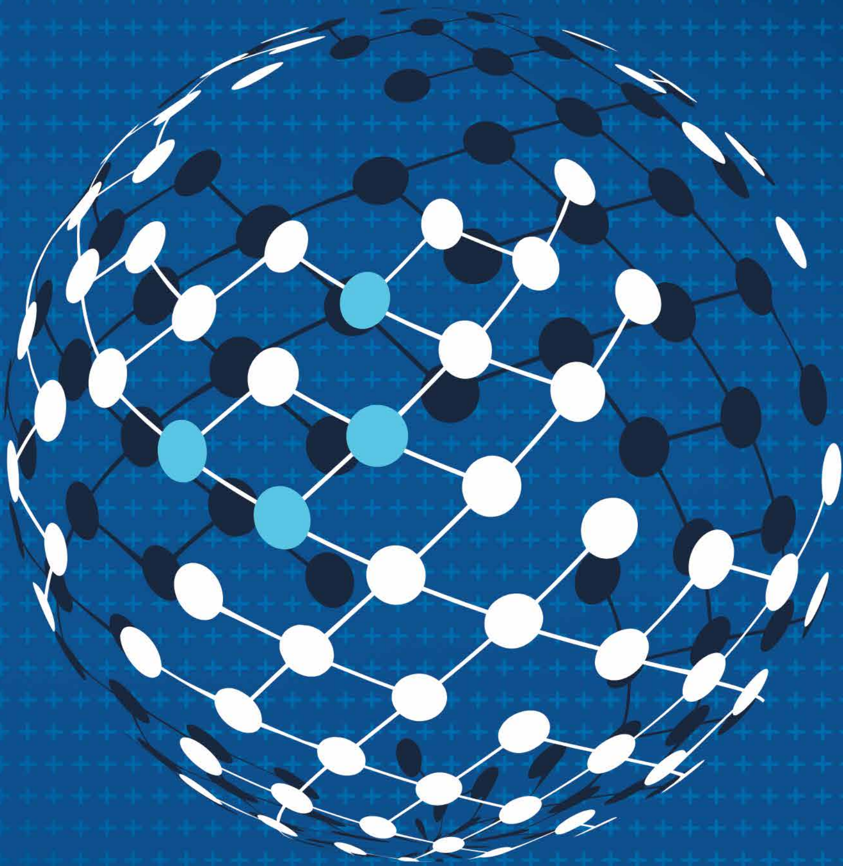
16. **For unaudited accounts, a description of any likely modified opinion, emphasis of matter or other matter paragraph**

    Not applicable.

17. **Description of any modified opinion, emphasis of matter or other matter paragraph contained in the independent audit report**

    Not applicable. The independent audit report does not contain any modified opinion, emphasis of matter or other matter paragraph. The independent audit report is included in the financial statements in the attached Annual Report.

.... Date: 20 August 2014
Anna Gorton
Company Secretary



+ empowering business

SMS Management & Technology Limited **2014 Annual Report**

Management & Technology

+ empowering clients

At SMS our success is built on providing solutions that empower our clients to not only manage new trends, but exploit them to their advantage. We do this by first empowering our own people with the knowledge and resources they need to make a real difference to our clients.

Since technology is at the forefront of business change today, SMS plays a vital role by providing clients with end-to-end consulting, technology and managed services solutions. With an enviable reputation for delivering results, we help our clients turn potential challenges into drivers for growth, maintaining a single-minded focus on producing outstanding results.

chairman and ceo report

DEREK YOUNG

THOMAS STIANOS

Financial performance

Net profit after income tax ("NPAT") of $12.7 million, down from $21.1 million last year, reflected the weak economic conditions that continued to challenge the business, particularly in Victoria and the Australian Capital Territory. Uncertainty in the macroeconomic environment resulted in reduced demand for services particularly from the Federal Government, Transport and Utilities sectors.

In addition, a number of costs incurred in the first half of 2014 were one-off in nature but had a significant impact on profit including:

+ SMS withdrawing from a sub-contract with a global systems integrator due to unsatisfactory contract conditions. This resulted in SMS writing off $1.1 million of accrued revenue and trade debt;
+ $0.4 million of redundancy payments for overhead cost reductions; and
+ $0.4 million in due diligence and acquisition related costs.

It is pleasing to note that despite the challenges of the past year, the Company made good progress with a number of strategic initiatives including:

+ growing our managed services capability;
+ continuing to pursue expansion through acquisition with the successful additions of Indicium and Birchman;
+ developing our ability to deliver full lifecycle solutions to clients; and
+ the creation of a new offshore development centre ("ODC") in Vietnam. The ODC provides SMS with a flexible software development and testing workforce while reducing our fixed cost investment.

Dividends

The Board has declared a fully franked final dividend of 7.5 cents per share to be paid on 24 October 2014 to all shareholders registered on 3 October 2014. With the interim dividend of 5 cents per share paid on 28 March 2014, this results in a full year dividend of 12.5 cents per share (100% franked). This represents a dividend payout ratio of 69% of NPAT, which is consistent with the Board's policy.

Capital management

The Board has continued its focus on the Company's capital management by commencing an on-market share buy-back on 13 June 2014. The share buy-back is part of SMS's objective to ensure an efficient capital structure, maintain prudent levels of gearing and have sufficient balance sheet flexibility to pursue current growth initiatives.

Growth

Our strategic vision is to increase multi-year revenue from full lifecycle solutions and managed services engagements. These will capitalise on a structural trend in the market whereby clients are replacing capital spend with operating expenditure, by procuring infrastructure and software as a service rather than installing new physical facilities.

SMS is partnering with global providers to exploit this emerging market.

Consistent with this strategy, we have accelerated our development of Managed Services with the acquisition of Indicium, which strengthens our capability in the Business Cloud and Infrastructure Management Services segment of the market. In addition, the acquisition of Birchman has increased the Company's geographic footprint by providing it with a significant Western Australian operation.

The Group's management continues to review the market for opportunities to expand and diversify the business.

"I am pleased to be able to present my first report as Chairman of SMS Management & Technology Limited ("SMS"). I acknowledge that the Company's financial performance has been disappointing over the last two years but am confident that your Board and management are positioning the Company well to take full advantage of emerging opportunities.

The Company has already made good progress in introducing new service offerings which exploit industry and technology trends and these will deliver shareholder value in coming years. Your Board, in conjunction with management, will continue to ensure that we have the right strategies and development plans and that they are executed successfully."

– Derek Young

chairman and ceo report

Market themes

The market is increasingly commoditising certain services and we have taken action to adjust to this change and remain competitive. Actions include building our own intellectual property, leveraging industry and business knowledge, continuing to grow specialist practices so as to differentiate and add value, and growing our dual-shore capability in Vietnam.

There are a number of recurring themes in the marketplace where client demand has emerged during the year:

+ Business innovation;
+ Cloud;
+ Customer centricity;
+ Digital transformation; and
+ Mobility.

In responding to these themes, we believe that we are well placed and our strength comes from the combination of our services:

+ Consulting services give us business insights and industry knowledge that allow us to be more relevant to our clients and ensure we deliver real business benefits from technology solutions (these are not subject to commoditisation trends);
+ Solutions development and data services give us the specialist technical expertise and ability to design and implement client requirements;
+ Managed services capability allows us to provide hosting and support of applications and infrastructure for our clients;
+ M&T Resources helps us flex up and down as well as providing services to clients directly; and
+ Our technology partners give us access to the products and technologies to deliver a total solution, particularly Cloud based.

Board of directors

As our Company continues to respond to changing market conditions, we are demonstrating our commitment to strong corporate governance and prudent risk management policies and procedures to enhance our performance for shareholders.

We would like to acknowledge Laurie Cox for the substantial contribution he has made to SMS during his tenure as Chairman. Mr Cox joined the Board of SMS in 2001 and has overseen a major transformation of the Company followed by a decade of strong growth.

We welcome a new Non-Executive Director, Ms Deb Radford, who joined SMS in September 2013 with extensive ASX-listed company and consulting industry experience.

Mr Kerry Smith retired from the Board on 22 October 2013. Kerry joined the Board of SMS in 2004, and since that time his contribution to the success of the business has been significant and we thank him for his efforts and wish him all the best for the future.

People strategy

At SMS, we make it our business to engage and develop our people to ensure that they have the opportunity to grow professionally through a focus on continuous learning and work experience.

Our people in turn benefit from working with other outstanding individuals with a unique combination of experience and skills. Our professional development program focuses on continuous learning and on-the-job development experiences that come from the extensive range of work we undertake for our clients.

SMS has always been immensely proud of its ability to attract, retain and develop talent. This year we took that further with an award-winning Graduate Program, which will provide us with our leaders of the future.

We would like to take this opportunity to express our sincere thanks and appreciation to all our employees, clients and shareholders for their continued support of our great Company.

Outlook

Looking forward, we see some signs of growth in what remains a challenging environment. We believe that our focus on achieving strategic imperatives and improving productivity will deliver increased profitability over the coming year.

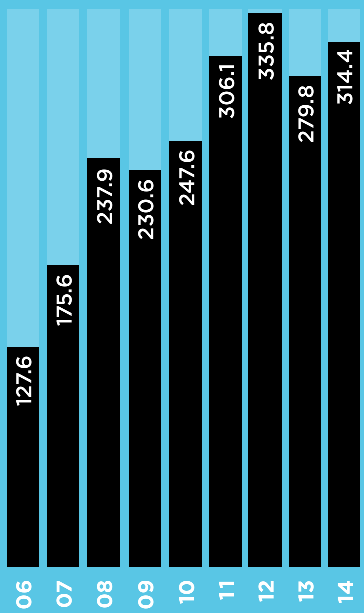
+ Revenue from services $314.4m
+ EBITDA $20.9m
+ Net profit after tax $12.7m
+ Basic earnings per share 18.1 cents
+ Dividends per share 12.5 cents
+ Net cash balance $9.4m

Derek Young
Chairman

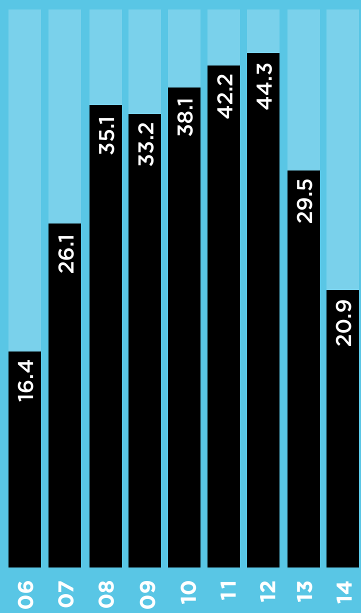
Thomas Stianos
CEO

year at a glance

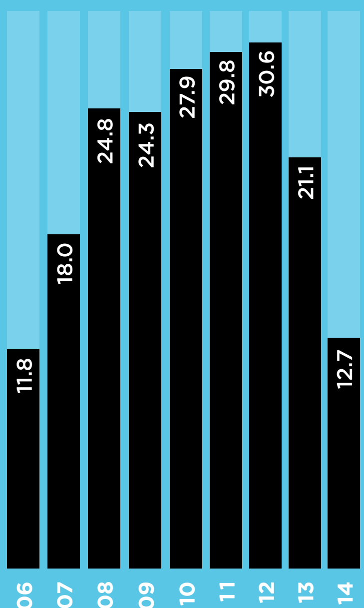
TOTAL REVENUE:
($ MILLION)



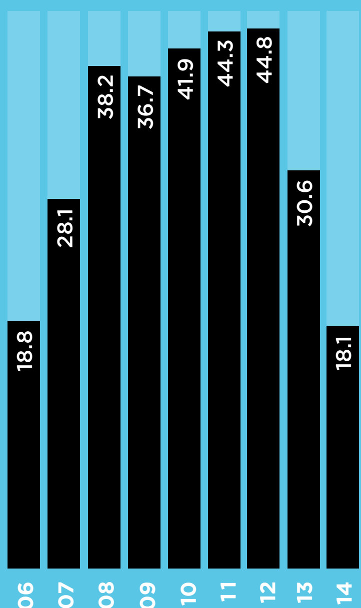
EBITDA:
($ MILLION)



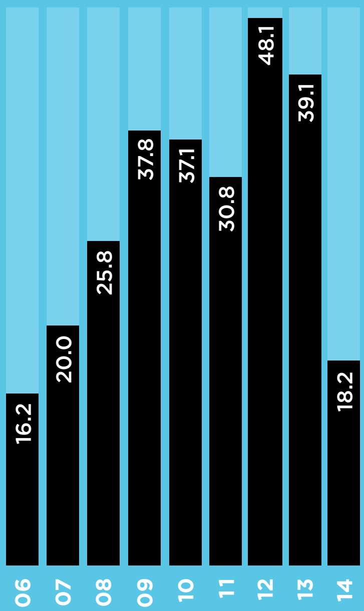
NPAT:
($ MILLION)



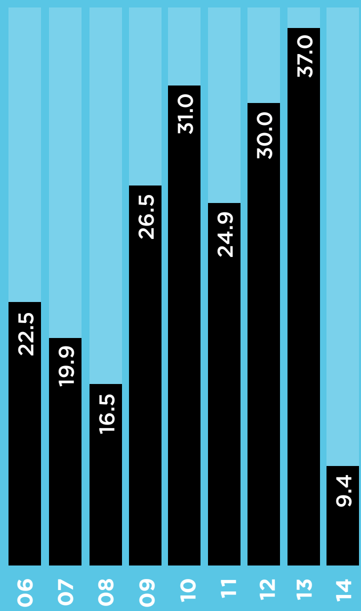
BASIC EPS:
(CENTS)



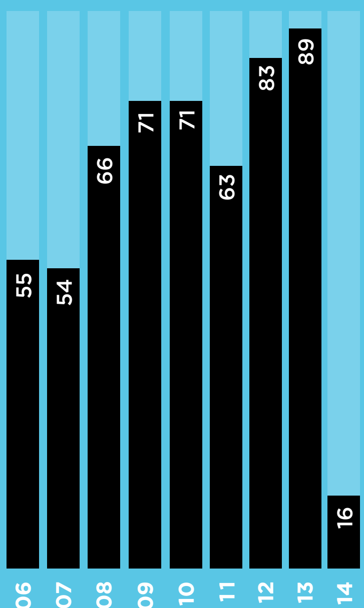
OPERATING CASH FLOW:
(before interest and tax)
($ MILLION)



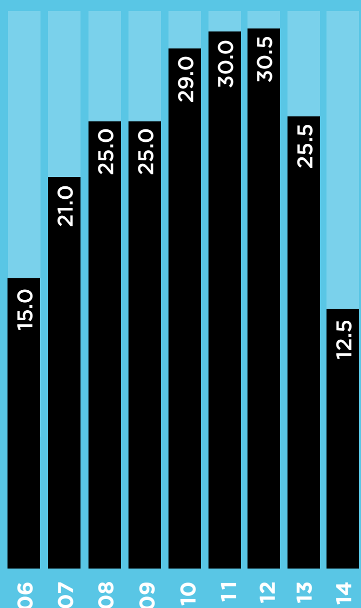
NET CASH BALANCE:
($ MILLION)



NET TANGIBLE ASSETS PER SHARE:
(CENTS)



FULL YEAR DIVIDEND:
(CENTS)



board of directors


DEREK YOUNG


THOMAS STIANOS


BRUCE THOMPSON


NICOLE BIRRELL


DEBORAH RADFORD

DEREK YOUNG, AM

Chairman of the Board

Derek Young joined the Board of SMS in November 2011 and was appointed Chairman in June 2014. He has over 30 years management consulting experience, including Managing Director of Accenture Australia and Managing Partner of Accenture's Financial Services in Asia Pacific.

Derek is currently the Chair of the Robert Rose Foundation and a member of the Major Performing Arts Panel of the Australia Council for the Arts. Derek is also an Adjunct Professor at RMIT's School of Accounting. His previous board positions have included:

+ Melbourne Theatre Company (Chair);
+ Australian Major Performing Arts Group (Chair);
+ RMIT University Council (Chair, Finance Committee);
+ Committee for Melbourne; and
+ Australian Information Industry Association ("AIIA").

Derek was appointed a Member of the Order of Australia (AM) in 2013 for significant service to the community of Victoria through contributions to the performing arts and higher education, and to philanthropy.

Derek is a Certified Practicing Accountant, Fellow of the Association of Chartered Certified Accountants (UK) and a member of the Australian Institute of Company Directors ("AICD").

THOMAS STIANOS

Chief Executive Officer and Executive Director

Tom Stianos joined SMS in January 1989, and was appointed CEO in March 2002.

Please refer to page 10 for Tom's complete profile.

BRUCE THOMPSON
Non-Executive Director

Bruce Thompson joined the Board of SMS in October 2000. He is a former Chairman and Managing Director of Hewlett-Packard Australia Ltd, and worked with Hewlett-Packard for 32 years, in Australia and overseas, until his retirement in August 2000.

He is a Council and Board member of the Box Hill Institute of TAFE.

Bruce is a Commissioner and Chairman of the Victorian Government Commission for Gambling and Liquor Regulation.

Bruce was formerly Chairman of Innovonics Ltd; formerly Chief Executive Officer of Keycorp Limited; formerly a trustee of Melbourne Cricket Ground Trust; and formerly a member of the Business Council of Australia.

Bruce is a graduate of Monash University with a Bachelor of Economics, a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the AICD and a Graduate of the Wharton Business School Advanced Management Program.

NICOLE BIRRELL
Non-Executive Director

Nicole Birrell joined the Board of SMS in December 2004. She has over 28 years experience in corporate and investment banking, including as Head of Operational Risk and Compliance in the Institutional Financial Services division of ANZ Banking Group in Melbourne. Prior roles were with investment bank County NatWest and Chase Manhattan Bank/Chase AMP in London and Sydney.

Nicole is currently a Director of Superpartners Pty Ltd, Wheat Quality Australia Ltd and a Member of the Board of Trustees of International Maize and Wheat Improvement Center.

Nicole is also an operational risk management consultant. She was previously on the Board of Queensland Sugar Ltd, Grains Research & Development Corporation, AusBulk Ltd, and Australian Practice Nurses Association Inc. She was formerly the Chair of AusMalt Pty Ltd and was a member of Wheat Exports Australia.

Nicole graduated from the University of Antwerp with a degree in Applied Economics and obtained a M.Sc. in International Relations from the London School of Economics. She is a Fellow of the AICD.

DEBORAH RADFORD
Non-Executive Director

Deborah Radford joined the Board of SMS in September 2013. Deborah is currently a Director of Bendigo and Adelaide Bank Ltd. She was previously a Director and Deputy Chair of City West Water, a Director of Forestry Tasmania and the Melbourne Market Authority.

Deborah is a former principal of Deb Radford & Associates Pty Ltd, where she consulted to many Victorian Government departments and agencies, as well as private sector organisations dealing with government, advising on government business enterprises and public private partnerships.

Prior to establishing her own consultancy, Deborah held a number of senior roles with the Department of Treasury and Finance of the Victorian Government, and was a senior manager with HSBC and Wardley Australia Ltd.

Deborah graduated from La Trobe University with a Bachelor of Economics. She holds a Graduate Diploma in Finance and Investment from the Financial Services Institute of Australia.

corporate executives


THOMAS STIANOS


RICK ROSTOLIS


DARREN STANLEY


MERLIN ALLAN


CHRIS SANDHAM

THOMAS STIANOS

Chief Executive Officer & Executive Director

Tom Stianos joined SMS in January 1989 and was appointed CEO in March 2002. During his time with SMS, he has led many growth initiatives into different industries and practice areas.

Tom previously held positions of Regional Director Victoria, Regional Director New South Wales and Regional Director Australian Capital Territory and led the establishment of SMS in Singapore. Immediately prior to his current appointment he was Managing Director of SMS Consulting Australia.

After becoming CEO in 2002, Tom re-engineered and restructured the Company through building a new leadership team, investing in new systems and processes, divesting non-core businesses and launching new lines of business to tap into emerging markets. These changes resulted in the business increasing its earnings almost six-fold from 2004 to 2008.

Tom led the expansion of SMS's range of services through the acquisition of 15 specialist companies and the launch of new practice areas. SMS today is a leading Asia Pacific consulting technology and managed services firm.

Prior to joining SMS, Tom held senior executive roles with the Victorian Government including the Departments of Premier & Cabinet, the Attorney General, Education and Agriculture.

Tom is a Director of the AIIA and a Fellow of the AICD.

Tom graduated from The University of Melbourne with a Bachelor of Applied Science and was awarded the Ford Australia prize for Economics. His career spans more than 30 years in business and IT.

RICK ROSTOLIS

Chief Financial Officer & Company Secretary

Rick Rostolis has management accountability for all corporate functions of SMS, including the Company's finance, IT, commercial, investor relations and company secretarial.

Rick commenced his professional career with KPMG, where he worked for twelve years prior to joining Pacific Brands. During his ten years with Pacific Brands, Rick held various senior management roles including Group General Manager, Outerwear & Sport, Group Commercial Manager, Underwear & Hosiery and General Manager, Corporate Development. In 2004, Rick led the project team involved in the $1.25 billion IPO of Pacific Brands.

Immediately prior to joining SMS in October 2010, Rick was the Chief Operating Officer of BlueAnt Wireless, a global technology company specialising in wireless communication.

Rick holds a Bachelor of Business in Accountancy and is a Fellow of the Chartered Accountants Australia and New Zealand.

DARREN STANLEY

Managing Director, Consulting Australia

Darren Stanley was appointed to the position of Managing Director, SMS Consulting Australia, in July 2013.

He has previously held the roles of Regional Director Queensland, Regional Director New South Wales, Banking & Finance Industry Director and Senior Consultant for SMS Queensland.

He worked for two years in the late 1990s as managing consultant with SMS UK, assisting with development of business opportunities and market presence. He joined SMS in 1997.

He has a Masters of Business Administration ("MBA") from Deakin University and a Bachelor of Science from the University of New South Wales. He is a member of the AICD.

MERLIN ALLAN

Managing Director, Managed Services

Merlin Allan is Managing Director, Managed Services, the business unit responsible for delivering and managing infrastructure, cloud and networking solutions to clients.

As a member of the firm's leadership team for over 8 years, he brings extensive international business experience. Prior to SMS, he held a number of executive roles responsible for establishing and running large scale business and transaction processing, outsourcing operations, IT services providers, and applications development.

In his previous role at SMS, he was Director of Mergers & Acquisitions where he was responsible for driving the firm's strategic development with a focus on inorganic growth including demand driver analysis, M&A deal origination, execution through to integration planning. In that role he led the acquisition of 14 specialist businesses.

He is a graduate of the University of the West of England and a member of the AICD.

CHRIS SANDHAM

Managing Director, M&T Resources

Chris Sandham joined SMS in January 2003 as the Regional Director, New South Wales, M&T Resources.

In 2006, Chris relocated to the UK where he worked as part of the SMS UK operation. In March 2010, Chris re-joined the business as National Sales Director and became Managing Director, M&T Resources in January 2011.

Since joining SMS, Chris has implemented significant initiatives across the M&T Resources business to ensure it retains its position as a market leader.

His focus is on maintaining a values-based employer of choice business with strengths in innovation, creative sourcing, and the ability to provide agile and proactive talent strategies for clients.

Chris holds a degree in Business and Finance gained in the UK.

corporate executives

SHANEEN ARGALL

ANNA GORTON

SHANEEN ARGALL

Director, Human Resources

Shaneen Argall joined SMS in September 2008 as Director, Human Resources. In conjunction with the executive leadership team, Shaneen is responsible for developing the human resources strategy and implementing systems and processes to support the achievement of business objectives, including the attraction, retention, professional development, and remuneration of our people.

Prior to joining SMS, Shaneen's career spanned human resources roles in both the legal profession and higher education sector. She also spent five years as an industrial relations officer with the peak Australian employer association for universities.

Shaneen is a member of the Australian Human Resources Institute. She has a Masters of Labour Law and Relations from the University of Sydney, a Graduate Diploma in Industrial Relations from the University of Canberra and a Bachelor of Arts degree from the Australian National University.

ANNA GORTON

General Counsel & Company Secretary

Anna Gorton joined SMS in April 2012 as General Counsel, and was appointed as Company Secretary for all SMS Group companies in May 2012. Anna is responsible for the legal function at SMS, together with company secretarial, insurance and related areas.

Prior to joining SMS, Anna was the Head of Legal – Australia for Carter Holt Harvey, where she spent four years managing the legal risks inherent in a heavy manufacturing environment. Previously, Anna held various Banking & Finance legal roles in law firms.

Anna is a member of the Australian Corporate Lawyers Association, Law Institute of Victoria, and a Certificated Member of the Governance Institute of Australia. Anna has degrees in Arts and Law from the University of Melbourne and is a Graduate Member of the AICD.

management team

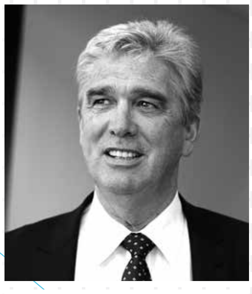

DARREN STANLEY


STEPHEN KOVACS


CRAIG LENNARD


CHRISTOPHER GILL


STEPHEN MABBS


BRIAN LEE


BENJAMIN COWLING

DARREN STANLEY
Acting Regional Director, Victoria

Please refer to page 11 for Darren's complete profile.

STEPHEN KOVACS
Regional Director, Queensland

Stephen Kovacs is responsible for the management and performance of SMS's consulting business in Queensland.

Stephen joined SMS in 1997 and has worked in a variety of consulting, account management and ICT general management roles and worked extensively within Financial Services, Resources, Health, Utilities, State and Local Government.

In his previous role, Stephen was responsible for establishing and building upon the Financial Services and the Resources and Infrastructure industry sector within Queensland.

Prior to joining SMS, he held a number of Senior ICT roles within the Queensland Health Sector delivering significant transformation programs across South East Queensland.

Stephen completed his Bachelor of Science (Information Technology) at the University of Queensland where he also studied towards a Master of Information Systems.

CRAIG LENNARD
Regional Director, NSW

Craig Lennard joined SMS in April 2010 as Regional Director for NSW consulting operations.

Craig has over 30 years experience in the ICT industry. Prior to SMS, Craig worked in a variety of senior roles, managing sales, project, product and consulting business units. Craig was previously General Manager ANZ at Q-Free ASA, Managing Director Industry, Distribution and Transportation at Logica Australia and Consulting and Product Development Manager at Acxiom.

Craig has a MBA from Deakin University and a Bachelor of Electrical Engineering from the University of New South Wales. Craig is a member of the AICD.

CHRISTOPHER GILL

Regional Manager, ACT

Christopher Gill is Regional Manager of consulting operations in the ACT.

Christopher has held both senior consulting and practice management roles at SMS, leading and overseeing large business transformation projects in our major Federal Government clients since 2008.

Prior to SMS, Christopher worked in large global professional services firms, specialising in governance, risk management and compliance advice for both public and private sector organisations.

Christopher has a Bachelor of Economics from the University of Sydney and is a member of the Australian Institute of Management.

STEPHEN MABBS

Regional Director, SA

Stephen Mabbs has responsibility for consulting operations in South Australia.

Prior to SMS, Stephen was Managing Director and Principal Consultant of Permian, an engineering consultancy with offices in Melbourne and Adelaide, which was acquired by SMS in 2007.

Stephen has previously served in the Australian Army for five years and was a Research Scientist in the Defence Science and Technology Organisation for three years.

Stephen has a Bachelor of Engineering from the University of Western Australia, a PhD from the University of Melbourne, and holds a Certified Practising Project Director accreditation from the Australian Institute of Project Management.

BRIAN LEE

Regional Director, WA

Brian Lee is Regional Director of Western Australia, responsible for overall sales and delivery of the consulting, solutions and managed services business in the region.

As a member of the management team, Brian brings extensive business experience to SMS. Prior to SMS, Brian was the State Manager for Birchman, acquired in October 2013.

Brian is a veteran of the IT industry having had roles as a Partner of KPMG's Management Consulting business in WA, State Manager of Unisys and Group General Manager Managed Services for CSG. He has also held various senior executive roles in Banking, Insurance and Utilities. Brian is a member of the AICD.

BENJAMIN COWLING

Regional Director, Asia

Benjamin Cowling is responsible for SMS' consulting operations in Asia, which includes growing the business and ensuring the successful delivery of projects in the region.

Prior to joining SMS, Benjamin worked in Government (in the Foreign Affairs and Transport Portfolios) and consulted in organisational performance improvement. In 2008, Benjamin joined SMS in Adelaide and played a key role in growing the business in South Australia.

Benjamin supports the broader IT sector in Hong Kong, through his involvement in the Hong Kong Computer Society and is a Committee Member of the Digital, Information and Telecommunications Committee of the Hong Kong General Chamber of Commerce.

Benjamin has a MBA from the University of South Australia and a Graduate Diploma of Terrorism, Safety and Security from Charles Sturt University.

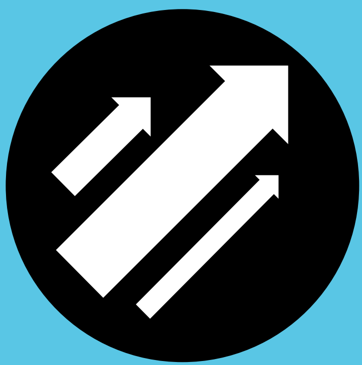
+ empowering business

with solutions for today and tomorrow

SMS was founded in 1986 on the basis of three core values: add value, maintain unity and enhance reputation. More than 28 years on, these values remain central to our business.

Delivering a great outcome for our clients is not just about delivering a convenient fix when needed. We deliver solutions that evolve with our clients. Solutions that work for now as well as into the future.

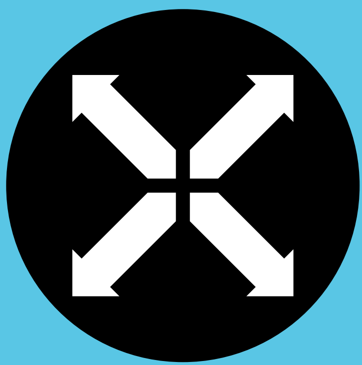
Making a lasting difference to our clients enabling them to achieve the best possible business outcomes – that's what drives us.



client focus

At SMS, we approach each challenge as an opportunity, a chance to improve our clients' business.

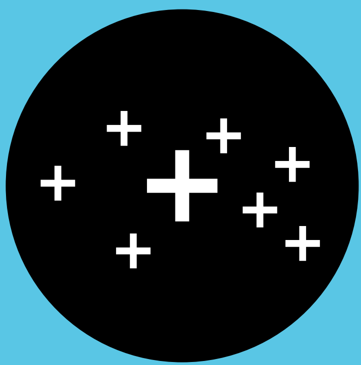
That's why we work with our clients to develop solutions that best serve their customers and clients, making their challenges our challenges.



collaborative

Collaborating with our clients is in our DNA, supported by formal knowledge transfer and continuous improvement.

We don't approach clients with template solutions, rather, we take the time to better understand their business, tailoring a solution specifically for them.



trusted adviser

We remain technology agnostic, whilst still having strong relationships with the leading global technology providers.

This allows us to give clients the most objective advice and guidance, but also work with existing technologies when needed.

+ solving real business problems

Over the last 12 months, SMS has worked with a number of clients, across all industries, helping them use their people, processes and technologies to achieve better business outcomes.

SMS has delivered significant benefits to clients, leveraging solutions like mobility, cloud computing and storage, social media and analytics, which together with new customer expectations, are rapidly disrupting traditional business models.

Working in partnership with industry experts, government bodies and trade associations to gain the widest possible market view, we leverage this and the thought leadership of our consultants to empower our clients to solve real business problems.

Innovate and take products to market, faster

BUSINESS INNOVATION

+ Digital Agility
+ The Lens
  (Enterprise Control Room)
+ Customer Experience Reimagining

Plan and respond to digital trends

DIGITAL TRANSFORMATION

+ Social Media & Collaboration
+ Enterprise Mobility
+ Digital Agility

Do 'more with less'

CLOUD

+ Cloud Computing
+ Process Optimisation
+ ICT as a Service

Building a customer-centric organisation

CUSTOMER

+ Customer Experience Improvement
+ Customer Insights and Analytics
+ Customer Relationship Management

Outsource technology needs, saving time and money

MANAGED SERVICES

+ Infrastructure Management
+ Cloud Computing
+ Data Centre
+ Network Communications

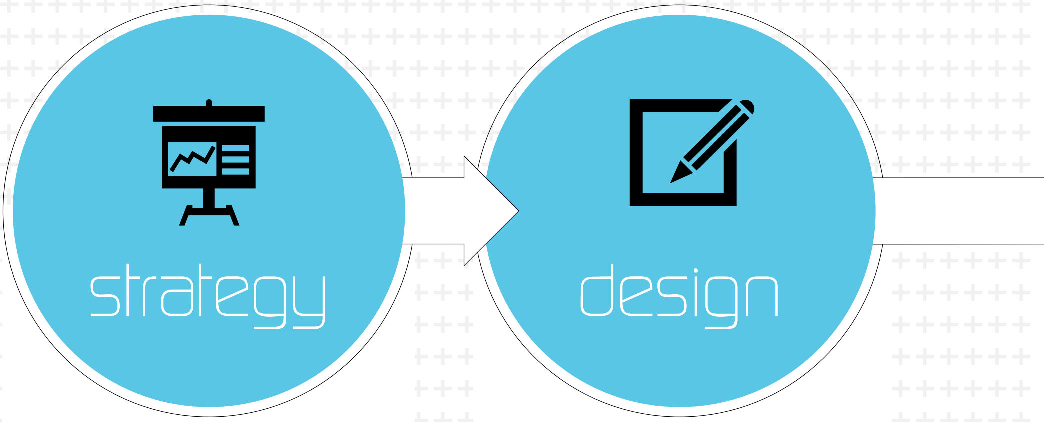
Better engage customers and staff

MOBILITY

+ Enterprise Mobility Strategy
+ Mobile Workforce Enablement
+ Enterprise and Customer Applications

+ end to end services

From our deep experience, we understand that transformation is more than the simple sum of parts. It requires operations where all components are synchronised together.



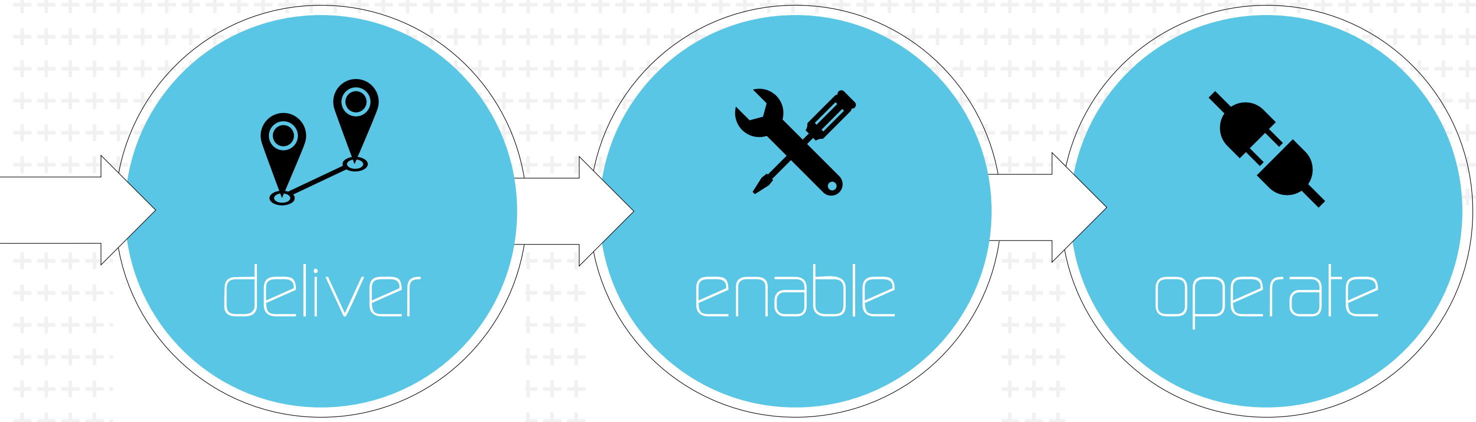
SMS helps define where organisations want to go, and how to get there

- Big Data Strategy
- Business Analysis
- Business Architecture
- Business Transformation
- Governance, Risk and Compliance
- Mobility Strategy
- Organisational Change
- Portfolio Optimisation
- Social Media Strategy
- Strategic and Advisory

We help formulate the best steps to realise strategy...

- Agile Design
- Centres of Excellence
- Customer Experience Improvement
- Customer Insights and Analytics
- Data Management
- Enterprise Program Management
- Organisational Design

SMS works with our clients through every stage of business improvement. We understand what best practice is, how to achieve it and ensure that it is sustained. We harness the thought leadership of over 1,600 committed staff to deliver end-to-end solutions. Deep analysis and foresight drive us to build foundations, structures, and processes, from conception through implementation, and delivery to operation as a managed service.



... then deliver excellence to make sure organisations stay there

- + Business Process Management
- + Customer Relationship Management
- + Legacy Transformation
- + Program and Project Management
- + Project Management Office
- + Software Development and Integration
- + Systems Integration
- + Virtualisation

SMS is unmatched in getting the most out of technology and procedures

- + Change Adoption
- + eLearning
- + ICT Security Management
- + Learning and Enablement
- + Organisational Change
- + Quality and Testing
- + Recruitment Solutions (M&T Resources)
- + Training

We take away the challenge of managing technology, so clients can focus on core business

- + Applications Support
- + Cloud Solutions
- + Data Centre
- + Infrastructure Management
- + Managed Services
- + Network Communications

+ m&t resources

recruitment solutions to help people achieve greater success

Since 1994, M&T Resources has provided the people power to help leading organisations deliver on significant technology and business projects.

M&T Resources has continued to strengthen its market position within key clients while winning new business.

Anticipating and addressing the needs of target organisations while continuing to deliver top level service to candidates has contributed to continued success.

M&T Resources has been awarded multiple Recruitment Excellence Awards including being voted Australia's Favourite Medium IT Recruiter 2011, 2012 and 2013 (runners up) at the SEEK Annual Recruitment Awards.

Recruitment

+ Labour hire
    - Contract
    - Fixed term
    - Permanent
    - Executive
+ Assessment and selection
+ Employer branding strategies

Payroll

+ Timesheet and invoicing
+ Tailored reporting
+ Payroll management

Workforce management

+ Confidential research
+ Talent and market mapping
+ Pipeline and succession planning

Candidate services

+ Post placement care
+ Recruitment process coaching
+ Career planning

empowering our people

We live by the ethos that you create your own journey. We empower our people with knowledge, resources, guidance and independence, helping them to grow and achieve, encouraging them to make a difference.

Every day, we harness the expertise of over 1,600 committed staff to deliver end-to-end business and technology solutions for our clients. Our consultants work in a rewarding professional environment where they are empowered to pursue their personal career goals. Innovation is encouraged, ideas are shared and teamwork is paramount. Our people are expected to speak out openly and honestly, to respect diverse opinions and above all, to work together as a team.

There is no doubt that our consultants work hard, but they also have fun and feel a strong sense of community within a culture that embodies the SMS values: Add Value, Maintain Unity and Enhance Reputation – principles that guide personal behaviour and a mutual respect for one another.

Our unique culture attracts like-minded individuals and provides an underlying personal connection point for our people. The SMS culture has been, and will continue to be, the one constant for our people as the Company grows, changes and moves forward.

At SMS it is our standard practice to employ the most talented people in the market. We make it our business to locate, engage and retain the leading consultants from every industry and ensure that each consultant has the opportunity to continue to grow professionally through our focus on continuous learning. Our people in turn benefit from working with other outstanding individuals with a unique combination of experience and skills.

SMS has always been immensely proud of its ability to attract, retain and develop talent. This year we advanced our Graduate Program, bolstering our already capable workforce with an extraordinary group of talented university graduates from a range of disciplines.

TOP GRADUATE EMPLOYERS 2014

The program has been extremely well received, ranking 14th in the Top Graduate Employers in only its second year. Published by the Australian Association of Graduate Employers, and covering 110 organisations, this ranking was based on feedback from graduates about their entire experience including recruitment, professional development, job role and the support network provided. Over the past year, we welcomed 36 highly talented university graduates across our Australian offices.

To continue to attract high calibre candidates to our graduate program, we have developed a mobile application as part of our graduate marketing strategy. The mobile application allowed us to reach out to our target market in a way that suits their digital habits. Candidates were able to use the application not only to learn about SMS but also to complete their application for a graduate role.

Download the SMS graduate application by visiting https://sms.gradapp.com.au/discover/

case studies

making a measurable difference to our clients

QUEENSLAND POLICE SERVICE, EMPOWERED BY NEW MOBILE APPLICATION

"This is the most exciting thing I have seen in my entire 30 year policing career"

David Johnson
Acting Chief Superintendent, ICT
Queensland Police Service

Queensland Police Service (QPS) needed a faster and better way to search for information. They needed a tool that would save them time, simplify their procedures and improve safety by identifying the criminals faster out on the road.

Client Situation

Police officers needed to radio an operator and request they conduct a search, then radio back the results. There was no fast and efficient search tool at their fingertips.

Asking the Right Questions

To develop a solution, SMS started by asking police officers what they needed to know most when on the road and spotted potential trouble. It boiled down to three things:

1. Can I identify this person

2. Is there a threat to myself or the community safety?

3. Do I need to take action?

Armed with this information, SMS and QPS set forth to build a mobile application from the ground up so officers could search by;

+ Person
+ Vehicle
+ Drivers Licence

Intuitive and Time Saving

SMS also addressed a number of key opportunities to make life on the road for officers easier, less stressful and more productive in other ways too, such as;

+ **Search once across systems**
+ **Intuitive Navigation**
+ **Capture at the Scene and Report Information**

The Outcome – Qlite

The mobile search application developed by SMS and QPS was extremely well received by the 395 officers who took part in the initial trial, which was rolled out in October 2013. Immediate benefits included:

The ability to capture street check intelligence immediately in the field resulting in an estimated reduction of 30 minutes of data entry per shift.

Officers easily capturing photos of involved persons or vehicles, as opposed to making written notes.

An increase in street check submissions and more accurate information.

Improved officer safety due to rapid identification of a person or vehicle of interest.

For more information on this solution, including a video, please scan this barcode with your smartphone. Alternatively you can visit smsmt.com and check success stories.

SMS'S AGILITY AND EXPERTISE DELIVERS NEW, SECURE BANKING INFRASTRUCTURE FOR CIMB

"High quality design. At present it is the best designed and most advanced infrastructure set up in CIMB; Overall, very pleased with the focus, dedication and delivery by the SMS Managed Services team. This was a difficult project with tight timeframes."

Phil Hopper
Head of Technology, CIMB Securities Australia Ltd

Client Situation

CIMB is one of the largest commercial banks and securities trading businesses in the ASEAN region. Headquartered in Kuala Lumpur, and known for its progressiveness and rapid growth, CIMB employs over 15,000 people and operates out of more than twenty countries globally.

In 2012, CIMB acquired the securities trading business of the Royal Bank of Scotland in eight countries, including Australia.

In just five months, CIMB had to:

- Find a data centre co-location for their production, user acceptance testing and disaster recovery infrastructures;
- Finalise communications and connectivity to data centres with a number of service providers; and
- Finalise an IT infrastructure solution and a managed service agreement.

With a timeline of just 20 weeks to 'go-live', CIMB required an agile partner with significant experience in securities trading.

SMS Approach

Having initially sought a design solution with a design solution for the data centre co-location services, CIMB were impressed with the responsiveness and value of the SMS Managed Services solution and particularly comforted by SMS' status as one of the Australian Liquidity Centre's preferred Managed Services partners.

SMS's successful co-location and communications delivery opened the opportunity to propose an innovative approach to CIMB's user acceptance testing ("UAT") requirements, which was quickly delivered and followed by a proposed solution for CIMB's production and disaster recovery infrastructures.

SMS's ground-breaking infrastructure design presented immense value to CIMB, meaning CIMB chose to partner with SMS all the way.

The SMS team delivered the infrastructure project to the client's timeline and specifications, ensuring that CIMB met their commitments to the Royal Bank of Scotland.

The Outcome

+ CIMB received an end-to-end IT infrastructure solution and services arrangement for their Australian business, with complex production, UAT, DR infrastructures built from scratch and load-balanced between two data centres – all within its incredibly demanding time period.
+ SMS's fast, high quality data centre co-location and communications services saved CIMB valuable time and money, opening up the opportunity for CIMB to achieve more for less through further offerings, including SMS implementation and managed services.
+ Their trusted partnership has meant reliable, fast and secure IT infrastructure, which has facilitated the successful service of Australian markets.

case studies

ENTERPRISE CONTROL ROOM DELIVERS BIRD'S-EYE VIEW OF $2 BILLION PROGRAM

The Enterprise Control Room shows people they are part of a massive transformation. It is a tool for engagement, for seeing things differently, for making better decisions, which is helping facilitate major changes within the organisation.

Head of Project Capability – Client

Client Situation

When this national organisation announced its $2 billion, 5-year transformation program to create a more digital, customer-focused and sustainable future, management knew the importance of seeing the 'big picture' in making key decisions.

The iconic brand needed another way of gaining a bird's eye view of its hundreds of projects in progress across the entire organisation and how they interrelated. Current reporting didn't reveal the vital links between projects and the end result for the business and its customers.

Future-Proofing the Organisation

SMS was invited to help develop a solution. Working with management on how to look at things from a different perspective, 'The Enterprise Control Room' was developed.

What started out as ideas, challenges, timelines and drawings on a wall evolved into a state-of-the-art program delivery centre and an environment for collaboration.

The Enterprise Control Room reveals a bird's eye view of all project lifecycles, and links individual results back to the organisational strategy, as well as providing a live view of current projects and their statuses and potential issues.

Everyone in the organisation, from senior executives to middle management and individual business units were able to understand the interdependency of each area and how a delay in one project can impact all the others.

As the facilitator, SMS helped provide an external voice to mediate discussions, as well as managing and coordinating the room's iterative updates.

Every problem, solution or directive is inextricably linked to numerous others. By mapping out and visualising goals, strategies and projects, the hard questions are answered. This creates dialogue between business units and brings to light any misalignment before it becomes an issue.

Being able to see changes or problems before they happen means action can be taken to avoid those issues. Programs not working can be halted and more resources directed into those programs proving successful.

The Outcome

The organisation's new Enterprise Control Room solution has changed things radically for the business. By creating awareness and alignment, it has provided an environment that enables stakeholders to better understand their goals and pathways, resulting in more informed decision making.

THE ENTERPRISE CONTROL ROOM

+ answers the hard questions

financial statements

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 financial year ended 30 June 2014 and the auditor's report thereon. The information set out below is to be read in conjunction with the Remuneration Report set out on pages 45 to 56 which forms part of the Directors' Report.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Derek Young, AM **CPA, FACCA (UK), AICD** Chairman of the Board Independent Non-Executive Director Appointed Chairman 17 June 2014 Director since 22 November 2011	Chairman of the Robert Rose Foundation; member of the Major Performing Arts Panel of the Australian Council for the Arts; Adjunct Professor at RMIT's School of Accounting. Formerly Managing Director of Accenture Australia and Managing Partner of Accenture's Financial Services in Asia Pacific; formerly represented Accenture at the Business Council of Australia; formerly a Board member of the Australian Information Industry Association ("AIIA"); formerly Chairman of the Melbourne Theatre Company; formerly Chairman of Australia Major Performing Arts Group; formerly a member of the RMIT University Council and the Chairman of its Planning and Finance Committee and the Committee for Melbourne.
Bruce Thompson **B. Ec, FCPA, FAICD** Independent Non-Executive Director Chairman of the Audit, Risk and Compliance Committee Director since 18 October 2000	Chairman of the Victorian Government Commission for Gambling and Liquor Regulation and a Council and Board member of the Box Hill Institute of TAFE. Formerly Chairman and Managing Director of Hewlett-Packard Australia Ltd; formerly Chairman of Innovonics Ltd; formerly Chief Executive Officer of Keycorp Limited; formerly a trustee of Melbourne Cricket Ground Trust; formerly a member of the Business Council of Australia.
Nicole Birrell **B. App Ec, M.Sc, FAICD** Independent Non-Executive Director Director since 20 December 2004	Director of Superpartners Pty Ltd, Wheat Quality Australia Ltd and a Member of the Board of Trustees of International Maize and Wheat Improvement Center; also an operational risk management consultant. Formerly Head of Operational Risk and Compliance for the Institutional Financial Services division of ANZ Banking Group, Melbourne; formerly Director of Queensland Sugar Ltd; formerly Director of Grains Research & Development Corporation; formerly Director of AusBulk Limited; formerly Director of The Australian Practice Nurses Association Inc.; formerly Chair of AusMalt Pty Ltd; formerly a member of Wheat Exports Australia.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Deborah Radford **B.Ec, Grad Dip Finance & Investment** Independent Non-Executive Director Director since 9 September 2013	Director of Bendigo and Adelaide Bank Ltd. Formerly Director and Deputy Chair of City West Water; formerly Director of Forestry Tasmania; formerly Director of Melbourne Market Authority; formerly principal of Deb Radford & Associates Pty Ltd; previously held a number of senior positions within The Department of Treasury and Finance of Victorian Government; formerly a senior manager of HSBC and Wardley Australia Ltd.
Laurence G Cox, AO **B. Comm, FCPA, FAICD, SF Fin** Chairman of the Board Retired 17 June 2014	Formerly Executive Chairman of the Potter Warburg Group of Companies in Australia (1989-1995); formerly Director of SG WarBurg Securities of London; formerly Chairman of Australian Stock Exchange Limited; formerly Executive Director of Macquarie Group Limited; formerly Chairman of Transurban City Link Ltd, formerly Non-Executive Director of OneSteel Limited; and formerly Chairman of the Murdoch Children's Research Institute.
Kerry Smith **B. Ec, ACA** Independent Non-Executive Director Retired 22 October 2013	Formerly Managing Director of Schroders Australia Group, formerly Group Finance Director of Mojo MDA Group Ltd; formerly Director of Financial Accounting at Macquarie Bank Limited.
Thomas Stianos **B. App Sc, FAICD** Executive Director Chief Executive Officer ("CEO") Director since 25 March 2002	Director of the AIIA. Previous positions held with the Company include Regional Director Victoria, Regional Director NSW, Regional Director ACT and Managing Director of SMS Consulting Australia. Previously held a number of senior executive roles with the Victorian Government including the Department of the Premier & Cabinet, the Department of Attorney General, the Department of Education and the Department of Agriculture.

COMPANY SECRETARY

The Company Secretary position is jointly held by Mr Rick Rostolis and Ms Anna Gorton. Mr Rostolis is also Chief Financial Officer ("CFO") and has a Bachelor of Business in Accountancy and is a Fellow of the Chartered Accountants Australia and New Zealand. Ms Gorton is also the General Counsel and has a Bachelor of Arts, a Bachelor of Laws and is a Graduate Member of the Australian Institute of Company Directors ("AICD"). She is a member of the Law Institute of Victoria, the Australian Corporate Lawyers Association, and is a Certificated Member of the Governance Institute of Australia.

DIRECTORS' MEETINGS

The number of meetings of the Company's directors (including formally constituted committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board of Directors		Audit, Risk and Compliance Committee		Remuneration and Nominations Committee	
	(i)	(ii)	(i)	(ii)	(i)	(ii)
Derek Young (iii)	13	13	2	2	1	1
Bruce Thompson	13	12	2	2	1	1
Nicole Birrell	13	12	2	2	1	1
Deborah Radford (iv)	11	11	1	1	1	1
Laurence Cox (v)	13	13	–	–	1	1
Kerry Smith (vi)	3	3	1	1	–	–
Thomas Stianos	13	13	–	–	–	–

(i) Number of meetings held during the period the director was a member of the Board or Committee.
(ii) Number of meetings attended.
(iii) Appointed Chairman 17 June 2014.
(iv) Appointed Non-Executive Director 9 September 2013.
(v) Retired 17 June 2014.
(vi) Retired 22 October 2013.

DIRECTORS' INTERESTS

The relevant interests of each director in the shares, rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange ("ASX") in accordance with s205G(1) of the Corporations Act 2001, at the date of this report are as follows:

Director	Ordinary shares	Performance rights over ordinary shares
Derek Young	4,000	–
Bruce Thompson	70,499	–
Nicole Birrell	9,681	–
Deborah Radford	10,000	–
Thomas Stianos	2,001,224	290,718

SHARE OPTIONS AND PERFORMANCE RIGHTS

Performance rights granted to the CEO and officers of the Company

Equity movements during the financial year are disclosed in detail in Note 27 to the financial statements.

STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Group during the financial year.

PRINCIPAL ACTIVITIES

During the financial year, the Group operated 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
+ Solutions Development.

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 year.

OPERATING AND FINANCIAL REVIEW

Review of operations

SMS provides a broad range of business consulting, technology solutions, operational management, and recruitment services to assist clients improve their use of people, processes and technology. Over the past 28 years, SMS has expanded across Australia and the Asia Pacific, with regional offices in Hong Kong, Singapore and Vietnam.

The business operates as two segments:

+ **SMS Consulting**, representing a range of specialised IT and business consulting services as well as operational managed services; and
+ **M&T Resources**, sourcing contract and permanent candidates to work with corporate clients.

Over many years, SMS has been able to predict market trends by investing in new capabilities to service its client base. SMS is continuously reassessing market conditions, pursuing acquisition opportunities and developing skilled employees to leverage client demand for its services.

During the financial year ended 30 June 2014, SMS was faced with a number of market driven challenges that resulted in clients deferring and cancelling projects, which impacted the performance of the SMS Consulting business. An improvement in recruitment and contracting activity saw SMS experience growth within the M&T Resources business.

As clients pursued cost control in a weak market environment, demand for SMS's consulting services was impacted. In addition, intense competition for market share has led to increased price competition. SMS has sought to offset price pressure by:

+ Re-defining the go-to-market strategy;
+ Changing the dual-shore development centre in Vietnam, implementing an outsourced variable cost model to achieve a lower cost solution;
+ Launching managed services and cloud hosted services to provide more long-term recurring revenue; and
+ Expanding its graduate program to develop junior talent internally and provide better leverage to the staffing mix in project delivery.

OPERATING AND FINANCIAL REVIEW (continued)

Review of financial results

Revenue from services

	2014 $m	2013 $m
SMS Consulting	**237.5**	214.6
M&T Resources	**76.9**	63.9
Total revenue from services	**314.4**	278.5

SMS Consulting

Revenue is driven by a number of factors, including:

+ the number of billable projects SMS Consulting is engaged on;
+ the number of full-time equivalent ("FTE") client-facing staff;
+ the utilisation of client-facing staff on billable projects; and
+ the pricing of consulting projects.

Continued economic uncertainty saw clients defer and cancel projects during the 2014 financial year, leading to a contraction in demand for consulting services. In response to this, SMS Consulting refined recruitment activities to meet market conditions.

Australian based revenue was negatively impacted by a reduction in client demand across the Federal Government, Transport and Utilities sectors while Asian revenue was affected by the withdrawal from a loss-making sub-contract in Singapore.

In response to reduced client demand and pricing pressure, SMS offset part of the impact by allowing natural attrition to reduce the number of billable consultants (excluding acquisitions) from 993 (30 June 2013) to 895. Employee costs were further assisted by recruiting 36 graduates as part of an ongoing program.

Acquisitions

Indicium Technology Group Pty Ltd ("Indicium") – acquired 4 July 2013.

Indicium has contributed revenue of $16.3 million to SMS Consulting during the financial year.

The Birchman Group Asia Pacific Pty Ltd ("Birchman") – acquired 3 October 2013.

Birchman has contributed revenue for its first 9 months of ownership of $23.5 million.

M&T Resources

Revenue arises from commission earned upon the placement of contract and permanent IT staff. As the demand for contractors, particularly in the ICT and Financial Services sectors of the market increased during the financial year, this contributed to a 20% improvement in M&T Resources' revenue.

Profit

	2014 $m	2013 $m
SMS Consulting	**30.4**	37.3
M&T Resources	**3.6**	2.7
Segment EBITDA*	**34.0**	40.0
Other (expenses)/income	**(1.3)**	1.3
Corporate expenses	**(11.8)**	(11.8)
Consolidated EBITDA*	**20.9**	29.5
Interest, depreciation and amortisation	**(2.2)**	(0.1)
Income tax expense	**(6.0)**	(8.3)
Net profit after tax	**12.7**	21.1

* EBITDA is defined as earnings before interest, tax, depreciation and amortisation. EBITDA is non-IFRS financial information.

SMS Consulting

Billable utilisation, declined from 83% (2013) to 80% in the 2014 financial year. Cost reduction initiatives including a reduction in administrative expenses, closure of the underperforming Western Australian operation (prior to the acquisition of Birchman) and move to a third party owned offshore development facility took place during the year with full benefits expected to be realised in the coming financial year.

Discretionary expenditure and administration and operating costs (prior to one-off items) were down on the prior year excluding the impact of acquisitions. One-off items included a $1.1 million write-off of accrued revenue and trade debt relating to the withdrawal from a loss making sub-contract in Singapore.

The two acquisitions contributed $7.9 million in EBITDA to the full year financial result.

M&T Resources

The largest expense borne by M&T Resources is contract labour costs. The majority of these costs relate to billable contractors, temporarily deployed to clients as needed, resulting in a variable cost base. As mentioned above, M&T Resources' revenue increased by 20% during the year, leading to an increase in EBITDA of 33%.

Other income/expenses

A number of one-off costs including due diligence and acquisition related costs ($0.4 million) and termination costs ($0.4 million) were incurred during the year. Additionally, during the year an investment in various growth initiatives including a graduate recruitment program and internal IT systems upgrade resulted in $0.5 million being incurred.

Corporate expenses

Corporate expenses relate to the employee costs for management and administrative staff including executive, finance, HR, and IT functions and other company wide expenses including insurance and regulatory compliance. Cost savings from headcount reductions were offset by increased insurance and other costs.

OPERATING AND FINANCIAL REVIEW (continued)

Cash flow

	2014 $m	2013 $m
EBITDA	**20.9**	29.5
Change in working capital	**(2.8)**	9.6
Tax paid	**(11.3)**	(9.7)
Interest received	**0.4**	0.9
Net operating cash flow	**7.2**	30.3
Capital expenditure and dividend payments	**(12.4)**	(22.1)
Share buy-back	**(2.3)**	–
Net funding from borrowings	**8.1**	–
Acquisition and deferred consideration payments	**(19.1)**	(2.0)
Other	**(0.4)**	0.8
Net cash flow	**(18.9)**	7.0

Cash held has decreased at 30 June 2014, primarily due to the following:

+ Acquisition payments of $19.1 million for Indicium and Birchman;
+ Tax payments including $4.3 million relating to the prior year and acquisitions; and
+ Contractor client engagement with challenging payment terms. These are being renegotiated.

Financial position

	2014 $m	2013 $m
Cash	**18.1**	37.0
Trade receivables and work in progress ("WIP")	**58.9**	45.1
Intangible assets and goodwill	**114.3**	62.3
Loans and borrowings	**8.7**	–
Trade and other payables	**17.2**	9.6
Finance lease liabilities	**1.9**	–
Debtor days	**35**	30
Lock-up days (WIP plus debtor days)	**62**	59

The statement of financial position predominantly consists of cash, working capital (receivables, WIP and payables), intangible assets that have arisen from previous acquisitions, and borrowings.

Trade receivables and WIP were higher at 30 June 2014 due to the acquisitions and the impact of some key clients requiring extended payment terms as reflected in the increased debtor and lock-up days.

The net increase in intangible assets and goodwill is attributable to the Indicium ($24.1 million) and Birchman ($27.9 million) acquisitions.

SMS has fully drawn down a $12.5 million debt facility put in place during the financial year to fund the upfront acquisition payment for Birchman. The facility is to be amortised over 3 years. As at 30 June 2014, the remaining balance of the facility is $8.7 million. In addition, the Company has a $10 million working capital facility which was undrawn at 30 June 2014.

Trade and other payables were higher at 30 June 2014 due to the impact of the acquisitions and an increase in accrued expenses.

During the year, the Group acquired finance lease liabilities as part of the acquisition of Indicium. In addition, the Group has financed equipment to support a multi-year managed services contract.

Capital management

SMS seeks to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as the profit attributable to ordinary equity holders divided by average shareholders' equity.

As part of the Company's ongoing capital management strategy, SMS commenced an on-market share buy-back program on 13 June 2014, to take place over a 12 month period. The share buy-back is consistent with SMS's key objectives of ensuring an efficient capital structure, maintaining a prudent level of gearing and having sufficient financial flexibility to continue pursuing current growth initiatives. As at 30 June 2014, 705,226 shares had been acquired at a cost of $2.3 million.

The Board has a dividend payout policy of between 65-70% of net profit after tax.

SMS has declared a fully franked final dividend of 7.5 cents per share taking the full year dividends to 12.5 cents per share. The Company's ability to pay a dividend is underpinned by strong cash generation and collection.

Strategy

The Company's strategic vision is to increase multi-year revenue from full lifecycle solutions and managed services. This allows the business to capitalise on a structural trend in the market where capital spend is being replaced by operational expenditure by procuring infrastructure and software as a service rather than installing new physical facilities. Achieving this consists of three strategic elements:

+ Improve the business through the organic growth of specialised service offerings and pursuing operational excellence.
+ Extend the business by addressing key market themes with new offerings and leveraging geographical breadth and service capability to deliver large-scale projects (e.g. acquisition of Birchman to establish a critical mass in the Western Australian market).
+ Transform the business through acquisitions of service providers to capture high-growth sectors of the market that SMS is not servicing (e.g. acquisition of Indicium to accelerate the growth of managed infrastructure services).

Improve the business

Organic growth through specialised service offerings

SMS provides a broad range of services that have evolved either organically (through development of capability in-house) or inorganically, by acquisition of service providers that offer unique skill-sets demanded by the market.

Organic growth is achieved by developing specialised service offerings that offer deep industry expertise and unique technical capability. In providing niche skills, SMS aims to capture industry spend from larger service providers by being more agile in responding to client demand.

Pursue operational excellence

Operational excellence involves reducing business costs and investing in talent to enable price competition, whilst preserving margins and delivery quality.

OPERATING AND FINANCIAL REVIEW (continued)

SMS recognises the growth and development of staff as critically important to the future success of the business. Professional development focuses on continuous learning as well as on-the-job development experiences from the work undertaken for clients.

Examples of how SMS pursued operational excellence during the 2014 financial year include:

+ Introduction of a cost-effective and flexible cost model arising from the introduction of a third party owned dual-shore development facility in Vietnam; and
+ Continuation of the graduate recruitment program. Through better utilisation of junior staff, SMS seeks improved operational leverage in the delivery of projects.

Extend the business

Address key market themes with new services and products

SMS has identified a number of market trends on which to capitalise. Service offerings include:

+ **Business innovation** – legacy systems of various organisations require continuous maintenance and technological updates in order to be agile in competitive business environments.
+ **Cloud** – organisations are seeking to preserve margins and reduce their cost base. SMS is helping clients to enhance the operational efficiency of their IT and business infrastructure through cloud offerings.
+ **Customer** – Due to the competitive nature of the industry, customers are more than ever expecting a higher level of service from professional service providers, tailored to their needs at a lower price point. SMS assists clients with end-to-end capability to improve the customer experience and maintain competitiveness in the market.
+ **Digital transformation** – digital channels have become a mature market, with lower costs enabling newer, more nimble competition to enter the market. SMS assists clients to maximise opportunities presented by digital channels.
+ **Mobility** – with the growth of mobile devices, customers and employees expect flexibility when it comes to interacting with internal or external parties. SMS assists clients to develop infrastructure and services designed to enable a mobile workforce.

SMS has evolved traditional capability in Consulting and Solutions Development, to multi-year operational Managed Services engagements. By leveraging technology partners in software and infrastructure, SMS is able to cross-sell products to existing clients as well as tailoring services to meet client needs.

Leverage geographical breadth and service capability to deliver large-scale projects

The IT and business consulting markets consist of global firms, catering for large outsourcing arrangements, and smaller, local providers of niche solutions.

SMS is able to maintain its versatility by the continuous development of staff to address large complex projects while maintaining the flexibility and responsiveness of a smaller provider. SMS differentiates itself by focusing on high value-add services, and ensuring the delivery quality which the business has become known for is maintained.

Transform the business

Acquire businesses focused on customer, capability or geographic expansion

SMS has made a number of acquisitions over recent years as opportunities have emerged to complement existing services with specialised capability.

The recent acquisition of Indicium has allowed SMS to expand its service offerings, improving its competitive advantage against the traditional Managed Services providers without the need to invest in data centres.

The Birchman acquisition has provided SMS with critical mass in Western Australia particularly in a number of significant industry sectors including Resources and State Government.

Acquisition opportunities will continue to be considered, provided they augment existing capability.

Risk

SMS has established comprehensive policies to address its audit and risk management responsibilities, together with strong internal compliance procedures and control systems. Procedures exist to monitor risk, with ultimate reporting to the Board, through the Audit, Risk & Compliance Committee for financial and business risks identified and the CEO for operational risks.

The Board has identified the following specific risks that could potentially have an adverse effect on the performance of the Group:

+ **Financial risk:** the Board has adopted a number of financial risk strategies and policies to address market price risk, liquidity risk, credit risk and funding risk.
+ **Business risk:** a range of policies and procedures deal with specific business risks, including delegation of authority, capital investment processes, corporate conduct and litigation reporting.
+ **Operational risk:** policies for operational risk include health, safety and environment, asset protection and operational security, information technology and insurance.

SMS maintains a risk register, which is reviewed and updated each year for changes in the nature of the risk, mitigating controls and risk rating. The register separately identifies risks as strategic, human resources, operational, legal and regulatory, and financial, with relevant business owners assigned to ensure continuous management and monitoring of the risk.

A risk rating between 'low' and 'high' is assigned to each risk on the risk register. Risks classified as high reflect the material risks faced by SMS that are likely to have an effect on the financial prospects of the Group, and highlight the critical factors on which the achievement of business strategies depend.

The material risks faced by SMS and how the Group manages these include:

+ **Staff retention** – staff turnover may increase due to salary pressure, leadership, success of the Company and career progression opportunities. SMS consultants are the front line of project delivery, and maintaining and developing client relationships. Failure to retain staff may impair relationships with clients, leading to a loss of key contracts; the ability to deliver specialised consulting advice may be impacted if staff with unique skill-sets resign.

  The risk is addressed by investing in a strong value proposition for employees, which includes the provision of technical and soft skill training for staff, career planning, a performance management system, competitive remuneration and other benefits.

  The risk is ongoing and expected to be low in the next financial year.

+ **Delivery failure and/or the loss of key clients** – the risk of poor delivery of a project against contract requirements, with the potential loss of contract or client, and reputational damage.

  The risk is addressed by investing time in maintaining relationships with clients, ensuring appropriate resources are allocated to each project, performing quality assurance reviews on the work being delivered, and ensuring proposals are subject to governance reviews.

  The risk is expected to increase in the next financial year as SMS extends the business into larger-scale projects.

+ **Economic downturn** – global or localised weak economic conditions or business sentiment may lead to clients suspending, deferring or terminating contracts, as has been experienced in the 2014 financial year.

  The risk is partially mitigated as the workforce can be reduced through attrition and selective retrenchment. SMS is seeking to grow its multi-year contracts and managed services revenue in order to mitigate cyclical market measurements, as evidenced by the acquisition of Indicium.

  The risk is ongoing due to economic uncertainty but expected to reduce in the next financial year.

OPERATING AND FINANCIAL REVIEW (continued)

Outlook

Looking forward, we see some signs of growth in what remains a challenging environment. Despite ongoing weakness in the Victorian and Australian Capital Territory consulting businesses, improvements in other regions, recent contract wins and reduced costs point to a return to profit growth in the 2015 financial year.

SMS will continue to invest in growing the business organically, with targeted recruitment to address specific skill needs. More broadly, SMS will seek to improve the billable utilisation of consultants, leverage the dual shore Vietnam flexible cost model and shift services to multi-year contracts and the higher demand managed services segment of the market.

SMS is well-positioned to benefit once economic sentiment improves and client demand picks up, due to the operational leverage of the Consulting business.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group are encompassed in the Operating and Financial Review section of this report as set out on pages 33 to 40.

EVENTS SUBSEQUENT TO REPORTING DATE

On 12 August 2014, Mr Thomas Stianos, CEO, announced his retirement which will be effective at the end of the 2014 calendar year.

Other than the above, no significant events have occurred since the end of the reporting period that would impact on the financial position of the Group as at 30 June 2014 or on the results and cash flows of the Group for the year ended on that date.

DIVIDENDS

Declared and paid during the year

The following dividends were declared and paid by the Company during the year:

Type	Cents per share	Amount $'000	Franked/ unfranked	Date of payment
Final 2013 ordinary	12.0	8,412	Fully franked	25 Oct 2013
Interim 2014 ordinary	5.0	3,505	Fully franked	28 Mar 2014

All dividends declared and paid during the year were fully franked at the tax rate of 30%.

Declared after the end of the year

On 20 August 2014, the directors declared the payment of a final 2014 ordinary (fully franked) dividend of 7.5 cents per share ($5,204,590) to be paid on 24 October 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial statements.

CORPORATE GOVERNANCE STATEMENT

The Company supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles"). The Company complies with all of the second edition ASX Principles.

Further information on the Company's corporate governance policies and practices can be found under the 'Investors' – 'Corporate Governance' section of the Company's website at www.smsmt.com.

Principle 1: Lay solid foundations for management and oversight

The Board has adopted a Charter that sets out, among other things, its specific powers and responsibilities and the matters delegated to the CEO and those reserved to the Board. Information regarding the Charter is available on the Company's website.

As part of the Board's oversight of senior management, all Company executives are subject to annual performance reviews and planning of goals for the following 12 months. Each executive is assessed against a range of criteria including financial goals, completion of key performance measures and adherence to the Company's values.

Principle 2: Structure the Board to add value

The Board is structured to bring a range of skills, experience, expertise and diversity to the Company.

Pages 30 and 31 of this report set out the qualifications, expertise, experience and period in office of each director as at the date of this report.

As required under the Board's Charter and the ASX Principles, the Board comprises a majority of independent non-executive directors. In determining whether a director is independent or otherwise, the Board considers the matters set out in its Charter, as summarised on pages 43 and 44 of this report.

The Board carries out a number of its duties and responsibilities through the Remuneration and Nominations Committee and the Audit, Risk and Compliance Committee. Details of the Remuneration and Nominations Committee are set out on page 45, and the Audit, Risk and Compliance Committee on pages 56 and 57 of this report.

Principle 3: Promote ethical and responsible decision making

The Company considers its reputation one of its most valuable assets, founded largely on the ethical behaviour of its people.

The Board has approved a Code of Conduct that sets out principles of ethical behaviour for all Group personnel. Information relating to the Code of Conduct is available on the Company's website.

The Board has established a Share Trading Policy which governs dealing in the Company's shares. Information relating to this policy is available on the Company's website.

In addition, the Board has established a Diversity Policy overseen by the Diversity Working Group to ensure the Company has and retains a culture of inclusion. Details are contained on pages 61 and 62 of this report.

Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit, Risk and Compliance Committee which assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, external audit and insurance (with the exception of directors' and officers' insurance). Information on the Company's approach to audit, risk and compliance is set out on the Company's website.

The composition and structure of the Audit, Risk and Compliance Committee complies with the ASX Principles.

The members of the Audit, Risk and Compliance Committee are set out on page 56 of this report and their attendance at meetings is set out on page 32 of this report.

Principle 5: Make timely and balanced disclosure

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001. Subject to limited exceptions, the Company must immediately notify the market, through the ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. To this end, the Company has a Continuous Disclosure Policy, details of which can be found on its website.

Principle 6: Respect the rights of shareholders

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates with its shareholders. To this end, the Company recognises that shareholders must receive relevant information in a timely manner in order to be able to properly and effectively exercise their rights as shareholders. Information regarding the Company's Communications Statement is available on its website.

Principle 7: Recognise and manage risk

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively.

For the annual and half year results, the CEO and CFO have provided a written declaration to the Board in accordance with section 295A of the Corporations Act ("Declaration"), stating that, in all material respects, the Company's financial report gives a true and fair view of the Company's financial position and performance and complies with Australian Accounting Standards ("AASBs"). The Declaration also provides assurance that the Company's financial records have been properly maintained. The Declaration states that it is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting objectives based on the established criteria for effective internal control.

Principle 8: Remunerate fairly and responsibly

The Remuneration Report (on pages 45 to 56 of this report) sets out details of the Company's policy and practices for remunerating directors and executives.

The members of the Remuneration and Nominations Committee are set out on page 45 of this report, and their attendance at meetings is set out on page 32 of this report.

Information relating to the Remuneration and Nominations Committee and the Company's policy on share trading in relation to shares or equity-based products are available on the Company's website.

ELECTION OF DIRECTORS

Article 47 of the Company's Constitution requires that a director must retire from office no later than the longer of the third Annual General Meeting of the Company, or three years, following that director's last election or appointment. Therefore, Mr Bruce Thompson and Ms Nicole Birrell will retire at the 2014 Annual General Meeting of the Company and are eligible for re-election.

BOARD OF DIRECTORS

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal controls, legal compliance and management information systems.

The Board is also responsible for approving and monitoring financial and other reporting. Details of the Board's Charter are located on the Company's website.

The Board has delegated responsibility for operation and administration of the Group to the CEO and executive management. Responsibilities are defined by formal authority delegations.

Board processes

To assist in the execution of its responsibilities, the Board has established a Remuneration and Nominations Committee and an Audit, Risk and Compliance Committee. These committees have written mandates and operating procedures, which are periodically reviewed.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds eleven scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, CEO, CFO and Company Secretary. Standing items include the CEO's report, CFO's report, operational reports, strategic matters and governance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to Group offices, for contact with a wider group of employees.

Director and executive education

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of directors. In addition, directors are also educated regarding meeting arrangements and director interaction with each other, executives and other stakeholders. Directors have the opportunity to visit Group offices and meet with management to gain a better understanding of business operations.

The Group has a formal process to educate new executives upon taking up such positions. The induction program includes reviewing the Group's structure, strategy, operations and financial position. It familiarises the individual with the respective rights, duties, responsibilities and roles of the individual, executive management and the Board.

Independent professional advice and access to Company information

Each director has the right of access to all relevant Group information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. The advice received by the director is made available to all other members of the Board.

BOARD OF DIRECTORS (continued)

Composition of the Board

The names of the directors of the Company in office at the date of this report are set out on pages 30 and 31.

The composition of the Board is determined using the following principles:

+ a minimum of three directors, with a broad range of expertise both nationally and internationally;
+ a majority of non-executive directors;
+ a non-executive independent director is appointed as Chairperson;
+ a majority of directors having extensive knowledge of the Group's industries, and those who do not, having extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
+ enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
+ a maximum period of three years' service, subject to re-election every three years (except for the CEO).

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential directors' skills to ensure they have appropriate industry expertise in the Group's operating segments.

The Board considers the diversity of existing and potential directors to ensure they are in line with the geographical and operational segments of the Group. The Board's policy is to seek a diverse range of directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Group operates.

An independent director is a director who is not a member of management (a non-executive director) and who:

+ holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
+ within the past three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
+ within the past three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
+ is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
+ has no material* contractual relationship with the Company or another Group member other than as a director of the Company; and
+ is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the director's ability to act in the best interests of the Company.

* The Board considers 'material' in this context, where any director-related business relationship has represented, or is likely in the future to represent, the lesser of at least ten per cent of the relevant segment's or the director-related business' revenue. The Board considers the nature of the relevant industries' competition, and the size and nature of each director-related business relationship, in arriving at this threshold.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee oversees the appointment process for directors and Committee members, and the selection, appointment and succession planning process for the Company's CEO. The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Committee, and in turn, the Board determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates where appropriate, with advice from an external consultant. The Board then appoints the most suitable candidate. Board appointees must stand for election at the next general meeting of shareholders.

The Committee reviews and makes recommendations to the Board on remuneration and policies applicable to the directors, CEO and executives. It is also responsible for share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The Committee conducts an annual review of the performance of the CEO and the executives reporting directly to the CEO and the results of the review are discussed at a Board meeting.

The Committee comprised the following members during the year, all of whom were non-executive directors:

Derek Young
(Chairman – appointed 17 June 2014)

Bruce Thompson

Nicole Birrell

Deborah Radford
(appointed to the Committee
17 September 2013)

Laurence Cox
(retired 17 June 2014)

Kerry Smith
(retired 22 October 2013)

The Board policy is that the Committee will only comprise independent non-executive directors. The CEO and the Director, Human Resources are invited to the Committee meetings, as required, to discuss executives' performance and remuneration, but are not in attendance when matters pertaining to themselves are discussed.

The Committee met once during the year and the Committee members' attendance record is disclosed in the table of directors' meetings, on page 32 of this report. The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment. This includes expectations of attendance and preparation for all Board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

A summary of the Committee's role and responsibilities is available on the Company's website.

REMUNERATION REPORT – AUDITED

Remuneration policies

Remuneration levels for directors and executives of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration and Nominations Committee obtains independent information on the appropriateness of remuneration levels of the Group given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The remuneration structures take into account:

+ the capability and experience of the directors and executives;
+ the directors' and executives' ability to control the relevant business units' performance;
+ the Group's performance including:
  - Group earnings;
  - growth in the share price and in shareholder wealth; and
+ the component of incentives within the CEO's and each executive's remuneration.

Remuneration for executives includes a mix of fixed and variable remuneration and short and long-term performance based incentives.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), and employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration and Nominations Committee through a process that considers individual, region and/or business unit, and overall performance of the Group. In addition, the Committee considers external data to ensure the directors' and executives' remuneration is competitive in the market place. Remuneration is also reviewed by the CEO on promotion.

Performance linked remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward the CEO and executives for meeting or exceeding their financial and personal objectives.

The short-term incentive ("STI") is an 'at risk' bonus provided in the form of cash, while the long-term incentive ("LTI") is provided as performance rights over the ordinary shares of the Company under the rules of the 2010 Executive Performance Rights Plan (the "2010 Plan"), 2011 Executive Performance Rights Plan (the "2011 Plan"), 2012 Executive Performance Rights Plan (the "2012 Plan") and 2013 Executive Performance Rights Plan (the "2013 Plan").

Short-term incentive ("STI")

Each year the Remuneration and Nominations Committee sets the Key Performance Indicators ("KPIs") for the CEO and has input into the KPIs for certain executives. The KPIs generally include measures relating to the Group, the relevant region and/or business unit, and the individual. They include financial, people, client, strategy, growth and risk measures. The measurements are chosen so as to directly align the individual's reward to the Group's strategy and performance.

The financial performance objective is actual EBITDA performance, compared to budget. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes and meeting leadership expectations.

At the end of the financial year, the Remuneration and Nominations Committee assesses the actual performance of the Group, the relevant region and/or business unit and the individual against the KPIs as set at the beginning of the financial year. A percentage of the predetermined maximum amount is awarded depending on the results.

This method of assessment was chosen as it provides the Committee with an objective assessment of the individual's performance. The Remuneration and Nominations Committee recommends the quantum of the STI to be paid to the relevant individuals for approval by the Board.

Long-term incentive ("LTI")

The Board considers the issue of performance rights based on the achievement of specific total shareholder return ("TSR") and earnings per share ("EPS") targets that align the performance of key employees with the interest and objectives of shareholders.

Performance rights are issued to key employees in the form of a grant of rights over ordinary shares, for nil consideration. The performance rights are exercisable subject to a three year performance hurdle against 15 comparator companies (the "Comparator Group").

For the 2011 Plan, 2012 Plan and 2013 Plan, 50% of the total performance rights is based on a relative TSR performance hurdle which takes into account share price appreciation plus reinvested dividends, expressed as a percentage of investment and adjusted for changes in the Company's capital structure. A second tranche, equal to 50% of the total performance is based on a relative EPS performance hurdle.

The Group has a restriction under the performance rights plan that prohibits those who are granted performance rights as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

The performance rights are subject to performance hurdles of TSR and EPS growth assessed against a Comparator Group in accordance with the following scale:

If SMS's TSR is ranked:	Vesting percentages of performance rights
Below the 50th percentile	Nil vesting
Equal to the 50th percentile	50% vesting
Higher than the 50th percentile but below the 75th percentile	50% vesting plus 2% for each additional percentile above 50% vested
75th percentile or higher	100% vesting

If SMS's EPS is ranked:	Vesting percentages of performance rights
Below the 50th percentile	Nil vesting
Equal to the 50th percentile	50% vesting
Higher than the 50th percentile but below the 75th percentile	50% vesting plus 2% for each additional percentile above 50% vested
75th percentile or higher	100% vesting

REMUNERATION REPORT – AUDITED (continued)

A list of the 15 companies that make up the Comparator Group for the 2013 Plan (unchanged from the 2012 Plan) is outlined in the table below:

No.	Company Name	ASX Code
1	Oakton Limited	OKN
2	UXC Limited	UXC
3	ASG Group Limited	ASZ
4	Melbourne IT Limited	MLB
5	Computershare Limited	CPU
6	Data#3 Limited	DTL
7	Programmed Maintenance Services Limited	PRG
8	Service Stream Limited	SSM
9	DWS Limited	DWS
10	WorleyParsons Limited	WOR
11	Clarius Group Limited	CND
12	Skilled Group Limited	SKE
13	Technology One Limited	TNE
14	IRESS Limited	IRE
15	Caresales.com Limited	CRZ

2010 Plan

On 1 July 2013, 0% of the TSR performance rights and 100% of the EPS performance rights vested and were converted to shares, following the end of the three-year performance period as per the 2010 Plan commenced on 1 July 2010.

Consequences of performance on shareholders' wealth

In considering the Group's performance and consequences of its performance on shareholders' wealth, the Remuneration and Nominations Committee has regard to the following measures in respect of the current financial year and the previous four financial years:

Measure	2014	2013	2012	2011	2010
EBITDA	$20.9m	$29.5m	$44.3m	$42.2m	$38.1m
Net profit after tax for the year	$12.7m	$21.1m	$30.6m	$29.8m	$27.9m
Dividends declared (fully franked)	12.5c	25.5c	30.5c	30.0c	29.0c
Change in share price	($1.01)	($0.59)	($1.16)	$0.34	$2.06
Basic earnings per share	18.1c	30.6c	44.8c	44.3c	41.9c

EBITDA is considered in setting and assessing the STI. Relative performance of TSR and EPS is considered in setting and assessing the LTI. The overall level of remuneration for executives takes into account performance over a number of years. The remuneration structure for executives is designed to ensure focus on maximising both short-term operating performance and long-term strategic growth.

The remuneration structure in place is considered to be generating the desired outcome over recent years. Until 2013, growth has led to STIs being paid and LTIs vesting on average at a high proportion. This year, STI financial performance criteria were only met for one member of the Key Management Personnel ("KMP"), whilst LTIs relating to the 2010 Plan partially vested.

Other performance related benefits

There are no other benefits received by the directors or executives of the Group that relate to performance.

Service agreements and contract details

It is the Group's policy that contracts of employment for the CEO and executives be unlimited in term but capable of termination on either one month's or three months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to one month's or three months' pay in lieu of notice.

The terms of engagement for Mr Thomas Stianos (CEO) include a payout of 12 months' base remuneration if it is due to redundancy as a result of a corporate reorganisation/restructure.

Non-executive directors

Total remuneration for all the non-executive directors, last voted on at a general meeting of the Company on 23 October 2012, is not to exceed $750,000 per annum. A non-executive director's total remuneration remained unchanged at $84,500 per annum following a directors' resolution passed on 18 June 2013. The Chairman received twice that amount.

The total remuneration of $86,500 paid to non-executive directors in the 2013 financial year (twice that amount for the Chairman) included an adjustment in respect of the 2012 financial year.

Non-executive directors do not receive performance related remuneration.

REMUNERATION REPORT – AUDITED (continued)

Directors' and executives' remuneration

The nature and amount of each major element of remuneration of each director of the Company, and other Key Management Personnel (collectively the "KMP") of the Group are:

		Short-term remuneration			Post-employment
		Base remuneration	STI cash bonus (i)	Leave entitlements	Superannuation contribution
Directors	**Year**	**$**	**$**	**$**	**$**
Non-Executive Directors					
Derek Young	**2014**	**80,132**	**–**	**–**	**7,412**
(Appointed Chairman 17 June 2014)	2013	79,358	–	–	7,142
Bruce Thompson	**2014**	**77,345**	**–**	**–**	**7,155**
	2013	79,358	–	–	7,142
Nicole Birrell	**2014**	**77,345**	**–**	**–**	**7,155**
	2013	79,358	–	–	7,142
Deborah Radford	**2014**	**62,920**	**–**	**–**	**5,820**
(Appointed 9 September 2013)	2013	–	–	–	–
Laurence Cox	**2014**	**154,691**	**–**	**–**	**14,309**
(Retired 17 June 2014)	2013	158,716	–	–	14,284
Kerry Smith	**2014**	**25,782**	**–**	**–**	**2,385**
(Retired 22 October 2013)	2013	79,358	–	–	7,142
Executive Director					
Thomas Stianos	**2014**	**617,667**	**–**	**15,432**	**32,333**
CEO	2013	625,815	–	56,859	24,333
Total all directors	**2014**	**1,095,882**	**–**	**15,432**	**76,569**
	2013	1,101,963	–	56,859	67,185
Executives					
Rick Rostolis	**2014**	**327,200**	**–**	**(1,254)**	**24,000**
CFO	2013	326,867	–	4,131	24,333
Darren Stanley	**2014**	**327,200**	**–**	**(3,125)**	**24,000**
Managing Director, SMS Consulting Australia (Appointed 1 July 2013)	2013	–	–	–	–
Chris Sandham	**2014**	**225,307**	**100,000**	**(2,754)**	**20,730**
Managing Director, M&T Resources	2013	230,558	–	(5,234)	20,642
Merlin Allan	**2014**	**31,271**	**–**	**2,369**	**2,858**
Managing Director, Managed Services (Appointed 6 May 2014)	2013	–	–	–	–
Shaneen Argall	**2014**	**207,668**	**–**	**2,572**	**19,099**
Director, Human Resources	2013	203,535	–	4,659	18,260
Total all named executives	**2014**	**1,118,646**	**100,000**	**(2,192)**	**90,687**
	2013	760,960	–	3,556	63,235
Total remuneration	**2014**	**2,214,528**	**100,000**	**13,240**	**167,256**
	2013	1,862,923	–	60,415	130,420

Other long-term	Equity remuneration			
Leave entitlements	Value of performance rights (ii)	Total (iii)	Proportion of remuneration performance related	Value of equity remuneration as proportion of remuneration
$	$	$	%	%
–	**–**	**87,544**	**–**	**–**
–	–	86,500	–	–
–	**–**	**84,500**	**–**	**–**
–	–	86,500	–	–
–	**–**	**84,500**	**–**	**–**
–	–	86,500	–	–
–	**–**	**68,740**	**–**	**–**
–	–	–	–	–
–	**–**	**169,000**	**–**	**–**
–	–	173,000	–	–
–	**–**	**28,167**	**–**	**–**
–	–	86,500	–	–
8,225	**349,414**	**1,023,071**	**34.2%**	**34.2%**
(10,385)	319,376	1,015,998	31.4%	31.4%
8,225	**349,414**	**1,545,522**		
(10,385)	319,376	1,534,998		
932	**67,672**	**418,550**	**16.2%**	**16.2%**
–	54,802	410,133	13.4%	13.4%
8,429	**86,508**	**443,012**	**19.5%**	**19.5%**
–	–	–	–	–
1,106	**69,884**	**414,273**	**41.0%**	**16.9%**
648	67,496	314,110	21.5%	21.5%
1,011	**9,650**	**47,159**	**20.5%**	**20.5%**
–	–	–	–	–
4,430	**67,672**	**301,441**	**22.4%**	**22.4%**
999	63,950	291,403	21.9%	21.9%
15,908	**301,386**	**1,624,435**		
1,647	186,248	1,015,646		
24,133	**650,800**	**3,169,957**		
(8,738)	505,624	2,550,644		

REMUNERATION REPORT – AUDITED (continued)

Notes in relation to the table of directors' and executives' remuneration

(i) The STI cash bonus is for performance using the criteria set out on page 46.
(ii) The fair value of performance rights granted under the 2011 Plan, the 2012 Plan and the 2013 Plan with a TSR performance hurdle was calculated at the date of grant using a Monte Carlo Simulation. The fair value of performance rights granted under the 2011 Plan, the 2012 Plan and the 2013 Plan with an EPS performance hurdle was calculated at the date of grant using a closed form Black Scholes valuation model. The fair values are allocated to each reporting period on a straight-line basis over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the performance rights expensed in this reporting period. In valuing performance rights at grant date, market conditions have been taken into account.
(iii) Directors' and officers' insurance premiums are not included within total remuneration in this table, as disclosure of premiums paid is prohibited under the terms of the insurance contract.

STI cash bonus

Analysis of STI included in remuneration

Details of the percentage of the available STI that was expensed in the 2014 financial year for each KMP, and the percentage that was forfeited because the financial performance criteria were not met, are set out below. Non-executive directors do not participate in the STI scheme.

	Short-term incentive		
KMP	Included in remuneration $	Achieved in year	Forfeited in year
Thomas Stianos	–	–	100%
Rick Rostolis	–	–	100%
Darren Stanley (Appointed 1 July 2013)	–	–	100%
Chris Sandham	100,000	77%	23%
Merlin Allan (Appointed 6 May 2014)	–	–	100%
Shaneen Argall	–	–	100%

Equity remuneration

Determination of fair value

The following factors were used in determining the fair value of performance rights on the grant date:

Grant date	Fair value per performance right	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
01 Jul 11 (i)	$3.08	$6.24	47%	4.73%	4.94%
01 Jul 11 (ii)	$5.26	$6.24	47%	4.73%	4.94%
01 Jul 12 (i)	$2.91	$5.06	31%	3.28%	5.82%
01 Jul 12 (ii)	$4.25	$5.06	31%	3.28%	5.82%
01 Jul 13 (i)	$2.55	$4.48	32%	3.06%	4.48%
01 Jul 13 (ii)	$3.91	$4.48	32%	3.06%	4.48%

(i) Grant with TSR performance hurdle.
(ii) Grant with EPS performance hurdle.

Each performance right entitles the holder to acquire one ordinary share in the Company. All share plans are subject to specified performance criteria of at least the 50th percentile (and reaching the 75th percentile to fully vest) for each of the two separate TSR and EPS grants, as well as a performance period of three years ending on 1 July 2014, 1 July 2015 and 1 July 2016 respectively, unless vested earlier at the Board's discretion. All performance rights expire on the termination of the individual's employment.

Performance rights over equity instruments granted as remuneration

Details of performance rights over ordinary shares in the Company that were granted as remuneration and vested to each KMP during the reporting period are set out in the following table. The performance rights were provided at no cost to the recipients and have a nil exercise price. Performance rights do not have an expiry date. Details of the performance criteria are included in the LTI section on pages 46 to 48 of this report.

There have been no modifications to the terms of equity-settled share-based payment transactions during the financial year.

	Granted during 2014	Grant date	Vested during 2014	Fair value per performance right at grant date
Directors				
Thomas Stianos	56,434	1 Jul 13	–	$2.55
	56,434	1 Jul 13	–	$3.91
Executives				
Rick Rostolis	11,287	1 Jul 13	–	$2.55
	11,287	1 Jul 13	–	$3.91
Darren Stanley	15,802	1 Jul 13	–	$2.55
	15,802	1 Jul 13	–	$3.91
Chris Sandham	11,287	1 Jul 13	–	$2.55
	11,287	1 Jul 13	–	$3.91
Merlin Allan	10,159	1 Jul 13	–	$2.55
	10,159	1 Jul 13	–	$3.91
Shaneen Argall	11,287	1 Jul 13	–	$2.55
	11,287	1 Jul 13	–	$3.91

REMUNERATION REPORT – AUDITED (continued)

	Granted during 2013	Grant date	Vested during 2014	Fair value per performance right at grant date
Directors				
Thomas Stianos	49,116	1 Jul 12	–	$2.91
	49,116	1 Jul 12	–	$4.25
Executives				
Rick Rostolis	9,824	1 Jul 12	–	$2.91
	9,823	1 Jul 12	–	$4.25
Chris Sandham	9,824	1 Jul 12	–	$2.91
	9,823	1 Jul 12	–	$4.25
Shaneen Argall	9,824	1 Jul 12	–	$2.91
	9,823	1 Jul 12	–	$4.25

	Granted during 2012	Grant date	Vested during 2014	Fair value per performance right at grant date
Directors				
Thomas Stianos	39,809	01 Jul 11	–	$3.08
	39,809	01 Jul 11	–	$5.26
Executives				
Rick Rostolis	7,166	01 Jul 11	–	$3.08
	7,166	01 Jul 11	–	$5.26
Chris Sandham	7,962	01 Jul 11	–	$3.08
	7,962	01 Jul 11	–	$5.26
Shaneen Argall	7,166	01 Jul 11	–	$3.08
	7,166	01 Jul 11	–	$5.26

	Granted during 2011	Grant date	Vested during 2014	Fair value per performance right at grant date
Directors				
Thomas Stianos	33,841	01 Jul 10	–	$3.02
	33,841	01 Jul 10	100%	$5.09
Executives				
Rick Rostolis	4,230	01 Jul 10	–	$3.02
	4,230	01 Jul 10	100%	$5.09
Chris Sandham	8,107	01 Jul 10	–	$3.02
	8,107	01 Jul 10	100%	$5.09
Shaneen Argall	7,614	01 Jul 10	–	$3.02
	7,614	01 Jul 10	100%	$5.09

Analysis of share-based payments granted as remuneration

The vesting profile of performance rights granted as remuneration to KMPs of the Company is detailed below:

Performance rights granted					
	Number	Grant date	Vested in year %	Forfeited in year %	Vesting date
Directors					
Thomas Stianos	67,682	01 Jul 10	50%	50%	01 Jul 13
	79,618	01 Jul 11	–	–	01 Jul 14
	98,232	01 Jul 12	–	–	01 Jul 15
	112,868	01 Jul 13	–	–	01 Jul 16
Executives					
Rick Rostolis	8,460	01 Jul 10	50%	50%	01 Jul 13
	14,332	01 Jul 11	–	–	01 Jul 14
	19,647	01 Jul 12	–	–	01 Jul 15
	22,574	01 Jul 13	–	–	01 Jul 16
Darren Stanley	18,613	01 Jul 10	50%	50%	01 Jul 13
	17,516	01 Jul 11	–	–	01 Jul 14
	23,576	01 Jul 12	–	–	01 Jul 15
	31,604	01 Jul 13	–	–	01 Jul 16
Chris Sandham	16,214	01 Jul 10	50%	50%	01 Jul 13
	15,924	01 Jul 11	–	–	01 Jul 14
	19,647	01 Jul 12	–	–	01 Jul 15
	22,574	01 Jul 13	–	–	01 Jul 16
Merlin Allan	15,228	01 Jul 10	50%	50%	01 Jul 13
	14,332	01 Jul 11	–	–	01 Jul 14
	17,682	01 Jul 12	–	–	01 Jul 15
	20,318	01 Jul 13	–	–	01 Jul 16
Shaneen Argall	15,228	01 Jul 10	50%	50%	01 Jul 13
	14,332	01 Jul 11	–	–	01 Jul 14
	19,647	01 Jul 12	–	–	01 Jul 15
	22,574	01 Jul 13	–	–	01 Jul 16

Analysis of movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each KMP of the Company is detailed below:

Value of performance rights			
	Granted in year (i) $	Vested and exercised in year (ii) $	Forfeited in year (iii) $
Directors			
Thomas Stianos	364,564	172,251	102,200
Executives			
Rick Rostolis	72,914	21,531	12,775
Darren Stanley	102,081	47,373	28,104
Chris Sandham	72,914	41,265	24,483
Merlin Allan	65,627	38,755	22,994
Shaneen Argall	72,914	38,755	22,994

(i) The value of performance rights granted in the year is their fair value at grant date.
(ii) 0% of the TSR performance rights and 100% of the EPS performance rights granted under the 2010 Plan vested during the year based on the performance criteria of the Plan. The value of performance rights vested and exercised in the year is their fair value at grant date. These amounts have been expensed in previous financial years.
(iii) The value of performance rights forfeited in the year is their fair value at grant date. These amounts have been expensed in previous financial years.

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee has a documented Charter, approved by the Board. All members must be non-executive directors with a majority being independent. The Chairman of the Board may not be the Chairman of the Committee. The Committee advises on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group. The committee comprised the following members during the year, all of whom were non-executive directors:

Bruce Thompson
(Chairman)

Nicole Birrell

Kerry Smith
(retired 22 October 2013)

Derek Young
(until 17 June 2014)

Deborah Radford
(appointed to the Committee
17 September 2013)

The external auditor, the Chairman of the Board, the CEO and CFO are invited to meetings at the discretion of the Committee. The Committee met on two occasions during the year and members' attendance record is disclosed in the table of directors' meetings on page 32 of this report.

The CEO and CFO declared in writing to the Board that the financial records of the Company and the Group for the financial year have been properly maintained and that the Group's financial report for the year ended 30 June 2014 complies with Australian Accounting Standards ("AASBs") and gives a true and fair view of the Group's financial position and performance. This statement is required bi-annually.

A summary of the Committee's role and responsibilities is available on the Company's website together with information on procedures for the selection and appointment of the external auditor, and for the rotation of the external audit engagement partner.

The responsibilities of the Audit, Risk and Compliance Committee include reporting to the Board on:

+ the annual, half-year and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with AASBs, and assessing whether the financial information is adequate for shareholder needs;
+ managing processes supporting external reporting;
+ corporate risk assessment processes;
+ the performance and objectivity of the internal audit processes where applicable;
+ establishing procedures for selecting, appointing and if necessary removing the external auditor;
+ whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit or review;
+ whether the provision of the non-audit services provided by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
+ the adequacy of the internal control framework and the Company's code of ethical standards;
+ organising and reviewing special reviews or investigations deemed necessary by the Board;
+ fraud and monitoring prompt and appropriate rectification of any deficiencies or breakdowns;
+ the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
+ any matters outstanding with auditors, Australian Taxation Office ("ATO"), Australian Securities and Investments Commission ("ASIC"), ASX and financial institutions.

The Audit, Risk and Compliance Committee reviews the performance of the external auditor on an annual basis and normally meets with them during the year to:

+ discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
+ review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
+ review the half-year and preliminary final report prior to lodgement with the ASX, consider any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
+ review the draft financial report and recommend Board approval of the financial report; and
+ organise, review and report on any special reviews or investigations deemed necessary by the Board.

RISK MANAGEMENT

The Board oversees the establishment, implementation and annual review of the Group's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing all risks including material business risks for the Group (including sustainability risk).

The CEO and CFO have provided assurance in writing to the Board that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively.

Risk profile

The Audit, Risk and Compliance Committee reports the status of material business risks to the Board on an annual basis. Further details of the Group's Risk Management Policy and internal compliance and control system are available on the Company's website.

Each business unit is responsible and accountable for implementing and managing the standards required by the program.

Material business risks for the Group may arise from such matters as actions by competitors, government policy changes, workplace health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk management, compliance and control

The Group strives to ensure that its services are of the highest standard. Towards this aim, the Group has gained national certification under AS/NZS ISO 9001:2008 Quality Management Systems.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

The Group's internal compliance and control systems include:

+ operating unit controls – operating/business units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
+ functional speciality reporting – key areas subject to regular reporting to the Board include Finance and IT, Legal, Human Resources and Company Secretarial; and
+ investment appraisal – guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

+ capital expenditure and revenue commitments above a certain size are subject to prior Board approval;
+ financial exposures are controlled with policies concerning close monitoring of investment activities;
+ workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
+ business transactions are properly authorised and executed;
+ the quality and integrity of personnel are maintained; and
+ financial reporting accuracy and compliance with the financial reporting regulatory framework.

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees are available to fill senior positions when retirements or resignations occur.

Financial reporting

The CEO and CFO have provided assurance in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which applies the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Board and rolling forecasts for the year are prepared regularly.

Environmental regulation

The Group has processes in place to explore the ways in which the Group and its employees can control their carbon footprint and environmental impact.

Internal controls

The Board reviews compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above-mentioned compliance and control systems. The Audit, Risk and Compliance Committee is responsible for approving the program of review.

Ethical standards

All directors, executives and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated manager to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist directors with the requirement to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of director related party transactions with the Company and Group are set out in Note 27 to the financial statements.

Code of Conduct

The Group has advised each director, executive and employee that they must comply with the Code of Conduct ("the Code"). The Code covers the following:

+ aligning the behaviour of the Board and management with the Code by maintaining appropriate core Group values and objectives;
+ fulfilling responsibilities to shareholders by delivering shareholder value;
+ usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
+ fulfilling responsibilities to clients by maintaining high standards of product quality, service standards and commitments to fair value;
+ employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
+ responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
+ managing actual or potential conflicts of interest;
+ corporate opportunities such as preventing directors and executives from taking advantage of property, information or position for personal gain;
+ reporting of unlawful or unethical behaviour including protection of those who report violations in good faith; and
+ the processes for monitoring and ensuring compliance with the Code.

Trading in general Company securities by directors, executives and employees

The key elements of the Company's Share Trading Policy relating to directors, executives and employees are:

+ identification of those restricted from trading;
+ directors and executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - except between three and thirty days (including the day of the announcement) after the release of the Company's half-year and annual results to the ASX, the Annual General Meeting and any major announcement; and
  - whilst in possession of price sensitive information not yet released to the market.
+ raising awareness of legal prohibitions including transactions with colleagues and external advisers;
+ requiring details to be provided of intended trading in the Company's shares;
+ requiring details to be provided of the subsequent confirmation of the trade; and
+ identification of processes for unusual circumstances where discretion may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's internal website and a summary on the Company's external website.

COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

+ the CEO, CFO and Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX once the Company becomes aware of any material information;
+ the full annual financial report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
+ the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year report is lodged with the ASX, and sent to any shareholder who requests it;
+ proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
+ all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;

+ analyst and media briefings and general meetings transcripts are released to the ASX and placed on the Company's website;
+ the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
+ the external auditor attends the Annual General Meeting to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

All of the above information is made available on the Company's website within one day of public release. Shareholder requests for financial report information are handled by the Company's share registry, Link Market Services Limited.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

DIVERSITY

Our commitment to diversity has continued over the course of the past year through the promotion of an inclusive workplace culture. We value and respect the broad and innovative ideas and contributions that people with diverse backgrounds deliver both internally and to our equally diverse clients.

Each year, the Board sets measurable objectives to progress our diversity goals. The objectives are renewed annually after considering progress against objectives from the prior year. Progress against each year's measurable objectives will continue to be disclosed in the Annual Report together with the proportion of women represented across the group.

The measurable objectives for 2014 included:

+ ensuring that the Diversity Working Group continues to drive diversity as a Group objective, overseeing and guiding the practical activity undertaken by regional implementation groups;
+ through communication and education, building capability of leaders to lead inclusively and understand how unconscious bias impacts on diversity, inclusion and business performance;
+ progressing the sponsorship of women in career progression and succession planning, encouraging leaders to take proactive steps to expand their recruitment pools and seek diversity;
+ increasing the percentage of women at the Board, executive and management levels; and
+ extending diversity leadership beyond gender by focussing on age and culture.

These objectives have been partially met. Gender diversity remains a key challenge and is the main area of focus for our Diversity Working Group. At the executive and senior management levels, the representation of women has remained consistent over the past two years.

During the year, 25% of our graduates were female. Through increased education of our leaders, and with promotion of gender diversity in our recruitment process, SMS has been able to increase to 38% the female proportion of graduates who have accepted a role for the next intake.

DIVERSITY (continued)

Despite the acquisition of two businesses with predominantly male workforces, we increased the total number of women in the Group over the past year. In particular, the number of women making up our consulting workforce reached 27%, exceeding the IT industry technical and professional average which is reported to be 18.4% by the Australian Computer Society in its 2013 Australian ICT Statistical Compendium.

Our progress with gender balance can be measured below:

	2014		2013	
	Female %	Male %	Female %	Male %
Board	40%	60%	17%	83%
Executive KMP	20%	80%	20%	80%
Group	33%	67%	32%	68%

The measurable objectives for 2015 include:

+ the Diversity Working Group continuing to oversee and guide the practical activity undertaken at a regional level to promote an inclusive culture;
+ further promoting diversity in leadership by introducing a Male Champions of Change program;
+ continuing to proactively analyse and address potential gender pay difference that may exist across our consulting roles;
+ introducing new initiatives to support age diversity in the context of a career progression model for junior consultants; and
+ promoting an approach to blended teams across age and cultural diversity to support innovation and knowledge sharing.

Further to SMS's focus on the importance of gender mix within the Group, as a talent partner to leading organisations, M&T Resources has commenced a 'Diversity' initiative to leverage the opportunity to contribute to greater diversity in Australian workplaces.

M&T Resources' Diversity events have provided the space for employers and HR managers to connect, share ideas, and be inspired by thought leaders such as Suzanne Mercier (CEO of Liberate Leadership) and Naomi Simson (Founder of RedBalloon). M&T Resources' latest event at the Sydney Opera House featured the first female Queensland Premier, the Hon. Anna Bligh, as keynote speaker.

M&T Resources will continue its Diversity initiative through partnerships to offer pro-bono mentorships and encourage technology studies uptake amongst young Australians.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Group paid a premium to insure officers of the Company and related bodies corporate. The officers of the Company covered by the insurance policy at 30 June 2014 included the directors, CFO and Company Secretary.

The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such is prohibited under the terms of the contract.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

No insurance premiums are paid by the Group in regard to insurance cover provided to the auditor of the Group, KPMG. The auditor is not indemnified and no insurance cover is provided to the auditor by the Company.

NON-AUDIT SERVICES

During the year, KPMG, the Group's external auditor, performed other services in addition to its audit and review of the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the independence requirements for auditors imposed by the Corporations Act 2001, in view of both the amount and the nature of the non-audit services rendered.

Details of the amounts paid to the auditor of the Group, KPMG and its related practices, for audit and non-audit services provided during the year are set out below.

	2014 $	2013 $
Audit services		
Auditors of the Group – KPMG		
– Audit and review of financial reports	**208,000**	178,000
Services other than statutory audit		
– Accounting advisory services – KPMG	**20,000**	21,649
– Tax services – KPMG	**157,800**	–
Total	**385,800**	199,649

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 65 and forms part of the Directors' Report for the year ended 30 June 2014.

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 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.

Derek Young
Director

Thomas Stianos
Director

Signed at Melbourne on this 20th day of August 2014

KPMG

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 audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

20 August 2014

consolidated statement of comprehensive income

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue from services		**314,410**	278,482
Other income	7	**-**	1,314
Total income		**314,410**	279,796
Employee benefits expense		**(257,966)**	(227,962)
Project expenses		**(14,389)**	(6,001)
Depreciation and amortisation expenses	15,17	**(1,739)**	(809)
Administrative expenses		**(8,556)**	(5,925)
Occupancy expenses		**(6,051)**	(4,641)
Due diligence and acquisition related costs		**(429)**	-
Other expenses		**(6,113)**	(5,794)
Results from operating activities		**19,167**	28,664
Finance income		**348**	868
Finance costs		**(858)**	(84)
Net finance (costs)/income		**(510)**	784
Profit before income tax		**18,657**	29,448
Income tax expense	8	**(6,004)**	(8,331)
Profit for the year		**12,653**	21,117
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(131)**	547
Profit and other comprehensive income for the year attributable to the ordinary equity holders of the company		**12,522**	21,664
Earnings per share:			
Basic earnings per share	9	**18.1 cents**	30.6 cents
Diluted earnings per share	9	**17.7 cents**	30.1 cents

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 70 to 110.

consolidated statement of financial position

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	11	**18,059**	36,998
Trade and other receivables	12	**58,941**	45,061
Current tax assets	13	**805**	-
Other	14	**2,568**	2,168
Total current assets		**80,373**	84,227
Non-current assets			
Plant and equipment	15	**4,870**	3,164
Deferred tax assets	16	**1,133**	536
Intangible assets and goodwill	17	**114,322**	62,290
Total non-current assets		**120,325**	65,990
Total assets		**200,698**	150,217
Current liabilities			
Trade and other payables	18	**17,214**	9,582
Loans and borrowings	19	**5,403**	-
Current tax liabilities	13	**-**	3,098
Employee benefits	20	**11,250**	9,090
Other	21	**14,264**	777
Total current liabilities		**48,131**	22,547
Non-current liabilities			
Deferred tax liabilities	16	**2,517**	1,584
Loans and borrowings	19	**5,186**	-
Employee benefits	20	**1,039**	765
Other	21	**18,124**	1,183
Total non-current liabilities		**26,866**	3,532
Total liabilities		**74,997**	26,079
Net assets		**125,701**	124,138
Equity			
Issued capital		**65,690**	65,596
Reserves		**9,995**	9,262
Retained earnings		**50,016**	49,280
Total equity		**125,701**	124,138

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 70 to 110.

consolidated statement of changes in equity

for the year ended 30 June 2014

	Notes	Issued capital $'000	Foreign currency translation reserve $'000	Equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2012		62,825	(827)	8,038	49,242	119,278
Total comprehensive income for the year						
Profit		–	–	–	21,117	21,117
Other comprehensive income		–	547	–	–	547
Total comprehensive income		–	547	–	21,117	21,664
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		–	–	1,504	–	1,504
Dividends to shareholders	22	–	–	–	(21,079)	(21,079)
Balance at 30 June 2013		**65,596**	**(280)**	**9,542**	**49,280**	**124,138**
Balance at 1 July 2013		65,596	(280)	9,542	49,280	124,138
Total comprehensive income for the year						
Profit		–	–	–	12,653	12,653
Other comprehensive income		–	(131)	–	–	(131)
Total comprehensive income		–	(131)	–	12,653	12,522
Transactions with owners, recorded directly in equity						
Issue of ordinary shares related to business combinations	10	2,420	–	–	–	2,420
On-market share buy-back	22	(2,326)	–	–	–	(2,326)
Equity-settled share-based payment transactions	22	–	–	864	–	864
Dividends to shareholders	22	–	–	–	(11,917)	(11,917)
Balance at 30 June 2014		**65,690**	**(411)**	**10,406**	**50,016**	**125,701**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 70 to 110.

consolidated statement of cash flows

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		**338,651**	322,448
Payments to suppliers and employees		**(320,480)**	(283,357)
Cash generated from operations		**18,171**	39,091
Interest received		**389**	875
Income taxes paid		**(11,347)**	(9,687)
Net cash from operating activities	26	**7,213**	30,279
Cash flows from investing activities			
Acquisition of plant and equipment		**(465)**	(1,021)
Proceeds on sale of plant and equipment		**19**	–
Due diligence and acquisition related costs		**(429)**	–
Payments of deferred consideration related to previous business combinations		**–**	(2,021)
Payment for controlled entities, net of cash acquired	10	**(19,133)**	–
Acquisition of intangible assets		**(3)**	–
Acquisition of other assets		**–**	(916)
Proceeds on sale of other assets		**–**	1,288
Net cash used in investing activities		**(20,011)**	(2,670)
Cash flows from financing activities			
On-market share buy-back		**(2,242)**	–
Dividends paid to shareholders		**(11,917)**	(21,079)
Proceeds from borrowings		**12,500**	–
Repayment of borrowings		**(3,839)**	–
Borrowing costs paid		**(555)**	(4)
Net cash used in financing activities		**(6,053)**	(21,083)
Net (decrease)/increase in cash and cash equivalents		**(18,851)**	6,526
Cash and cash equivalents at 1 July		**36,998**	29,979
Effect of exchange rate fluctuations on cash held		**(88)**	493
Cash and cash equivalents at 30 June	11	**18,059**	36,998

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 70 to 110.

1. REPORTING ENTITY

SMS Management & Technology Limited ("the Company") is a for-profit company domiciled in Australia. The consolidated financial statements of the Company as at, and for the financial year ended 30 June 2014, comprise the Company and its controlled entities (collectively "the Group").

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorised for issue by the Board of Directors on 20 August 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

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 financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 3(k)	Revenue
Note 10	Business Combinations
Note 17	Intangible Assets
Note 20	Employee Benefits

(e) New accounting standards and interpretations adopted during the year

The Group has adopted the following new accounting standards and amendments to standards, including any consequential amendments to other standards, with a date of initial adoption of 1 July 2013, and there has been no material impact on the financial statements.

AASB 10	Consolidated Financial Statements (2011);
AASB 13	Fair Value Measurement; and
AASB 119	Employee Benefits (2011).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Controlled entities

Entities that are controlled by the Company are referred to as controlled entities. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Group.

Investments in controlled entities are carried at cost less impairment losses in the Company's separate financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with its entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

+ the fair value of the consideration transferred; plus
+ the recognised amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
+ the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs in relation to a business combination, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration (i.e. consideration which is contingent on the achievement of agreed future financial performance targets) payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average monthly exchange rates.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a foreign operation is disposed of in part or in full, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of an item can be measured reliably. All other costs are charged to profit or loss as an expense as incurred.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each component of an item of plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	1-15 years
Leasehold improvements	3-10 years

The residual value, the useful life, and the depreciation method applied to an asset are reassessed at least annually.

(d) Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of controlled entities is included in intangible assets.

For the measurement of goodwill at initial recognition, see Note 3(a)(iii). Subsequent measurement of goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGU") and is tested annually for impairment (see Note 3(e)).

.

(ii) 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.

(iii) 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.

(iv) 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

(e) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see Note 3(m)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment of receivables is not recognised until there is objective evidence that they are impaired. A receivable is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Receivables are individually assessed for impairment. Receivables due in twelve months or less are not discounted.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(f) Trade and other receivables

All trade and other receivables are stated at their amortised cost less impairment losses (see Note 3(e)). Work in progress represents unbilled revenue which is recognised at the expected recoverable amount as the services are performed, based on the revenue recognition policy (see Note 3(k)).

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits with an original maturity of three months or less.

(h) 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.

(i) Employee benefits

(i) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs, experience of employee departures and expected settlement dates, and is discounted to present value using the rates attached to Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the Group's obligations.

(ii) Share-based payment transactions

The 2010, 2011, 2012 and 2013 Performance Rights Plans each allow certain employees to acquire shares in the Company. The fair value of performance rights granted under each Performance Rights Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance rights at the end of the performance period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of the performance rights granted is measured using a Monte Carlo simulation model for total shareholder return ("TSR") hurdles and a closed form Black Scholes model for earnings per share ("EPS") hurdles, taking into account the terms and conditions upon which the performance rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest into shares except where market conditions are not achieved. All Performance Rights Plans provide for equity-settled share-based payments. Refer to Note 20 for further details.

(iii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services provided to the reporting date. The liabilities are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay as at the reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax.

(iv) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(k) Revenue

The method of revenue recognition depends on the nature of the services performed:

(i) Time and materials contracts

Revenue is recognised as the services are rendered.

(ii) Fixed price contracts

Revenue is recognised using the percentage of completion method. This method applies the percentage of estimated total contract costs incurred to date to the total contract revenue in order to determine the amount of revenue to be recognised. An expected contract loss is recognised immediately.

(iii) Multi-year contracts

Where the contract contains multiple components which are not separately identifiable, the related revenue is recognised on a straight-line basis over the term of the contract. Where the contract contains multiple components which are separately identifiable (e.g. transition/deployment services, hardware sale or infrastructure design services), such revenue will be recognised when the risks of ownership have been transferred to the customer, and the services related revenue will be recognised using the percentage of completion method or on a straight-line basis over the term of the contract.

(l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss. Subsequent to their initial recognition, finance leased assets are depreciated over their estimated useful life as described in Note 3(c)(iii).

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is SMS Management & Technology Limited.

Current tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial records of the members of the tax consolidated group using the ‘stand-alone taxpayer’ approach by reference to the carrying amounts of assets and liabilities in the separate financial records of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets, deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group). Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the controlled entities in the tax consolidated group are recognised as amounts receivable or payable to other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to, or distribution from the controlled entity.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability assumed from controlled entities are recognised by the head entity only.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss related deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(n) Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST payable to tax authorities is included as a current liability in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, tax authorities are classified as operating cash flows.

(o) Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated in the same manner after adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees and shares to be issued as contingent consideration in business combinations.

(p) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of performance rights granted under the Company's Performance Rights Plans is measured using a Monte Carlo simulation model for TSR hurdles and a closed form Black Scholes model for EPS hurdles. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical volatility from the period preceding the grant date, equal to the expected life of the performance rights), weighted average expected life of the instruments (based on historical experience and general rights holder behaviour), expected dividends, and the risk-free interest rate (based on the three-year Australian Bank Bill Swap Rate). Service conditions attached to the transactions are not taken into account in determining fair value.

(ii) Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts. Where the contingent consideration is long-term in nature, it is discounted to present value.

(q) Comparatives

Where applicable, comparatives have been adjusted to be disclosed on the same basis as in the current financial year.

(r) New accounting standards and interpretations not yet adopted

The following accounting standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments (2010) and *AASB 9 Financial Instruments (2009)* include requirements for the classification and measurement of certain classes of financial assets and liabilities. AASB 9 will become mandatory for the Group's 30 June 2017 financial statements and is not expected to have a significant impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers replaces the current standards and interpretations on revenue recognition and contains a single model that applies to contracts with customers and two approaches to recognising revenue: over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the good or service is transferred to the customer. IFRS 15 will become mandatory for the Group's 30 June 2018 financial statements and the Group has not yet assessed the impact on the Group's financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

+ credit risk
+ liquidity risk
+ market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash held with financial institutions. Exposure to credit risk arises in the normal course of the Group's business.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group minimises concentrations of credit risk by undertaking transactions with a large number of reputable customers in various industries, performing due diligence procedures on major new customers and closely monitoring past due payments.

4. FINANCIAL RISK MANAGEMENT (continued)

The ageing of the Group's trade receivables at the reporting date that were not impaired was as follows:

	2014 $'000	2013 $'000
0-90 days	**33,463**	23,075
Greater than 90 days	**810**	416
	34,273	23,491

The movement in the allowance for impairment in respect of trade receivables during the year was:

	2014 $'000	2013 $'000
Balance at 1 July	**-**	78
Impairment loss recognised	**245**	-
Reversal of impairment loss	**-**	(78)
Balance at 30 June	**245**	-

The allowance in respect of trade receivables is used to record impairment losses, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written-off against the financial asset directly.

(ii) Cash and cash equivalents

The Group held cash and cash equivalents of $18,059,000 at 30 June 2014 (2013: $36,998,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, with a minimum rating of AA-, based on Standard & Poor's agency ratings.

(iii) Guarantees

The Group policy is to provide financial guarantees only with respect to wholly-owned controlled entities. Details of cross guarantees are provided in Note 24 and 25.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below details the contractual maturities of financial liabilities. The cash flow amounts are gross and undiscounted, and include estimated interest payments.

2014		2014 contractual cash flows				
	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Financial liabilities						
Contingent consideration	28,411	28,916	4,420	7,500	16,996	–
Trade and other payables	17,214	17,214	17,214	–	–	–
Unsecured bank loan	8,681	9,138	2,681	2,624	3,833	–
Finance lease liabilities	1,908	2,232	295	295	590	1,052
	56,214	57,500	24,610	10,419	21,419	1,052

2013		2013 contractual cash flows				
	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Financial liabilities						
Trade and other payables	9,582	9,582	9,582	–	–	–
	9,582	9,582	9,582	–	–	–

During the year the Group entered into a $10 million working capital facility that is unsecured and remains undrawn at 30 June 2014. Once drawn, interest would be payable on this facility at the bank bill swap rate (BBSW) plus 120 basis points.

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to foreign currency risk on revenue and expenses that are denominated in a currency other than Australian dollars derived from the foreign operations. The currency giving rise to this risk is primarily Hong Kong dollars.

The Group's cash exposure to material foreign currency risk at the reporting date was:

	HKD	
	2014 AUD $'000	2013 AUD $'000
Cash and cash equivalents	**4,055**	5,053
	4,055	5,053

Currency risk sensitivity analysis

The Group has no significant exposure in relation to Vietnam dong, New Zealand, Singapore or U.S. dollars. In relation to Hong Kong dollars, a strengthening or weakening of the Australian dollar at 30 June 2014 would have (decreased) or increased profit by the amounts shown below. The analysis is based on foreign currency exchange rate variances that the Group considered reasonable at year end. The analysis assumes that all other variables, in particular interest rates, remain constant. Any foreign exchange exposures deemed to be translation risk exposures have been excluded from the analysis. This analysis excludes the potential impact of commercial decisions that may mitigate the full extent of the foreign currency exposure.

	Strengthening AUD impact on profit after tax AUD $'000	Weakening AUD impact on profit after tax AUD $'000
2014		
HKD (5 per cent movement)	(22)	22
2013		
HKD (5 per cent movement)	(45)	47

Exchange rates

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
HKD	**7.1312**	8.0043	**7.3150**	7.1946
NZD	**1.1150**	1.2571	**1.0750**	1.1871
VND	**19,410**	21,549	**20,137**	19,668
SGD	**1.1593**	1.2801	**1.1790**	1.1725
USD	**0.9202**	1.0320	**0.9437**	0.9275

(ii) Interest rate risk

The Group is exposed to interest rate risk on variable rate interest bearing financial assets and liabilities.

Interest rate risk sensitivity analysis

At the reporting date, the Group had the following interest rate profile on interest-bearing financial instruments:

	2014 $'000	2013 $'000
Fixed-rate instruments		
Financial assets	**133**	5,023
Financial liabilities	**(1,908)**	–
Variable-rate instruments		
Financial assets	**17,926**	31,975
Financial liabilities	**(8,681)**	–

A change of 100 basis points in interest rates applied to variable-rate instruments for the year would have increased or decreased the Group's profit by:

	2014		2013	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Financial assets				
Cash	**160**	**(160)**	257	(257)
Financial liabilities				
Unsecured bank loan	**(171)**	**171**	–	–

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair values versus carrying amounts

The fair values of financial assets and liabilities are materially the same as the carrying amounts shown in the consolidated statement of financial position.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as profit attributable to ordinary equity holders of the Company divided by average shareholders' equity. The Board also monitors the level of dividends to shareholders. The Board has a dividend payout policy of between 65-70% of net profit after tax.

During the year, the Group entered into a $12.5 million debt facility to fund the up-front payment for the acquisition of Birchman (refer Note 10). The Board monitors the net cash/debt position as a key objective in ensuring an efficient capital structure, maintaining a prudent level of gearing and having sufficient balance sheet flexibility to continue pursuing current growth initiatives.

	2014 $'000	2013 $'000
Total cash and cash equivalents	**18,059**	36,998
Less: unsecured bank loan	**(8,681)**	–
Net cash [(1)]	**9,378**	36,998

(1) Net cash excludes finance lease liabilities.

On 13 June 2014, the Group initiated an on-market share buy-back program of up to 3.5 million of the Company's shares representing approximately 5 per cent of issued ordinary shares. The total number of shares to be purchased depends on the prevailing share price, available cash reserves, market conditions and market volumes. The buy-back will be open for no more than 12 months from commencement. During the year, 705,226 shares were acquired at a cost of $2,325,670.

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
+ Solutions Development.

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

+ Recruitment and Contract Labour (predominantly in the information technology ("IT") sector).

	SMS Consulting		M&T Resources		Other		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from services	**237,482**	214,561	**76,928**	63,921	**-**	–	**314,410**	278,482
Inter-segment revenue	**-**	–	**16,378**	9,651	**-**	–	**16,378**	9,651
Reportable segment EBITDA*	**30,429**	37,273	**3,640**	2,748	**-**	–	**34,069**	40,021
Unallocated amounts:								
Other (expenses)/income	**-**	–	**-**	–	**(1,329)**	1,314	**(1,329)**	1,314
Corporate expenses	**-**	–	**-**	–	**(11,834)**	(11,862)	**(11,834)**	(11,862)
Consolidated EBITDA*	**-**	–	**-**	–	**-**	–	**20,906**	29,473
Net finance (costs)/income	**-**	–	**-**	–	**(510)**	784	**(510)**	784
Depreciation and amortisation	**-**	–	**-**	–	**(1,739)**	(809)	**(1,739)**	(809)
Net profit before income tax	**-**	–	**-**	–	**-**	–	**18,657**	29,448
Income tax expense	**-**	–	**-**	–	**(6,004)**	(8,331)	**(6,004)**	(8,331)
Net profit after income tax	**-**	–	**-**	–	**-**	–	**12,653**	21,117
Reportable segment assets	**158,711**	100,254	**14,324**	7,021	**27,663**	42,942	**200,698**	150,217

* EBITDA is defined as earnings before interest, tax, depreciation and amortisation. EBITDA is non-IFRS financial information.

5. OPERATING SEGMENTS (continued)

(iii) Geographical segments
The Group operates predominantly within Australia, with operations in Hong Kong, Singapore and Vietnam. Foreign operations are not material for segment reporting.

(iv) Major customers
The Group does not have revenue from any single customer of more than 10% of the Group's total revenue during the year (2013: one customer represented 11%).

6. AUDITORS' REMUNERATION

	2014 $	2013 $
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial reports	**208,000**	178,000
Other services		
Auditors of the Group – KPMG		
Accounting advisory services	**20,000**	21,649
Tax services	**157,800**	–
	385,800	199,649

7. OTHER INCOME

	2014 $'000	2013 $'000
Re-measurement of deferred consideration related to previous business combinations	**-**	900
Gain on disposal of other assets	**-**	372
Other	**-**	42
	-	1,314

8. INCOME TAX EXPENSE

	2014 $'000	2013 $'000
Current tax expense		
Current year	**6,467**	11,023
Adjustments for prior years	**(553)**	(432)
	5,914	10,591
Deferred tax expense		
Origination and reversal of temporary differences	**109**	(2,228)
Adjustments for prior years	**(19)**	(32)
	90	(2,260)
Total income tax expense	**6,004**	8,331

Reconciliation of effective tax rate

	2014 $'000	2013 $'000
Profit before income tax	**18,657**	29,448
Income tax using the domestic tax rate of 30% (2013: 30%)	**5,597**	8,834
Increase in tax expense due to:		
Non-deductible expenses	**87**	228
Effect of tax rate in foreign jurisdictions	**917**	156
Other items	**-**	137
	1,004	521
Decrease in tax expense due to:		
Other items	**(25)**	(560)
	(25)	(560)
Over provided in previous year	**(572)**	(464)
Total income tax expense	**6,004**	8,331

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic EPS at 30 June 2014 was based on the profit attributable to ordinary shareholders of $12,653,015 (2013: $21,116,745) and the weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 69,989,018 (2013: 68,929,161), calculated as follows:

	2014 $'000	2013 $'000
Profit attributable to ordinary shareholders (basic)	**12,653**	21,117
	Number '000	Number '000
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**69,378**	68,416
Effect of shares issued during the year	**615**	513
Effect of shares cancelled under share buy-back	**(4)**	–
Weighted average number of ordinary shares at 30 June	**69,989**	68,929

Diluted earnings per share

The calculation of diluted EPS at 30 June 2014 was based on profit attributable to ordinary shareholders of $12,653,015 (2013: $21,116,745) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 71,335,517 (2013: 70,151,648), calculated as follows:

	2014 $'000	2013 $'000
Profit attributable to ordinary shareholders (diluted)	**12,653**	21,117
	Number '000	Number '000
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 July	**69,378**	68,416
Effect of shares issued during the year	**615**	513
Effect of shares cancelled under share buy-back	**(4)**	–
Effect of shares to be issued in relation to Performance Rights Plans	**702**	1,223
Effect of shares to be issued in relation to business combinations	**645**	–
Weighted average number of ordinary shares (diluted) at 30 June	**71,336**	70,152

For the purposes of calculating the dilutive effect of Performance Rights Plans, the number of shares to be issued was based on the actual balance of performance rights outstanding at 30 June, adjusted for the likely vesting outcomes. For business combinations, the closing share price of the Company's shares on 30 June was used to determine the number of shares to be issued.

10. 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"), 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 totalling $9,900,000 have been provided for and 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. The Group has also provided for an additional amount of $1,516,000 payable on the basis that Indicium is forecast to exceed profit targets (the amount payable for exceeding profit targets is uncapped). 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 in Business Cloud and Infrastructure Management solutions for the corporate market.

Since acquisition, Indicium contributed revenue of $16,280,556 and profit before tax of $4,336,497 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.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	$'000
Cash	9,680
Shares (541,388 ordinary shares)	2,420
Contingent consideration (discounted)	11,057
Total consideration	**23,157**

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.

10. BUSINESS COMBINATIONS (continued)

Indicium (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Notes	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Cash and cash equivalents		1,659	–	1,659
Trade and other receivables		1,457	–	1,457
Other current assets		56	–	56
Plant and equipment		819	–	819
Deferred tax assets		78	82	160
Intangible assets	17	1,054	(1,036)	18
Identifiable intangible assets	17	–	2,895	2,895
Deferred tax liabilities		–	(869)	(869)
Trade and other payables		(2,218)	–	(2,218)
Current tax liabilities		(501)	–	(501)
Employee benefits		(239)	(260)	(499)
Other current liabilities		(1,083)	–	(1,083)
Borrowings		(424)	–	(424)
Total net identifiable assets		**658**	**812**	**1,470**

Pre-acquisition carrying amounts were determined immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

Identifiable intangible assets amounting to $2,895,000 relating to customer contracts and relationships acquired have been recognised. These identifiable intangible assets are being amortised on a straight-line basis over 6 years.

Goodwill arising from the acquisition has been recognised as follows:

	Notes	$'000
Total consideration		23,157
Less: total net identifiable assets		1,470
Goodwill	17	**21,687**

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 Indicium 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 or loss.

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"), 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 totalling $12,500,000 have been provided for and may fall due in January 2015 and January 2016, being the contingent amount of the purchase price to be paid subject to meeting profit targets.
The Group has also provided for an additional maximum amount of $5,000,000 payable on the basis that Birchman is forecast to exceed profit targets. 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 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 30 June 2014, Birchman contributed revenue of $23,495,408 and profit before tax of $3,397,325 to the Group. If the acquisition had occurred on 1 July 2013, management estimates that revenue and profit before tax would have been approximately $32,000,000 and $5,000,000 respectively.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	$'000
Cash	12,500
Contingent consideration (discounted)	16,989
Total consideration	**29,489**

Contingent consideration represents its fair value at the acquisition date.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	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		-	799	799
Identifiable intangible assets	17	-	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**	**1,527**	**2,422**

Pre-acquisition carrying amounts were determined immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

10. BUSINESS COMBINATIONS (continued)

Birchman (continued)

Identifiable intangible assets amounting to $1,040,000 relating to customer contracts and relationships acquired have been recognised. These identifiable intangible assets are being amortised on a straight-line basis over 4 years.

Goodwill arising from the acquisition has been recognised as follows:

	Notes	$'000
Total consideration		29,489
Less: total net identifiable assets		2,422
Goodwill	17	**27,067**

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 or loss.

11. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	**18,059**	36,998

The Group's exposure to currency and interest rate risk is disclosed in Note 4(c).

12. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Work in progress	**24,424**	21,494
Trade receivables	**34,518**	23,491
Less: Impairment losses	**(245)**	–
	58,697	44,985
Other receivables	**244**	76
	58,941	45,061

The Group's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 4(a).

13. CURRENT TAX ASSETS AND LIABILITIES

The current tax assets of the Group of $805,000 (2013: current tax liability of $3,098,000) represent the amount of income tax refundable in respect of current and prior financial years. In accordance with the tax consolidation legislation, the Company (as the head entity of the Australian tax consolidated group) has assumed the current tax assets initially recognised by the members of the tax consolidated group.

14. OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Prepayments	**2,388**	1,751
Security deposits	**107**	199
Other	**73**	218
	2,568	2,168

15. PLANT AND EQUIPMENT

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Cost			
Balance at 1 July 2012	5,022	212	5,234
Additions	930	91	1,021
Foreign exchange movements	17	6	23
Balance at 30 June 2013	5,969	309	6,278
Balance at 1 July 2013	5,969	309	6,278
Acquisition through business combinations	819	–	819
Additions	1,925	112	2,037
Disposals	(101)	(68)	(169)
Foreign exchange movements	(3)	–	(3)
Balance at 30 June 2014	8,609	353	8,962
Depreciation and impairment losses			
Balance at 1 July 2012	(2,245)	(51)	(2,296)
Depreciation charge for the year	(780)	(29)	(809)
Foreign exchange movements	(9)	–	(9)
Balance at 30 June 2013	(3,034)	(80)	(3,114)
Balance at 1 July 2013	(3,034)	(80)	(3,114)
Depreciation charge for the year	(975)	(86)	(1,061)
Disposals	54	28	82
Foreign exchange movements	1	–	1
Balance at 30 June 2014	(3,954)	(138)	(4,092)
Carrying amounts			
At 1 July 2012	2,777	161	2,938
At 30 June 2013	2,935	229	3,164
At 1 July 2013	2,935	229	3,164
At 30 June 2014	4,655	215	4,870

16. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade and other receivables	**74**	–	**(7,146)**	(5,981)	**(7,072)**	(5,981)
Plant and equipment	**(134)**	–	**–**	(89)	**(134)**	(89)
Intangible assets	**–**	–	**(977)**	–	**(977)**	–
Trade and other payables	**795**	428	**–**	–	**795**	428
Provisions	**540**	330	**–**	–	**540**	330
Employee benefits	**3,592**	2,868	**–**	–	**3,592**	2,868
Tax losses	**1,133**	536	**–**	–	**1,133**	536
Other items	**739**	860	**–**	–	**739**	860
Tax assets/(liabilities)	**6,739**	5,022	**(8,123)**	(6,070)	**(1,384)**	(1,048)
Set-off of tax	**(5,606)**	(4,486)	**5,606**	4,486	**–**	–
Net tax assets/(liabilities)	**1,133**	536	**(2,517)**	(1,584)	**(1,384)**	(1,048)

Movement in temporary differences during the year

2014	Balance 1 July 2013 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Acquired in business combinations $'000	Balance 30 June 2014 $'000
Trade and other receivables	(5,981)	(1,140)	–	49	(7,072)
Plant and equipment	(89)	(45)	–	–	(134)
Intangible assets	–	204	–	(1,181)	(977)
Trade and other payables	428	221	–	146	795
Provisions	330	88	–	122	540
Employee benefits	2,868	126	–	598	3,592
Tax losses	536	597	–	–	1,133
Other items	860	(141)	(24)	44	739
Net tax assets/(liabilities)	(1,048)	(90)	(24)	(222)	(1,384)

2013	Balance 1 July 2012 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Acquired in business combinations $'000	Balance 30 June 2013 $'000
Trade and other receivables	(8,212)	2,231	–	–	(5,981)
Plant and equipment	(44)	(45)	–	–	(89)
Trade and other payables	531	(103)	–	–	428
Provisions	316	14	–	–	330
Employee benefits	3,015	(147)	–	–	2,868
Tax losses	–	536	–	–	536
Other items	1,042	(226)	44	–	860
Net tax assets/(liabilities)	(3,352)	2,260	44	–	(1,048)

17. INTANGIBLE ASSETS AND GOODWILL

The carrying amount of goodwill and other intangible assets are as follows:

	Goodwill $'000	Customer contracts and relationships $'000	Other $'000	Total $'000
Cost				
Balance at 1 July 2012	395,481	–	–	395,481
Balance at 30 June 2013	395,481	–	–	395,481
Balance at 1 July 2013	395,481	–	–	395,481
Acquisition through business combinations (see Note 10)	48,754	3,935	18	52,707
Additions	–	–	3	3
Balance at 30 June 2014	444,235	3,935	21	448,191
Amortisation and impairment losses				
Balance at 1 July 2012	(333,191)	–	–	(333,191)
Balance at 30 June 2013	(333,191)	–	–	(333,191)
Balance at 1 July 2013	(333,191)	–	–	(333,191)
Amortisation for the year	–	(678)	–	(678)
Balance at 30 June 2014	(333,191)	(678)	–	(333,869)
Carrying amounts				
At 1 July 2012	62,290	–	–	62,290
At 30 June 2013	62,290	–	–	62,290
At 1 July 2013	62,290	–	–	62,290
At 30 June 2014	111,044	3,257	21	114,322

17. INTANGIBLE ASSETS AND GOODWILL (continued)

Goodwill

Goodwill relates to the SMS Consulting reportable segment and is measured at the recoverable amount of the CGU based on its value in use, which is determined using cash flow projections with respect to the five-year forecast. Cash flow projections beyond the five-year forecast were calculated using the forecast cash flow of the fifth year, increased by a steady growth rate of 2.5% going forward. The pre-tax discount rate applied of 16.43% was derived from an estimate of the long-term weighted average cost of capital.

Customer contracts and relationships

On acquisition of Indicium and Birchman, identifiable intangible assets were recognised for customer contracts and relationships. These intangibles are being amortised on a straight line basis over 4-6 years. Refer to Note 10 for further details of the business combinations.

18. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade and other payables	**9,528**	5,547
Accrued expenses	**7,686**	4,035
	17,214	9,582

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 4(b).

19. LOANS AND BORROWINGS

	2014 $'000	2013 $'000
Current		
Unsecured bank loan	**4,946**	–
Secured finance lease liabilities (1)	**457**	–
	5,403	–
Non-current		
Unsecured bank loan	**3,735**	–
Secured finance lease liabilities (1)	**1,451**	–
	5,186	–

(1) Secured by the leased assets.

During the year, the Group entered into a $12.5 million debt facility to fund the up-front payment for the acquisition of Birchman. The debt facility has a 3 year amortising term with quarterly repayments of $1.25 million plus interest. The facility is unsecured and cannot be redrawn once repayments are made. As at balance date, the Group made total principal repayments of $3.75m in relation to the debt facility.

Interest is calculated based on floating rates and the weighted average effective interest rate since the inception of the loan is 5.24%.

In addition, the Group entered into a 3 year multi-option working capital facility of $10 million. The facility is non-amortising, unsecured and remains undrawn at 30 June 2014.

Further details regarding the Group's exposure to interest rate and liquidity risk is included in Note 4.

Financing facilities

	2014 $'000	2013 $'000
Total facilities available (1)		
Unsecured bank loan facility	**8,750**	–
Unsecured overdraft	**10,000**	–
Bank indemnity/guarantee facility	**4,772**	4,028
	23,522	4,028
Facilities used at balance date (1)		
Unsecured bank loan facility	**8,750**	–
Unsecured overdraft	**–**	–
Bank indemnity/guarantee facility	**2,927**	3,065
	11,677	3,065
Facilities not utilised at balance date (1)		
Unsecured bank loan facility	**–**	–
Unsecured overdraft	**10,000**	–
Bank indemnity/guarantee facility	**1,845**	963
	11,845	963

(1) Represents face value of the facilities.

During the year, the Group acquired finance lease liabilities as part of the acquisition of Indicium. In addition, the Group has financed equipment to support a multi-year managed services contract.

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within one year	**590**	–	**133**	–	**457**	–
One year or later and no later than 5 years	**1,642**	–	**191**	–	**1,451**	–
	2,232	–	**324**	–	**1,908**	–

20. EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Current		
Liability for annual leave	**7,530**	6,517
Liability for long service leave	**3,720**	2,573
	11,250	9,090
Non-current		
Liability for long service leave	**1,039**	765

As explained in Note 3(i)(i), the amounts for long service leave are measured at their present values.

20. EMPLOYEE BENEFITS (continued)

(a) Share-based payments

Performance Rights Plans

2010, 2011, 2012 and 2013 Executive Performance Rights Plans

During 2010, 2011, 2012 and 2013, certain employees were eligible to participate in the respective year's Performance Rights Plan. Each performance right granted under these Plans is subject to a vesting period of three years commencing from the date of grant. Each performance right is subject to performance criteria, with the Plans subject to both market (TSR) and non-market conditions (EPS).

2014

Grant date	Exercise date on or after	Expiry date	Exercise price	Number as at 1 July 2013	Granted
1 Jul 10	1 Jul 13	n/a	$0.00	359,796	–
1 Jul 11	1 Jul 14	n/a	$0.00	427,576	–
1 Jul 12	1 Jul 15	n/a	$0.00	622,209	–
1 Jul 13	1 Jul 16	n/a	$0.00	–	728,032
				1,409,581	728,032
Weighted average exercise price				$0.00	$0.00

2013

Grant date	Exercise date on or after	Expiry date	Exercise price	Number as at 1 July 2012	Granted
1 Jul 09	1 Jul 12	n/a	$0.00	507,000	–
1 Jul 10	1 Jul 13	n/a	$0.00	452,856	–
1 Jul 11	1 Jul 14	n/a	$0.00	535,869	–
1 Jul 12	1 Jul 15	n/a	$0.00	–	696,870
				1,495,725	696,870
Weighted average exercise price				$0.00	$0.00

Unvested performance rights lapse on the employee's termination, subject to Board discretion. Each performance right has a nil consideration, with each performance right converting to one share subject to satisfaction of the performance criteria. These performance rights are non-transferable and unquoted. There are voting and dividend rights attached to the shares once converted, but not to the performance rights. All Plans provide for equity-settled share-based payments.

		Number as at 30 June 2014				
Lapsed	Exercised	Unvested	Vested	Proceeds received $	Date issued	Performance rights converted to shares
179,898	179,898	–	–	–	1 Jul 13	179,898
74,048	–	353,528	–	–	–	–
92,343	–	529,866	–	–	–	–
31,608	–	696,424	–	–	–	–
377,897	179,898	1,579,818	–	–		–
$0.00	$0.00	$0.00				

		Number as at 30 June 2013				
Lapsed	Exercised	Unvested	Vested	Proceeds received $	Date issued	Performance rights converted to shares
70,980	436,020	–	–	–	1 Jul 12	436,020
82,910	10,150	359,796	–	–	22 Feb 13	10,150
108,293	–	427,576	–	–	–	–
74,661	–	622,209	–	–	–	–
336,844	446,170	1,409,581	–	–	–	446,170
$0.00	$0.00	$0.00				

20. EMPLOYEE BENEFITS (continued)

(a) Share-based payments (continued)

Performance Rights Plans (continued)

The fair value of the performance rights granted under the 2011, 2012 and 2013 Performance Rights Plans was assessed using the following parameters:

	2013 Plan-EPS	2013 Plan-TSR	2012 Plan-EPS	2012 Plan-TSR	2011 Plan-EPS	2011 Plan-TSR
Grant date	1 Jul 13	1 Jul 13	1 Jul 12	1 Jul 12	1 Jul 11	1 Jul 11
Share price at grant date	$4.48	$4.48	$5.06	$5.06	$6.24	$6.24
Fair value at measurement date (i)	$3.91	$2.55	$4.25	$2.91	$5.26	$3.08
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility (ii)	32%	32%	31%	31%	47%	47%
Option life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield p.a. (iii)	4.48%	4.48%	5.82%	5.82%	4.94%	4.94%
Risk free interest rate p.a. (iv)	3.06%	3.06%	3.28%	3.28%	4.73%	4.73%

(i) To allow for the TSR hurdle, a Monte Carlo simulation was used to value the performance rights.
To allow for the EPS hurdle, a closed form Black Scholes model was used to value the performance rights.
(ii) Expected volatility based on historical daily share price for the three-year period preceding the grant date.
(iii) Expected dividend yield is based on historic yield and expected future yield at the grant date.
(iv) Risk free interest rate is based on the three-year Australian Bank Bill Swap Rate.

(b) Employee expenses

	2014 $'000	2013 $'000
Performance rights – equity-settled	**1,087**	1,270
Total expense recognised as employee costs	**1,087**	1,270

(c) Superannuation

All directors and employees of the Group are members of accumulation funds of their choice and there are no directors or employees who are members of defined benefit superannuation schemes. Total superannuation expense in profit or loss for the year was $16,308,000 (2013: $14,219,000).

21. OTHER LIABILITIES

	2014 $'000	2013 $'000
Current		
Revenue received in advance	**2,157**	777
Contingent consideration	**11,920**	–
Provisions	**187**	–
	14,264	777
Non-current		
Accrued rent	**1,633**	1,183
Contingent consideration	**16,491**	–
	18,124	1,183

22. EQUITY

Issued capital

	2014 Number '000	2013 Number '000
On issue at 1 July	**69,378**	68,416
Shares issued in relation to business combinations	**541**	526
Shares issued in relation to Performance Rights Plans	**180**	436
Shares cancelled under share buy-back during the financial year	**(705)**	–
On issue at 30 June – fully paid	**69,394**	69,378

The Company has also issued performance rights (see Note 20).

The holders of ordinary shares are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of the Company. Ordinary shares have no par value.

Issue of ordinary shares

541,388 ordinary shares were issued in the year ended 30 June 2014, forming part of the consideration paid relating to the acquisition of Indicium. 526,544 ordinary shares were issued in the prior year, forming part of the deferred consideration paid relating to previous business combinations. The issue of shares amounted to $2,420,000 of non-cash investing activities (2013: $2,771,000).

Additionally, 179,898 ordinary shares were issued upon the conversion of vested performance rights arising from the 2010 Plan (2013: 436,020 in relation to the 2009 Plan).

Shares cancelled under share buy-back

705,226 ordinary shares were cancelled during the year, as a result of the on-market share buy-back that commenced on 13 June 2014.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, where their functional currency is different to the presentation currency of the Group.

Equity compensation reserve

This represents the cumulative value of share options and performance rights issued for employee services rendered, net of tax. The movement for the year is represented by $1,087,000 of equity-settled share-based payments (see Note 20) less the associated permanent tax difference of $223,000.

22. EQUITY (continued)

Dividends

(i) Dividends declared and paid during the year

The following dividends were declared and paid by the Group during the year ended 30 June:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2014				
Final 2013 ordinary	12.0	8,412	Franked	25 Oct 2013
Interim 2014 ordinary	5.0	3,505	Franked	28 Mar 2014
Total	17.0	11,917		
2013				
Final 2012 ordinary	17.0	11,713	Franked	26 Oct 2012
Interim 2013 ordinary	13.5	9,366	Franked	28 Mar 2013
Total	30.5	21,079		

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

(ii) Dividend declared after the end of the year

On 20 August 2014, the directors declared the payment of a final 2014 ordinary (fully franked) dividend of 7.5 cents per share ($5,204,590) to be paid on 24 October 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial statements.

(iii) Dividend franking account

	The Company	
	2014 $'000	**2013 $'000**
30% franking credits available to shareholders of the Company for subsequent financial years	**26,925**	26,282

The available amount is based on the balance of the dividend franking account at year-end adjusted for:

+ franking credits that will arise from the payment of the current tax liabilities;
+ franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
+ franking credits that the entity may be prevented from distributing in subsequent years.

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by $2,230,539 (2013: $3,595,879). In accordance with the tax consolidation legislation, the Company (as the head entity in the tax consolidated group) has also assumed the benefit of $26,925,000 (2013: $26,282,000) franking credits.

23. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014 $'000	2013 $'000
Within one year	**5,146**	4,237
One year or later and no later than five years	**11,914**	11,138
Later than five years	**850**	2,467
	17,910	17,842

Total operating lease expense in profit or loss for the year was $5,194,000 (2013: $4,585,000).

24. CONTROLLED ENTITIES

(a) Summary of controlled entities

	Country of incorporation	Class of shares	Ownership interest	
			2014 %	2013 %
Parent entity				
SMS Management & Technology Limited	Australia			
Entities under control of SMS Management & Technology Limited				
SMS Consulting Group Limited(1)	Australia	Ordinary	100	100
Entities under control of SMS Consulting Group Limited				
SMS Employees Pty Ltd(1)	Australia	Ordinary	100	100
SMS Consulting Unit Trust	Australia		100	100
SMS Defence Solutions Pty Ltd(1)(2)	Australia	Ordinary	100	100
Indicium Technology Group Pty Ltd	Australia	Ordinary	100	–
Access Networks and Communications Pty Ltd	Australia	Ordinary	100	–
Access Networks & Communications Unit Trust	Australia		100	–
The Birchman Group Asia Pacific Pty Ltd(3)	Australia	Ordinary	100	–
M&T Resources Pty Ltd(1)	Australia	Ordinary	100	100
Pelion Group Pty Ltd	Australia	Ordinary	100	100
SMS Management & Technology Asia Pty Ltd(1)(2)	Australia	Ordinary	100	100
SMS Management & Technology Singapore Pty Ltd(1)(2)	Australia	Ordinary	100	100
SMS Management & Technology Vietnam Pty Ltd	Australia	Ordinary	100	100
SMS Management & Technology Malaysia Pty Ltd	Australia	Ordinary	100	100
ACN 153 806 645 Pty Ltd	Australia	Ordinary	100	100
Entities under control of SMS Management & Technology Vietnam Pty Ltd				
Cocoon People Pty Ltd	Australia	Ordinary	100	100
SMS Management & Technology Vietnam Company Limited	Vietnam	Ordinary	100	100
Entity under control of The Birchman Group Asia Pacific Pty Ltd				
Beacon Technology Pty Ltd	Australia	Ordinary	100	–

(1) These companies in the wholly-owned group are party to a Deed of Cross Guarantee with SMS Management & Technology Limited as trustee pursuant to Class Order 98/1418. By entering into the Deed of Cross Guarantee, the above entities have been relieved of the requirement to prepare, lodge and audit a financial report and Directors' Report under Class Order 98/1418.
(2) These companies are party to the Deed of Cross Guarantee, however they are small proprietary companies as defined under the Corporations Act 2001 and as such do not require relief under Class Order 98/1418.
(3) The Birchman Group Asia Pacific Pty Ltd will join as a party to the Deed of Cross Guarantee for the purposes of the financial year ended 30 June 2015. The Birchman Group Asia Pacific Pty Ltd will prepare, lodge and audit its financial report and Directors' Report as required under the Corporations Act 2001 for the financial year ended 30 June 2014, subject to an application for relief from ASIC from audit requirements.

(b) Acquisition of controlled entities in 2014

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.

Refer to Note 10 for details of the profit contribution of these controlled entities.

(c) Incorporation of controlled entities in 2014

During the financial year, the Group has not incorporated any new entities.

(d) Deregistration and disposal of controlled entities in 2014

During the financial year, the Group has not disposed of or deregistered any entities.

25. CONTINGENCIES

Details of contingent liabilities are as follows:

Disputes and minor claims

Minor claims have been made against the Group during the year. The directors consider these claims to be immaterial, and part of the normal course of doing business. No amounts have been provided in relation to any of these matters. No material losses are anticipated in respect of these claims.

Bank guarantees

Bank guarantees of $2,927,000 (2013: $3,065,000) have been provided as security for performance of property rental covenants.

Closed group

Certain entities in the wholly-owned group have entered into a Deed of Cross Guarantee, full details of which are provided in Note 24.

The table below presents the summarised consolidated statement of comprehensive income and consolidated statement of financial position for the Company and controlled entities which are party to the Deed of Cross Guarantee (referred to as the "Closed Group").

Summary of the consolidated statement of comprehensive income of the Closed Group

	2014 $'000
Revenue	**275,378**
Finance costs	**(818)**
Income tax expense	**(5,803)**
Profit for the year	**11,696**

The effects of transactions between entities to the Deed of Cross Guarantee are eliminated in full in the summary consolidated statement of comprehensive income and the consolidated statement of financial position. Dividends paid during the year were $11,917,000.

25. CONTINGENCIES (continued)

Consolidated statement of financial position of the Closed Group at year end

	2014 $'000
Current assets	
Cash and cash equivalents	**14,666**
Trade and other receivables	**51,107**
Current tax assets	**630**
Other	**2,138**
Total current assets	**68,541**
Non-current assets	
Plant and equipment	**3,900**
Deferred tax assets	**1,026**
Intangible assets and goodwill	**48,337**
Investments in controlled entities	**67,024**
Total non-current assets	**120,287**
Total assets	**188,828**
Current liabilities	
Trade and other payables	**13,863**
Loans and borrowings	**5,298**
Employee benefits	**9,473**
Amounts payable to controlled entities	**1,141**
Other	**12,766**
Total current liabilities	**42,541**
Non-current liabilities	
Deferred tax liabilities	**1,909**
Loans and borrowings	**4,956**
Employee benefits	**953**
Other	**17,767**
Total non-current liabilities	**25,585**
Total liabilities	**68,126**
Net assets	**120,702**
Equity	
Issued capital	**65,690**
Reserves	**9,854**
Retained earnings	**45,158**
Total equity	**120,702**

For the year ended 30 June 2013, the full consolidated statement of comprehensive income and consolidated statement of financial position included in this financial report are materially the same as those for the Closed Group.

26. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2014 $'000	2013 $'000
Cash flows from operating activities		
Profit after income tax	**12,653**	21,117
Adjustments for:		
Depreciation and amortisation	**1,739**	809
Loss on disposal of plant and equipment	**69**	–
Gain on disposal of other assets	**-**	(372)
Due diligence and acquisition related costs	**429**	–
Re-measurement of deferred consideration related to previous business combinations	**-**	(900)
Equity-settled share-based payment transactions	**1,087**	1,217
Finance expense	**858**	84
Income tax expense	**6,004**	8,331
	22,839	30,286
(Increase)/decrease in trade and other receivables	**(6,485)**	16,226
Increase in other assets	**(437)**	(489)
Increase/(decrease) in trade payables, prepaid revenue, other current liabilities and provisions	**2,643**	(6,057)
Income taxes paid	**(11,347)**	(9,687)
Net cash from operating activities	**7,213**	30,279

27. RELATED PARTIES

Key management personnel remuneration

The Key Management Personnel ("KMP") remuneration included in 'employee benefits expense' is as follows:

	2014 $	2013 $
Short-term employee benefits	**2,327,768**	1,923,338
Post-employment benefits	**167,256**	130,420
Other long-term benefits	**24,133**	(8,738)
Equity remuneration benefits	**650,800**	505,624
	3,169,957	2,550,644

Individual directors' and executives' remuneration disclosures

Information regarding individual directors' and executives' remuneration and some equity instrument disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on pages 45 to 56.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties

There were no loans to or from KMP, or their related parties, during the reporting period.

Other key management personnel transactions with the Company or its controlled entities

There were no other transactions with KMP, or their related parties, during the financial year ended 30 June 2014.

Rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

2014	Held at 1 July 2013	Granted as remuneration	Vested and exercised	Forfeited	Held at 30 June 2014	Vested and exercisable at 30 June 2014
Directors						
Derek Young	–	–	–	–	–	
Bruce Thompson	–	–	–	–	–	–
Nicole Birrell	–	–	–	–	–	–
Deborah Radford (i)	–	–	–	–	–	–
Laurence Cox (ii)	–	–	–	–	–	–
Kerry Smith (iii)	–	–	–	–	–	–
Thomas Stianos	245,532	112,868	33,841	33,841	290,718	–
Executives						
Rick Rostolis	42,439	22,574	4,230	4,230	56,553	–
Darren Stanley (iv)	59,705	31,604	9,307	9,306	72,696	–
Chris Sandham	51,785	22,574	8,107	8,107	58,145	–
Merlin Allan (v)	52,332	–	–	–	52,332	–
Shaneen Argall	49,207	22,574	7,614	7,614	56,553	–

2013	Held at 1 July 2012	Granted as remuneration	Vested and exercised	Forfeited	Held at 30 June 2013	Vested and exercisable at 30 June 2013
Directors						
Bruce Thompson	–	–	–	–	–	–
Nicole Birrell	–	–	–	–	–	–
Derek Young	–	–	–	–	–	–
Thomas Stianos	254,300	98,232	92,020	14,980	245,532	–
Laurence Cox	–	–	–	–	–	–
Kerry Smith	–	–	–	–	–	–
Executives						
Rick Rostolis	22,792	19,647	–	–	42,439	–
Chris Sandham	32,138	19,647	–	–	51,785	–
Shaneen Argall	53,560	19,647	20,640	3,360	49,207	–

(i) Appointed 9 September 2013.
(ii) Retired 17 June 2014, closing balance held at date of departure was nil.
(iii) Retired 22 October 2013, closing balance held at date of departure was nil.
(iv) Appointed to KMP role 1 July 2013, opening balance held at date of appointment was 59,705.
(v) Appointed to KMP role 6 May 2014, opening balance held at date of appointment was 52,332.

27. RELATED PARTIES (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

2014	Held at 1 July 2013	Received on exercise of performance rights	Purchases	Sales	Held at 30 June 2014
Directors					
Derek Young	–	–	4,000	–	4,000
Bruce Thompson	70,499	–	–	–	70,499
Nicole Birrell	9,681	–	–	–	9,681
Deborah Radford (i)	–	–	10,000	–	10,000
Laurence Cox (ii)	411,762	–	–	–	–
Kerry Smith (iii)	4,681	–	–	–	–
Thomas Stianos	1,817,383	33,841	150,000	–	2,001,224
Executives					
Rick Rostolis	–	4,230	–	4,230	–
Darren Stanley (iv)	27,717	9,307	5,000	–	42,024
Chris Sandham	–	8,107	–	6,600	1,507
Merlin Allan (v)	86,445	–	–	–	86,445
Shaneen Argall	33,541	7,614	–	–	41,155

2013	Held at 1 July 2012	Received on exercise of performance rights	Purchases	Sales	Held at 30 June 2013
Directors					
Derek Young	–	–	–	–	–
Bruce Thompson	70,499	–	–	–	70,499
Nicole Birrell	9,681	–	–	–	9,681
Laurence Cox	411,762	–	–	–	411,762
Kerry Smith	4,681	–	–	–	4,681
Thomas Stianos	1,725,363	92,020	–	–	1,817,383
Executives					
Rick Rostolis	–	–	–	–	–
Chris Sandham	–	–	–	–	–
Shaneen Argall	12,901	20,640	–	–	33,541

(i) Appointed 9 September 2013.
(ii) Retired 17 June 2014, closing balance held at date of departure was 411,762.
(iii) Retired 22 October 2013, closing balance held at date of departure was 4,681.
(iv) Appointed to KMP role 1 July 2013, opening balance held at date of appointment was 27,717.
(v) Appointed to KMP role 6 May 2014, opening balance held at date of appointment was 86,445.

Changes in Key Management Personnel

Ms Deborah Radford, Non-Executive Director, was appointed 9 September 2013. Mr Laurence Cox, Chairman, retired 17 June 2014. Mr Kerry Smith, Non-Executive Director, retired 22 October 2013.

Mr Darren Stanley, Managing Director, SMS Consulting Australia, was appointed as KMP effective 1 July 2013. Mr Merlin Allan, Managing Director, Managed Services, was appointed as KMP effective 6 May 2014.

On 12 August 2014, Mr Thomas Stianos, CEO, announced his retirement which will be effective at the end of the 2014 calendar year.

Other related parties

The wholly-owned group consists of SMS Management & Technology Limited and its controlled entities as set out in Note 24. The ultimate parent entity of the Group is SMS Management & Technology Limited.

All transactions within the wholly-owned group are on normal terms and conditions. These transactions consisted of amounts advanced by and repaid to the Company and the Group for the provision of services on normal commercial terms and conditions and at market rates. There are no fixed terms for the repayment of inter-entity loans advanced by and to the Company and the Group.

28. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the Group was SMS Management & Technology Limited. A summary of the financial performance and financial position of the parent entity is detailed below:

	The Company	
	2014 $'000	2013 $'000
Summary of the financial performance of the parent entity		
Profit for the year	**11,917**	21,079
Total profit and other comprehensive income for the year	**11,917**	21,079

	The Company	
	2014 $'000	2013 $'000
Summary of the financial position of the parent entity at year end		
Current assets	**10,760**	12,777
Non-current assets	**82,398**	82,398
Total assets	**93,158**	95,175
Current liabilities	**-**	2,978
Total liabilities	**-**	2,978
Net assets	**93,158**	92,197
Total equity of the parent entity comprising of:		
Issued capital	**65,690**	65,596
Reserves	**10,409**	9,542
Retained earnings	**17,059**	17,059
Total equity	**93,158**	92,197

28. PARENT ENTITY DISCLOSURES (continued)

Parent entity guarantees

	The Company	
	2014 $'000	2013 $'000
GST liabilities of other entities within the GST Group	**2,688**	2,208
Tax liabilities of other entities within the Group	**17**	119

The liabilities above are recognised in the consolidated statement of financial position of the Group.

Parent entity guarantees in respect of debts of its controlled entities

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain controlled entities.

Further details of the Deed of Cross Guarantee and the controlled entities subject to the Deed, are disclosed in Note 24 and 25.

29. SUBSEQUENT EVENTS

On 12 August 2014, Mr Thomas Stianos, CEO, announced his retirement which will be effective at the end of the 2014 calendar year.

Other than the above, no matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

+ the Group's operations in future financial years, or
+ the results of those operations in future financial years, or
+ the Group's state of affairs in future financial years.

directors' declaration

1. In the opinion of the directors of SMS Management & Technology Limited ("the Company"):
   a) the consolidated financial statements and notes that are set out on pages 66 to 110 and the Remuneration Report on pages 45 to 56 in the Directors' Report are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 24 will be able to meet any obligations or liabilities which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.
4. The directors draw attention to Note 2(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

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

Derek Young
Director

Thomas Stianos
Director

Signed at Melbourne this 20th day of August 2014.

KPMG

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

Report on the financial report

We have audited the accompanying financial report of SMS Management & Technology Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 45 to 56 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of SMS Management & Technology Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

20 August 2014

shareholder information

DISTRIBUTION OF HOLDINGS (as at 11 August 2014)

Range	No. of Holders	No. of Shares	% of Issued Capital
1 to 1,000	3,594	1,860,976	2.68%
1,001 to 5,000	3,640	9,508,702	13.70%
5,001 to 10,000	885	6,606,267	9.52%
10,001 to 100,000	567	13,156,765	18.96%
100,001 and Over	31	38,261,827	55.14%
Total	**8,717**	**69,394,537**	**100.00%**

The number of shareholders holding less than a marketable parcel of 121 shares (based on the closing share price of $4.12 on 11 August 2014) is 476 and they hold 30,745 shares.

TWENTY LARGEST REGISTERED SHAREHOLDERS (as at 11 August 2014)

Rank	Name of Shareholder	No. of Shares	% of Issued Capital
1	J P Morgan Nominees Australia Limited	13,316,839	19.19%
2	HSBC Custody Nominees (Australia) Limited	7,516,724	10.83%
3	National Nominees Limited	5,350,737	7.71%
4	Citicorp Nominees Pty Limited	1,844,782	2.66%
5	Citicorp Nominees Pty Limited	1,683,944	2.43%
6	Larison Pty Ltd	1,506,502	2.17%
7	BNP Paribas Noms Pty Ltd	1,272,331	1.83%
8	Pacific Custodians Pty Limited	752,767	1.09%
9	Glennfield Pty Ltd	686,851	0.99%
10	RBC Investor Services Australia Nominees Pty Limited	563,284	0.81%
11	Warbont Nominees Pty Ltd	322,008	0.46%
12	Mr Michael Phillip Thompson & Mrs Tracie Jane Thompson	301,312	0.43%
13	Mr Stephen Ashley Hurst & Mrs Helen Hurst	277,497	0.40%
14	Larison Pty Ltd	276,158	0.40%
15	M Goklaney Enterprises Pty Ltd	270,694	0.39%
15	Stylianou Enterprises Pty Ltd	270,694	0.39%
16	Sakmarian Superannuation Nominees P/L	190,685	0.28%
17	Navigator Australia Ltd	187,934	0.27%
18	NULIS Nominees (Australia) Limited	166,647	0.24%
19	Ms Gail Gorham	156,000	0.23%
20	Allingham Holdings Pty Ltd	140,000	0.20%
Total		**37,054,390**	**53.40%**
Balance of Register		**32,340,147**	**46.60%**
Grand Total		**69,394,537**	**100.00%**

SUBSTANTIAL SHAREHOLDERS (as at 11 August 2014)

Name of Shareholder	No. of Shares	% of Issued Capital
Celeste Fund Management Limited	5,329,437	7.62%
Clime Investment Management Limited & Clime Asset Management Pty Limited	4,254,406	6.07%
Renaissance Smaller Companies Pty Ltd	4,187,520	6.03%
Legg Mason Asset Management Australia Limited	3,560,567	5.08%

ESCROW SHARES

There are no shares held in escrow.

VOTING RIGHTS FOR ORDINARY SHARES

The Constitution provides for votes to be cast:

+ On a show of hands, one vote for each shareholder; and
+ On a poll, one vote for each fully paid ordinary share

corporate information

DIRECTORS

Derek Young Chairman

Thomas Stianos Chief Executive Officer

Bruce Thompson

Nicole Birrell

Deborah Radford

COMPANY SECRETARIES

Rick Rostolis

Anna Gorton

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of SMS Management & Technology Limited will be held at RACV Club, Level 2, Club Pavilion room, 501 Bourke Street, Melbourne, Victoria 3000 at 10.00am, 21st October 2014.

Registered Office
Level 41, 140 William Street, Melbourne, Victoria 3000
Telephone: 1300 842 767
Facsimile: 1300 329 767
Email: investors@smsmt.com

Share Registry
Link Market Services Limited
Level 12, 680 George Street, Sydney, NSW 2000
Locked Bag A14, Sydney South, NSW 1235
Telephone (within Australia): 1300 554 474
Telephone (outside Australia): +61 2 8280 7111
Facsimile: +61 2 9287 0303

Auditor
KPMG
147 Collins Street, Melbourne, Victoria 3000

Stock Exchange
SMS Management & Technology Limited shares are quoted on the Australian Securities Exchange (ASX code: SMX)

Website Address

www.smsmt.com

www.smsmt.com

+ AU **MELBOURNE**
Level 41
140 William Street
Melbourne VIC 3000
T 1300 842 767
INT 61 3 9674 3333

+ AU **ADELAIDE**
Level 29 Westpac House
91 King William Street
Adelaide SA 5000
T 61 8 7123 3100

+ AU **CANBERRA**
Ground Floor
8 Brindabella Circuit
Canberra Airport ACT 2609
T 61 2 6279 7100

+ AU **BRISBANE**
Level 18
175 Eagle Street
Brisbane QLD 4000
T 61 7 3215 7200

+ AU **PERTH**
1 Howard Street
Perth WA 6000
T 61 8 9322 2808

+ AU **SYDNEY**
Level 26, 20 Bond Street
Sydney NSW 2000
T 61 2 9259 8888

+ AU **SYDNEY**
320 Harris Street
Pyrmont NSW 2009
T 61 2 9818 0800

+ HK **HONK KONG**
Suite 1003
100 Queens Road
Central, Hong Kong
T 852 3441 2500

+ SG **SINGAPORE**
Level 24
1 Raffles Place
Singapore 048616
T 65 6408 0642
INT 65 6408 0600

+ VN **VIETNAM**
Level 12A
72 Le Thanh Ton Street
District 1, Ho Chi
Minh City, Vietnam
T 84 8 3990 3848

+ design fourcreative.com.au

Management & Technology