SMS MANAGEMENT & TECHNOLOGY LIMITED **ANNUAL REPORT 2015**

Laying a Platform for Future Growth

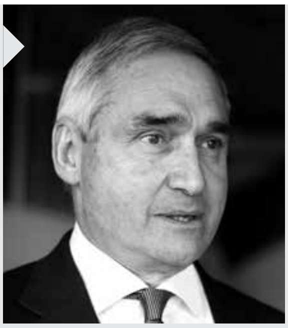
2015

SMS Management & Technology is a leading Australian business & IT advisory, technology solutions and managed services provider.

Chairman and CEO Report

We are delighted to welcome Jacqueline Korhonen to SMS. Jacqueline was appointed CEO on 2 February 2015 and since that time she has focused on the creation of the national sales and delivery structure which was implemented on 1 July 2015. This national structure aligns sales and delivery personnel to key industries and capabilities to ensure that the business is well placed to take advantage of emerging opportunities.

Derek Young
Chairman



+ DEREK YOUNG

+ JACQUELINE KORHONEN

Dear Shareholders,

We are pleased to announce that during the financial year ended 30 June 2015, SMS Management & Technology ("SMS") delivered strong revenue and profit growth. Revenue is at a record high of $356 million, whilst Net Profit after Tax ("NPAT") of $17 million is 34% up on the prior year.

Growth

We have continued to make sound progress towards increasing our exposure to the managed services segment of the market including the provision of end-to-end service offerings. Significant steps have already been made to position our business to take advantage of many new and emerging technologies through our acquisitions and partnerships.

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

‘sound progress towards increasing our exposure to the managed services segment’

Market Demand Drivers

The IT services market has changed dramatically in recent years. Technology trends, client buying patterns and intense competition are evolving the market. The emerging technologies and trends being driven by today’s digital society have resulted in strong demand for:

+ business analytics;
+ Cloud;
+ customer experience;
+ digital enhancement; and
+ mobile solutions.

We believe that SMS is well placed to take advantage of these emerging technologies and trends.

Client buying patterns are shifting from capital to operational expenditure based on variable pricing models. Managed services and other ‘software-as-a-service’ agreements have become an attractive option for clients to reduce their cost base and enhance operational efficiencies. Technology decision-making authority is shifting from the IT department to line management.

A note from the CEO

I am pleased to present my first report as the CEO of SMS.

Since commencing at SMS I, together with the Board and management, have taken efforts to position the Company to take full advantage of emerging opportunities.

The 2015 financial year was an encouraging one for SMS. Overall, we achieved strong revenue and profit growth, increased margins, and strengthened the balance sheet.

I look forward to an exciting year ahead as we continue to focus on our key business priorities.

Jacqueline Korhonen
Chief Executive Officer

Chairman and CEO Report

Revenue from operating activities
$356.2m

EBITDA
$28.7m

NPAT
$17.0m

Basic earnings per share
24.5 cents

Dividends per share
17.0 cents

Net cash balance
$9.2m

Financial Performance

Revenue from operating activities was $356.2 million, up 13% on the prior year reflecting increased demand for services in the Financial Services, Government and Telecommunications, Media & Technology industry sectors, together with the strengthening of the contract and permanent recruitment market.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the year was $28.7 million, up 37% on the prior year. The strong earnings growth reflected improved billable utilisation, the development of our managed services capability, stabilisation of project margins and a disciplined focus on cost management.

During the year, a net $2.3 million contingent consideration expense was provided for in the financial statements in relation to the 2014 acquisitions of Indicium and Birchman, which have both exceeded profit targets.

NPAT was $17.0 million, up 34% on the prior year.

The Group generated strong net operating cash flows of $24.4 million, up from $7.2 million in 2014.

Segment Results

SMS Consulting

$m	FY15	FY14	Change %
Revenue	271.0	237.5	14%
EBITDA[1]	40.0	30.4	32%
EBITDA margin (%)	14.8%	12.8%	

[1] EBITDA is prior to $2.3 million net contingent consideration expense and corporate costs

M&T Resources

$m	FY15	FY14	Change %
Revenue[1]	85.2	76.9	11%
EBITDA[2]	5.1	3.6	42%
EBITDA margin (%)	6.0%	4.7%	

[1] Excludes interdivisional revenue [2] EBITDA is prior to corporate costs

Revenue was positively impacted by an increase in client demand across the Financial Services and Telecommunications, Media & Technology sectors.

Managed services revenue grew strongly during the year. Significant contract wins in the Financial Services sector and current pipeline of opportunities provide confidence for another strong result in 2016.

EBITDA of $40.0 million was a 32% improvement on the prior year. The strong performance was attributable to:

+ an improvement in billable utilisation, which increased from 80% (2014) to 84% (2015) due to improved resource planning and management of resource capacity;
+ the full impact of cost reduction measures undertaken in 2014 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; and
+ the stabilisation of project margins through improved resource mix.

Revenue arises from commission earned upon the placement of contract and permanent IT staff. As the demand for contractors, particularly in the Government and Financial Services sectors of the market continued to increase during the financial year, this contributed to an 11% improvement in M&T Resources' revenue.

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. The increase in revenue has led to an increase in EBITDA of 42%.

Dividends and Capital Management

The Board has declared a fully-franked final dividend of 10 cents per share to be paid on 6 November 2015 to all shareholders registered on 16 October 2015. With the interim dividend of 7 cents per share paid on 10 April 2015, this results in a full year dividend of 17 cents per share (100% franked). This represents a dividend payout ratio of 69% of NPAT, consistent with Board policy.

The Board has continued its focus on the Company's capital management by extending the on-market share buy-back on 15 June 2015. The share buy-back is part of SMS's objectives to ensure an efficient capital structure, maintain prudent levels of gearing and have sufficient balance sheet flexibility to pursue growth initiatives.

Chairman and CEO Report

Design-Build-Operate Strategy

In light of a changing IT services landscape, SMS has responded with our Design-Build-Operate strategy which provides us with the depth, scale and agility required to compete in today's market, including the provision of end-to-end service offerings as follows:

+ Design – through our Business & IT Advisory services we provide thought leadership and business solutions including Business Analysis & Project Management Office, Business Process Optimisation, Change Management & Training, Customer Experience, Digital Agility and Innovation & Strategy.
+ Build – our Solutions capabilities leveraging our strong partnerships with clients and technology vendors deliver high-value client engagements including Application Development & Mobile Solutions, Business Process Management, Customer Relationship Management, Data & Analytics, Quality & Testing and Systems Integration.
+ Operate – our Managed Services capability leverages global delivery models to provide infrastructure management, cloud solutions and orchestration to applications support on long-term annuity contracts.

Industry Alignment

Increasingly, our clients are operating in industries that are either IT dependent or have a growing reliance on IT services to drive growth and operational efficiencies.

The industry verticals through which our sales team go to market are Commercial, Energy, Resources & Infrastructure ("ERI"), Financial Services, Government and Telecommunications, Media & Technology ("TMT").

Industries including Financial Services and TMT are already heavily dependent on IT to conduct business while the ERI and Commercial industries present significant growth opportunities for SMS due to their size and scale of operations. Government, as the largest spender on IT services, will continue to provide SMS with the ability to tender for, and win, large parcels of work. By aligning ourselves to these industries, we will deepen our understanding of key industry demand drivers and challenges, and in doing so increase our relevance to our clients.

Sales Focus and Delivery Excellence

We have a strong focus on being a sales led business, aligning our sales teams by industry, key accounts and solution offerings, increasing our relevance to clients and allowing us to take on larger and more complex contracts. To help with this, Philip Heggie was appointed as Managing Director, Sales in June 2015. Philip joins SMS with a wealth of experience in Managed Services and complex deal making.

Strong marketing goes hand in hand with strong sales and is vital for successful business. Together with the appointment of Justin Milne to the Board, SMS has appointed James Foster as Chief Marketing Officer to grow and strengthen our marketing capability.

Delivery excellence remains key to maintaining the outstanding reputation of SMS in the market. In July 2015, Nick Kiossoglou was appointed as Managing Director, Delivery. Nick comes to us with a wealth of experience leading IT delivery teams and will be a key factor in mobilising our delivery workforce under the Design-Build-Operate model. Nick's role focuses on the alignment of delivery processes and systems, applying an emphasis on resourcing, quality, skills development and client satisfaction, as well as establishing a sustainable offshore delivery capability.

Board of Directors

As SMS continues to grow and respond to changing market conditions, we maintain our commitment to strong corporate governance and risk management.

We would like to acknowledge Thomas Stianos for the substantial contribution he has made to SMS during his tenure as CEO. Mr Stianos joined SMS in 1989 and, after an extensive career at SMS, retired in January 2015. Mr Stianos led many growth initiatives and a major transformation of the Company and his contribution to the success of the business has been substantial. We thank him for his efforts and wish him all the best for the future.

In 2015, we welcomed Justin Milne as a Non-Executive Director. Justin is currently Chairman of MYOB Limited and NetComm Wireless Limited, and is a Non-Executive Director of Tabcorp Holdings Limited, Members Equity Bank Limited and NBN Co. Justin brings with him significant marketing and media expertise.

People Strategy

At SMS, our people are our single biggest differentiator in the market. It is why our workforce strategy continues to revolve around attracting people with the skills and knowledge to deliver on our business strategies, enhancing capabilities, empowering our people to succeed and building on the unique, high performance culture that we have.

Outlook

We look forward to an exciting year ahead as we focus on executing our Design-Build-Operate strategy and pursuing growth initiatives designed to increase shareholder returns.

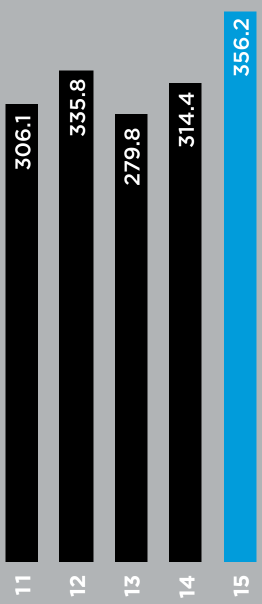
We would like to thank the Board, management and staff for the important contribution they have all made towards SMS's success during this past year.

Derek Young
Chairman

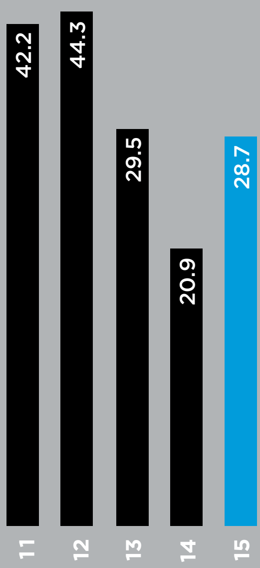
Jacqueline Korhonen
CEO

Year at a Glance

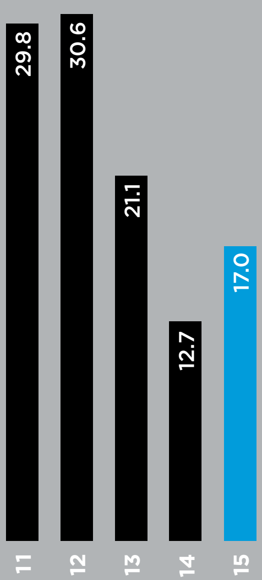
TOTAL REVENUE:
($ MILLION)



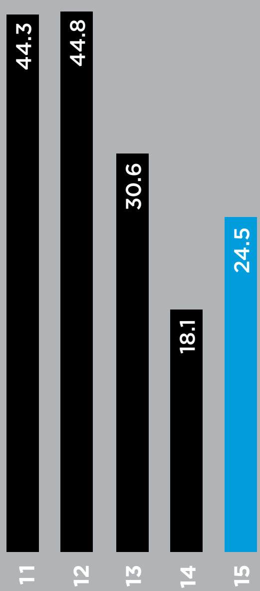
EBITDA:
($ MILLION)



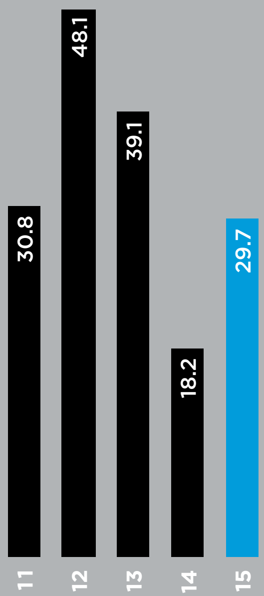
NPAT:
($ MILLION)



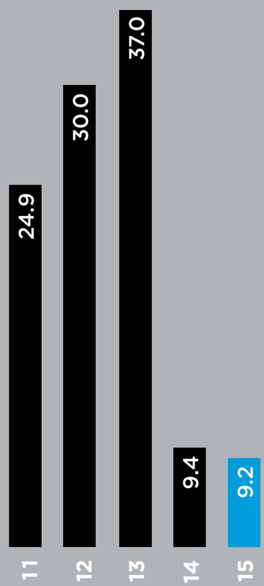
BASIC EPS:
(CENTS)



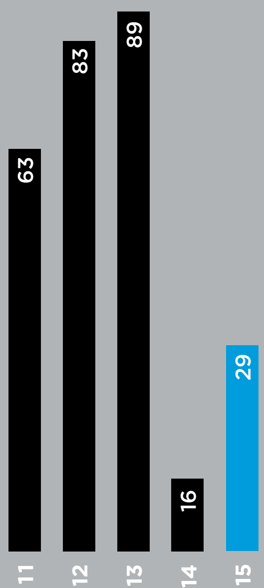
OPERATING CASH FLOW:
(before interest and tax)
($ MILLION)



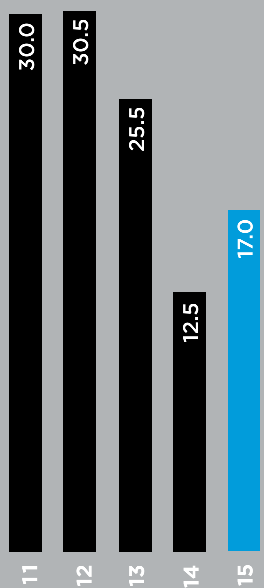
NET CASH BALANCE:
($ MILLION)



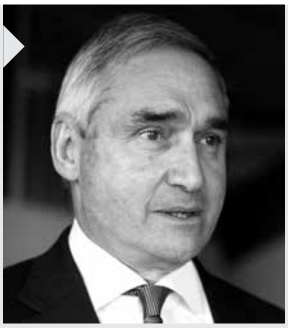
NET TANGIBLE ASSETS PER SHARE:
(CENTS)

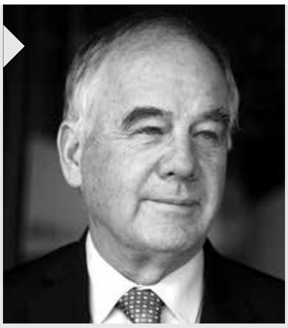


FULL YEAR DIVIDEND:
(CENTS)



Board of Directors





Derek Young, AM
Chairman

Derek Young was appointed Chairman in June 2014. He has over 30 years management consulting experience, including as former Managing Director of Accenture Australia.

Derek is currently the Chair of the Robert Rose Foundation and is a member of the Major Performing Arts Panel of the Australia Council for the Arts. Derek is an Adjunct Professor in 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.

Jacqueline Korhonen
Chief Executive Officer

Jacqueline Korhonen joined SMS in February 2015. She has 30 years experience in the IT services industry. Prior to joining SMS, Jacqueline was CEO and Managing Director for Infosys Australia & New Zealand and Senior Vice President of Infosys's Financial Services sector in Asia Pacific where she had overseen substantial revenue growth, whilst driving strategy and leadership across the Australian business.

Prior to joining Infosys, Jacqueline had a successful career (1985 to 2008) with IBM, where her final role was Senior Vice-President Business Process Outsourcing Australia and New Zealand.

Jacqueline was formerly a member of the Board of IBM Australia, a director of the AIIA, and a graduate of the Australian Institute of Company Directors ("AICD") and member of Chief Executive Women.

Bruce Thompson
Non-Executive Director

Bruce Thompson joined the Board of SMS in October 2000. He was formerly 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.

Bruce was formerly a Council and Board Member of the Box Hill Institute of TAFE, formerly Chairman of the Victorian Government Commission for Gambling Regulation, 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 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 27 years experience in corporate and investment banking, including being a former 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 with Chase Manhattan Bank / Chase AMP in London and Sydney.

Nicole is currently a Member of the Board of Trustees of International Maize and Wheat Improvement Centre and a Director of Wheat Quality Australia Ltd. She was previously on the Board of Queensland Sugar Ltd, Grains Research and Development Corporation, AusBulk Ltd, Superpartners Pty Ltd and the Australian Practice Nurses Association Inc. She was formerly the Chair of AusMalt Pty Ltd and was a member of Wheat Exports Australia.

Deb Radford

Non-Executive Director

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

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

Justin Milne

Non-Executive Director

Justin Milne joined the Board of SMS in August 2014. Justin is currently Chairman of MYOB Group Ltd and NetComm Wireless Limited and is also a Director of Tabcorp Holdings Limited, Members Equity Bank Limited and NBN Co. His prior Board experience includes roles as Chairman of pieNETWORKS Limited, a Director of Quickflix Ltd, SA Economic Development Board, Basketball Australia Limited and the Sydney Children's Hospital.

Justin has previously had an executive career in telecommunications, marketing and media including roles as Group Managing Director of Telstra's Broadband, Media and New Media businesses in China. Justin has also held management roles as Chief Executive Officer of OzEmail and the Microsoft Network.

Corporate Executives

Jacqueline Korhonen
Chief Executive Officer

Jacqueline joined SMS as CEO in February 2015.

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

Rick Rostolis
Chief Financial Officer

Rick holds management accountability for all corporate functions of SMS, including the Company's finance, commercial management and investor relations.

Rick commenced his professional career with KPMG prior to joining Pacific Brands where he 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.

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 Institute of Chartered Accountants Australia & New Zealand.

Philip Heggie
Managing Director, Sales

Philip joined SMS in June 2015. He is responsible for driving growth at SMS through the sales, business development and account management teams.

Prior to joining SMS, Philip was the Asia Pacific Vice-President of Sales at Unisys and has had previous roles with EDS, Siemens, Accenture and IBM in Australia, Asia and Europe. Philip has over 25 years experience and brings significant local and global experience to SMS.

Philip has an extensive background in sales management and leadership, from initial sales strategy through implementation and achievement of growth targets.

Philip has a Bachelor of Arts (Economics) from the University of NSW and a Master of Business Administration from the Macquarie Graduate School of Management.

Nick Kiossoglou

Managing Director, Delivery

Nick joined SMS in June 2015. Nick is responsible for the delivery of services across the Design-Build-Operate model with a focus on cost effective and high quality delivery. He is responsible for over 1,000 delivery staff.

Nick has extensive experience in the Information and Communications Technology ("ICT") sector having spent many years in core delivery, account and leadership roles.

Most recently, Nick was a Delivery Vice-President at Unisys where he delivered ICT services across the Asia and Pacific region.

Nick is a graduate of the University of Sydney.

Chris Sandham

Managing Director, M&T Resources

Director, People & Culture (Interim)

Chris is the Managing Director of M&T Resources, the Contracting and Recruitment business of SMS. He is also currently acting as the interim Director, People & Culture at SMS.

Chris joined SMS in January 2003 as the NSW Regional Director, M&T Resources. In 2006 Chris relocated to the UK with SMS where he was part of the UK operation. In March 2010 Chris rejoined the business as National Sales Director and became Managing Director of M&T Resources in November 2010.

Prior to joining SMS, Chris gained extensive experience within the IT Recruitment sector with both national and international organisations in roles that included Regional Director and Country Manager for the UK. Chris holds a Degree in Business and Finance, gained in the UK.

Anna Gorton

General Counsel & Company Secretary

Anna joined SMS in April 2012 as General Counsel and was appointed as Company Secretary for all SMS Group companies on 14 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. Before that Anna held various Banking & Finance legal roles in law firms.

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

Corporate Executives

Merlin Allan
Managing Director, Strategy & Business Development

Merlin is responsible for driving the Company's strategic development, with a focus on inorganic growth, M&A deal origination, execution and integration planning. These activities enable SMS to extend its scale and capability into new geographies and market sectors.

Immediately prior to SMS, Merlin worked in the venture capital sector in the USA and Australia, and brings extensive international business experience including corporate development, strategy execution, operational management and M&A across a range of service sectors. He is a graduate of the University of West of England and a Member of the AICD.

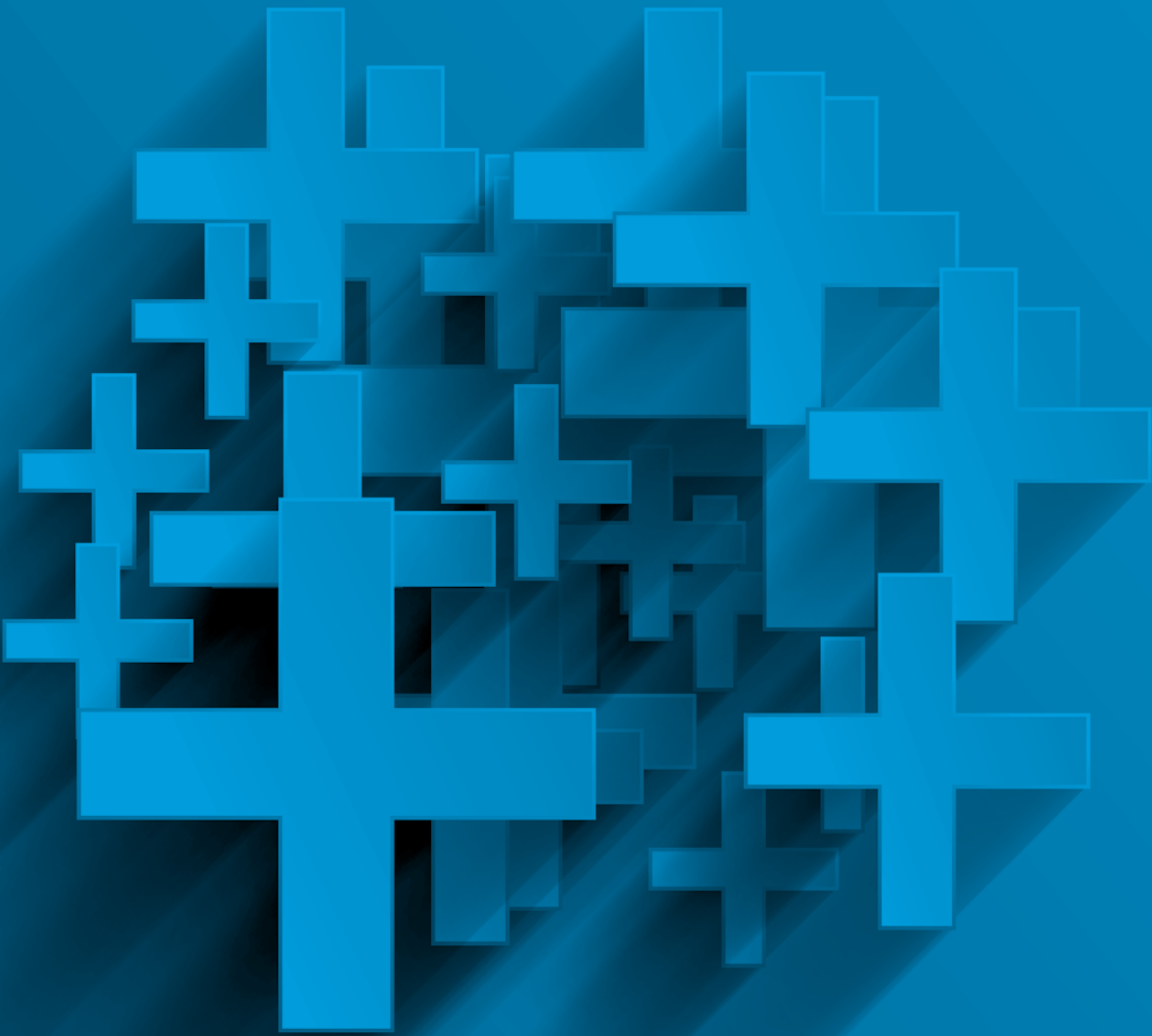
James Foster
Chief Marketing Officer

James is the Chief Marketing Officer and is responsible for leading a centralised marketing team which supports sales, whilst initiating both brand and service based marketing programs.

Prior to joining SMS in July 2015, James was the Head of Marketing & Product Strategy for SAS Australia & New Zealand. In his time at SAS, James oversaw a large and complex marketing team and significantly grew SAS's sales pipeline and engagement with whitespace and executive audiences.

James is a passionate technology executive, with experience across marketing, sales and delivery roles, including advisory to large Australian & Asia Pacific organisations in both the public and private sectors.

We deliver business outcomes by making our clients more agile, streamlined, cost-effective and customer focused.



SMS Solutions & Services

We will continue to expand on our 'Design-Build-Operate' strategy by leveraging these 3 key areas of our business to deliver positive client outcomes.

Through our Business & IT Advisory capability we provide the thought leadership for the design of business solutions such as customer experience, business analysis or business process optimisation, whilst also laying the groundwork for downstream opportunities.

Our Solutions area takes a technology focus and leverages key partnerships to delivery high value client engagements such as applications development & mobile solutions, customer relationship management ("CRM") or systems integration.

With our Managed Services offering, we leverage global delivery models providing services to clients including infrastructure management, Cloud solutions and applications support.

advisory

Strategic services for Business and IT

+ Business Analysis & Project Management Office
+ Business Process Optimisation
+ Change Management & Training
+ Customer Experience, Design Thinking & Strategy
+ Digital Agility
+ Innovation & Strategy

solutions

Technology solutions to make your strategy a reality

+ Application Development & Mobile Solutions
+ Business Process Management
+ Customer Relationship Management
+ Data & Analytics
+ Enterprise Performance Management
+ Quality & Testing
+ Systems Integration

managed services

Technology operations that enable you to focus on your business

+ Application Management
+ Cloud Solutions
+ ICT as a Service
+ Infrastructure Management
+ Support & Service Desk

Laying a Platform for Growth

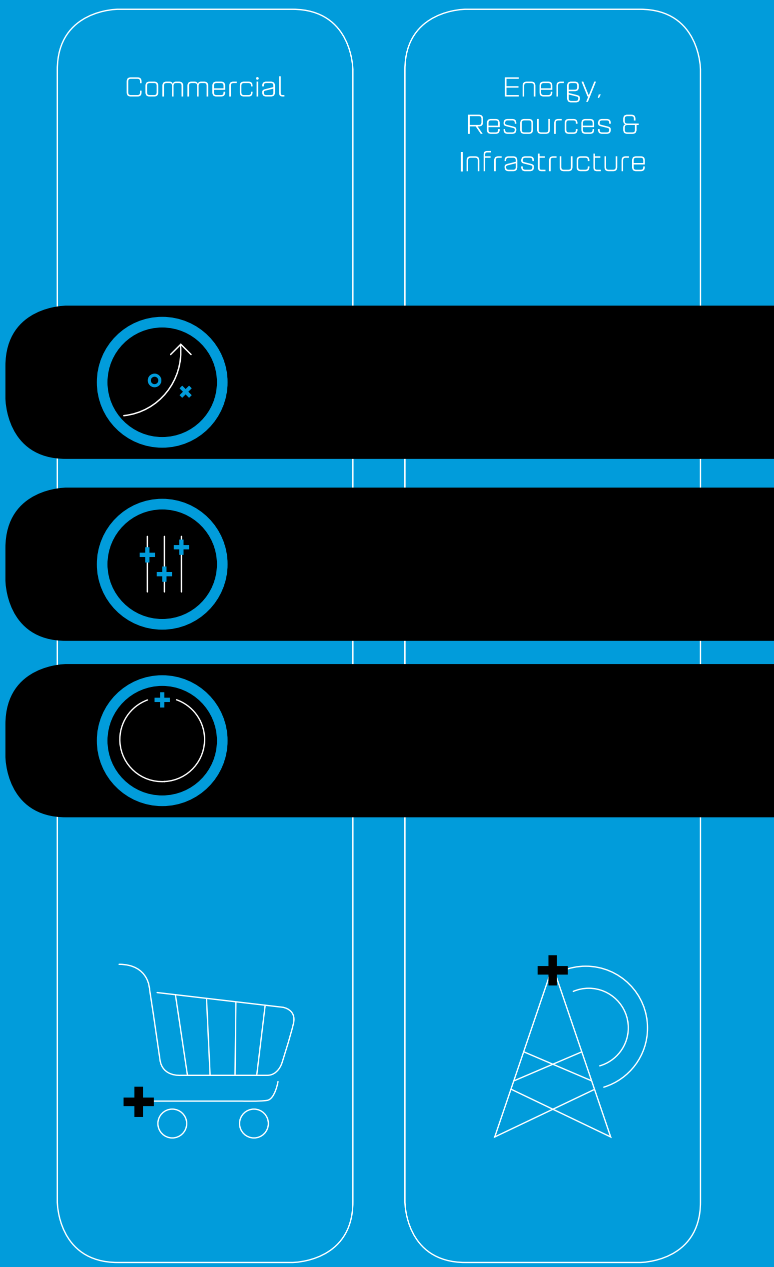
Sales & Delivery Excellence

SMS is laying a platform to deliver growth in a number of ways. By focusing our sales teams on industries, key accounts and solutions, we will increase our relevance to clients and target larger, more complex contracts.

By aligning our people into capability areas, we will enable delivery excellence with a focus on resourcing, quality, skills development and client satisfaction.

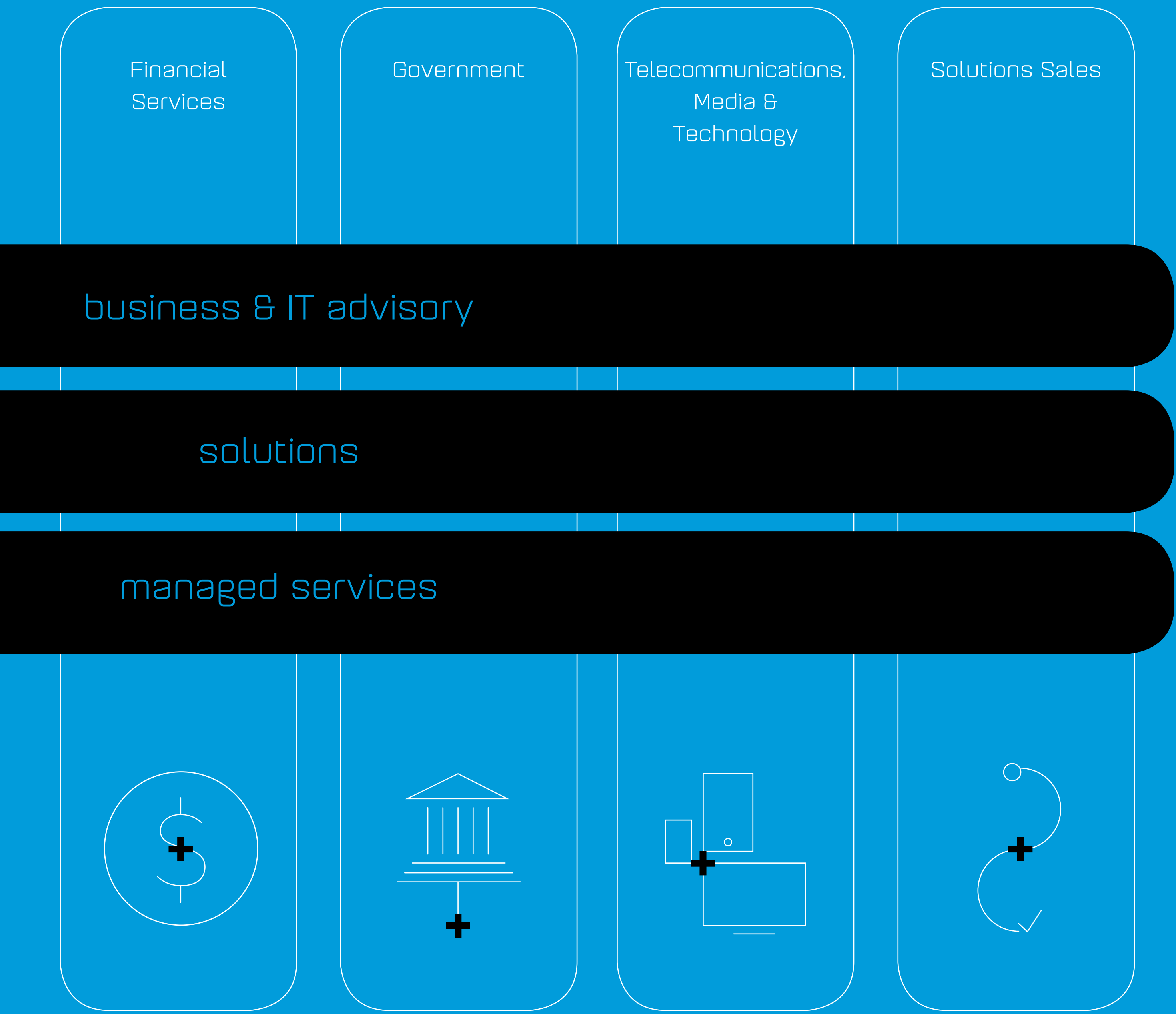
National Sales Team

National sales teams for specific industries and clients



National Delivery Model

Centralised management of delivery with local focus



M&T Resources

Continued focus on achieving greater success for stakeholders has seen M&T Resources become one of Australia's most awarded and fastest growing recruitment firms.

M&T Resources continues to build on its successful go-to-market strategies, leveraging the rich consulting and technology heritage of SMS. Its technical specialisation structure continues to reap benefits as it deepens candidate reach and builds reputation in niche, high-demand technology areas.

An innovative professional development program, the M&T Academy, was launched in 2015. It comprises a two-tier learning strategy to simultaneously develop internal leaders and improve service experience.

Contingent recruitment

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

Payroll

- Timesheet and invoicing
- Tailored reporting
- Payroll management

Workforce planning

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

Candidate management

- Post placement care
- Recruitment process coaching
- Career planning

Our People & Culture

People at SMS are our single biggest differentiator in the market. It is why our workforce strategy continues to revolve around attracting people with the skills and knowledge to deliver on our business strategies. We empower our people to succeed in order to build on the unique, high performance culture that we have.

Attract

Continue empowering our talent acquisition team to proactively attract the best talent and build a workforce that is aligned to business needs.

Build on our award-winning Graduate Program to attract the next-generation of high calibre talent whilst contributing to the industry's sustainability.

Enhance and Empower

Build on our best practice professional development program to arm SMSers with capabilities aligned to go-to-market propositions.

Continue nurturing the supportive, sharing and collaborative culture to capitalise on our people's immense collective knowledge.

Engage and Retain

Empower SMS leaders with the skills to help employees achieve their full potential as they nurture the SMS high-performance culture.

Employee focus groups and feedback channels to align remuneration and benefits with performance.

Case Studies

Brisbane G20 Summit 2014

One of Australia's Largest Peacetime Security Operations

When Australia was selected to host the 2014 G20 Summit in Brisbane, Queensland Police Service ("QPS") knew they were looking at one of the largest peacetime security operations in Australian history.

To secure the city of Brisbane as well as the world leaders and the community, QPS needed to have complete visibility at all times. This included a view of the locations of every delegate, police officer, vehicle and aircraft, and potential hazards before they arose and the ability to quickly make changes to mitigate them.

In working with SMS, QPS enhanced their existing enterprise Geographic Information System to improve operational planning and situational awareness.

Tracking 6400 resources

Tracking locations of 6400 assets including police officers, delegates, vehicles and aircraft.

Call for aid

Allow all 6400 assets to call for aid if needed.

Plan for the Future

QPS could plan out the exact locations and movements of police officers 6 months ahead.

Alter plans on the go

QPS could change location at a moment's notice if needed.

Government of South Australia

Greater Participation for Children in SA with Sports Vouchers Portal

Sports Vouchers is a State Government initiative for primary school aged children to receive a $50 discount from sports club/ membership fees.

Rather than hiring additional staff to manage club data and reimbursements, the Office of Recreation and Sports wanted to implement a solution to allow users to self-manage their sports vouchers and reimburse claims.

The solution, winner in the Government category of the 2015 SA iAwards, provides a simple, adaptive and mobile friendly online portal for parents to easily find a sports club, register their children and also get their vouchers.

It is used by over 1000 clubs, hundreds of thousands of community members and was a commitment on an election promise by the Government of SA, delivering significant cost savings and helping thousands of SA primary school children to be active and participate in sport.

Used by over 1000 clubs

As well as hundreds of thousands of community members.

Award winning solution

This solution won the Government category at the South Australian iAwards 2015.

Mental Health Commission WA

Putting Patients First with the Mental Health Commission WA

Mental Health Commission WA, Australia's first state-based Mental Health Commission, wanted to provide better patient care and assessment through improved access for information to case workers.

The award-winning solution, a Case Management System, enabled case officers to see all a patient's information in one place, and therefore to track, engage and resolve issues as needed, with all of the patient's information right there in front of them.

For consumers, a major benefit is that it allows progress towards an authoritative patient record. As a person travels through the continuum of care and support, the full picture can be seen.

Single Source of Truth

All of a patient's information in one place.

Award winning solution

This solution won the Microsoft Partner of the Year award in 2014.

University of New South Wales

Improving the Student Experience with Analytics

The student experience plays a key role in the University of NSW's ("UNSW") strategic direction. Positive student experience leads to better business outcomes and UNSW wants to keep this a priority.

To better utilise space, UNSW had invested in collecting large volumes of data involving room utilisation from a number of sources. Garnering insights from this data was another matter though. SMS worked with UNSW to move their data into the Cloud and created customised dashboards to easily understand the data.

Knowing which insights were the most valuable required a thorough understanding of the 'student experience' and comparing all possible options. SMS conducted a number of design and customer experience workshops with UNSW, playing through numerous scenarios and personas from a 'student-in' perspective.

The outcome, a simple, powerful dashboard powered by Tableau, allowed UNSW to significantly improve room usage, ensuring that both students and staff always had the space and resources they needed.

Driving Insights from Data

Understanding the Student Experience

A simple, powerful dashboard

Financial Statements

2015

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 2015 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 41 to 52 which forms part of the Directors' Report.

Directors

The directors of the Company during the financial year ended 30 June 2015 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), MAICD** Chairman of the Board Independent Non-Executive Director 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 Chairman of its Planning and Finance Committee and formerly a member of 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	Formerly Chairman and Managing Director of Hewlett-Packard Australia Ltd; formerly Chairman of the Victorian Government Commission for Gambling and Liquor Regulation; formerly a Council and Board member of the Box Hill Institute of TAFE; 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 Wheat Quality Australia Ltd and a Member of the Board of Trustees of International Maize and Wheat Improvement Center; Operational Risk Management Consultant. Formerly Director of Superpartners Pty Ltd; 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
Deb Radford **B. Ec, Grad Dip Finance & Investment** Independent Non-Executive Director Director since 9 September 2013	Director of Bendigo and Adelaide Bank Ltd and Council Member of LaTrobe University. 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.
Justin Milne **B. A, MAICD** Independent Non-Executive Director Appointed 28 August 2014	Chairman of MYOB Group Ltd; Chairman of NetComm Wireless Limited; Director of Tabcorp Holdings Limited, Members Equity Bank Limited and NBN Co. Formerly Chairman of pieNETWORKS Limited; formerly Director of Quickflix Ltd, SA Economic Development Board, Basketball Australia Limited and the Sydney Children's Hospital. Previously CEO of the Microsoft Network, OzEmail and Group Managing Director of Bigpond.
Jacqueline Korhonen **B. Sc, B. Eng (Hon), GAICD** Executive Director Chief Executive Officer ("CEO") Appointed 18 February 2015 (commenced as CEO 2 February 2015)	Formerly CEO and Managing Director of Infosys Australia and New Zealand and Senior Vice-President of Infosys' Financial Services sector in Asia Pacific (2008-2014). Represented Infosys on the Business Council of Australia. Previously held a number of senior executive positions with IBM in Australia and Asia (1985-2008), including Senior Vice-President, Business Process Outsourcing Australia and New Zealand. Formerly a member of the board of IBM Australia and a director of the AIIA.
Thomas Stianos **B. App Sc, FAICD** Former Executive Director Former CEO Retired 30 January 2015	Previous positions held with the Company included 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. Previously a Director of the AIIA.

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' Report

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	13	13	–	–	3	3
Bruce Thompson	13	13	4	4	3	3
Nicole Birrell	13	13	4	4	3	3
Deb Radford	13	13	4	4	3	3
Justin Milne (iii)	10	9	3	2	2	2
Jacqueline Korhonen (iv)	6	6	–	–	–	–
Thomas Stianos (v)	7	6	–	–	–	–

(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 Non-Executive Director 28 August 2014. Appointed to Remuneration and Nominations Committee and Audit, Risk and Compliance Committee 15 September 2014.
(iv) Appointed Chief Executive Officer 2 February 2015 and director on 18 February 2015.
(v) Retired 30 January 2015.

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	20,000	–
Bruce Thompson	70,499	–
Nicole Birrell	9,681	–
Deb Radford	10,000	–
Justin Milne	–	–
Jacqueline Korhonen	–	58,194

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 26 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 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 client offerings across business and IT advisory, technology solutions, managed services and contract recruitment, to assist businesses improve their use of people, processes and technology. Over the past 29 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 business and IT advisory, technology solutions and managed services; and
+ **M&T Resources**, sourcing contract and permanent candidates to work with corporate clients.

Over many years, SMS has been able to capitalise on 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 2015, SMS's performance reflected strong revenue and profit growth across the Financial Services, Government and Telecommunications, Media & Technology sectors of the market. An improved trading environment for recruitment and contracting activity saw SMS experience growth within its M&T Resources business.

The IT services market continues to evolve with client buying patterns changing with a shift from capital to operational expenditure using variable pricing models. Technology trends in business analytics, Cloud, customer experience, digital enhancement, and mobile solutions continue to drive demand. Intense competition from global and local players for market share continues to place pricing pressure on services. SMS has responded to emerging client needs and sought to mitigate pricing pressure by:

+ evolving the Design-Build-Operate strategy;
+ increasing managed services and Cloud hosted services to provide long-term recurring revenue; and
+ expanding the graduate program to develop junior talent internally and provide better leverage to the staffing mix in project delivery.

Directors' Report

Operating and Financial Review (continued)

Review of financial results

Revenue from operating activities

Group revenue from operating activities was $356.2 million, up 13% on the prior year reflecting increased demand for services in the Financial Services, Government and Telecommunications, Media & Technology industry sectors, together with the strengthening of the contract and permanent recruitment market.

	2015 $m	2014 $m
SMS Consulting	**271.0**	237.5
M&T Resources	**85.2**	76.9
Total revenue from operating activities	**356.2**	314.4

SMS Consulting

Revenue is driven by a number of factors, including:

+ the number of billable projects the business is engaged on;
+ the number of full-time equivalent client-facing staff;
+ the utilisation of client-facing staff on billable projects; and
+ the pricing of projects.

Revenue increased by 14% during the year. Revenue was positively impacted by an increase in client demand across the Financial Services and Telecommunications, Media & Technology sectors.

Managed services revenue grew strongly during the year. Significant contract wins and current pipeline of opportunities provide confidence for another strong result in 2016.

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 Government and Financial Services sectors of the market, continued to increase during the financial year this contributed to an 11% improvement in M&T Resources' revenue.

Operating and Financial Review (continued)

Profit

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the year was $28.7 million, up 37% on the prior year. The strong earnings growth reflected improved billable utilisation, the development of our managed services capability, stabilisation of project margins, continuation of the graduate program and a disciplined focus on cost management.

EBITDA included a net $2.3 million expense relating to contingent consideration payable for the 2014 acquisitions of Indicium Technology Group Pty Ltd and Access Networks & Communications Unit Trust (together "Indicium") and The Birchman Group Asia Pacific Pty Ltd and its controlled entities ("Birchman") which have both exceeded profit targets.

	2015 $m	2014 $m
SMS Consulting	**40.0**	30.4
M&T Resources	**5.1**	3.6
Segment EBITDA	**45.1**	34.0
Contingent consideration expense	**(2.3)**	–
Corporate expenses	**(14.1)**	(13.1)
Consolidated EBITDA	**28.7**	20.9
Interest, depreciation and amortisation	**(3.9)**	(2.2)
Income tax expense	**(7.8)**	(6.0)
Net profit after tax	**17.0**	12.7

EBITDA is non-IFRS financial information.

SMS Consulting

EBITDA of $40.0 million was a 32% improvement on the prior year. The strong performance was attributable to:

+ improvement in billable utilisation, which increased from 80% (2014) to 84% (2015) due to improved resource planning and management of resource capacity;
+ full impact of cost reduction measures undertaken in 2014 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; and
+ stabilisation of project margins through improved resource mix.

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 11% during the year. The increase in revenue has led to an increase in EBITDA of 42%.

Contingent consideration expense

As mentioned above, the income statement includes a net $2.3 million expense relating to contingent consideration provided for the 2014 acquisitions of Indicium and Birchman which have both exceeded profit targets.

Corporate expenses

Corporate expenses relate to employee costs for management and administrative staff including executive, finance, human resources, marketing, and information technology functions together with other company wide expenses including insurance and regulatory compliance. In 2015, corporate expenses included approximately $1.2 million of costs incurred in relation to the transition of the CEO role.

Directors' Report

Operating and Financial Review (continued)

Cash flow

	2015 $m	2014 $m
EBITDA	**28.7**	20.9
Change in working capital	**1.1**	(2.8)
Tax paid	**(5.6)**	(11.3)
Interest received	**0.2**	0.4
Net operating cash flow	**24.4**	7.2
Dividend payments	**(10.1)**	(11.9)
Share buy-back	**(1.4)**	(2.3)
Net funding from borrowings	**-**	8.1
Net repayment of borrowings	**(6.1)**	-
Acquisition and contingent consideration payments	**(11.9)**	(19.1)
Capital expenditure and other	**(0.1)**	(0.9)
Net cash flow	**(5.2)**	(18.9)

Strong cash generated from operations during the year ended 30 June 2015 has assisted the Group in strengthening the balance sheet. Contingent consideration payments were made to Indicium ($4.4 million) and Birchman ($7.5 million) during the year.

Financial position

	2015 $m	2014 $m
Cash	**12.9**	18.1
Trade receivables and work in progress ("WIP")	**65.0**	58.9
Intangible assets	**112.4**	114.3
Loans and borrowings	**3.7**	8.7
Trade and other payables	**20.9**	17.2
Finance lease liabilities	**1.7**	1.9
Contingent consideration payable	**19.2**	28.4
Debtor days	**36**	35
Lock-up days (WIP plus debtor days)	**62**	62

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

Trade receivables and WIP have increased at 30 June 2015, primarily due to the increase in revenue during the financial year with debtor days and lock-up days remaining consistent with the prior year.

The net decrease in intangible assets is attributable to the amortisation of customer contracts and relationships.

A $12.5 million three-year debt facility was put in place in October 2013 to fund the upfront acquisition payment for Birchman. Scheduled debt repayments of $5 million (2014: $3.75 million) were made during the financial year and the remaining balance of the facility is $3.75 million. The Company has a $15 million working capital facility which was undrawn at 30 June 2015.

Trade and other payables were higher at 30 June 2015 primarily due to an increase in accrued bonuses and commissions.

Finance lease liabilities relate to equipment to support multi-year managed services contracts.

Contingent consideration payable relates to amounts owing to Indicium ($11.3 million) and Birchman ($8 million) to finalise earn-out arrangements.

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 employed, which the Group defines as profit before tax divided by capital employed.

As part of the Company's ongoing capital management strategy, SMS commenced an on-market share buy-back program on 13 June 2014 which was extended on 15 June 2015. 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 growth initiatives. During the year ended 30 June 2015, 406,236 (2014: 705,226) shares were acquired at a cost of $1.3 million (2014: $2.3m).

The Board has a dividend payout policy of 65-70% of net profit after tax. SMS has declared a fully-franked final dividend of 10 cents per share taking the full year dividends to 17 cents per share and representing a dividend payout ratio of 69% of net profit after tax. 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 its market share of traditional services and 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 through procuring infrastructure and software as a service rather than installing new physical facilities. Achieving this consists of:

+ improving the business through the organic growth of specialised service offerings and pursuing delivery excellence;
+ extending the business by addressing key market themes such as business analytics, Cloud, customer experience, digital enhancement, and mobile solutions with new service offerings and leveraging service capability to deliver large-scale projects; and
+ transforming the business through acquisitions to capture high-growth sectors of the market that SMS is not servicing.

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.

In 2016, increased sales focus will be realised through aligning sales teams by industry, key accounts and solution offerings.

Delivery excellence involves investing in people tools, methodologies, processes and systems to improve the quality of our client engagements.

Examples of how SMS pursued delivery excellence during the 2015 financial year include:

+ cost-effective and flexible cost model using 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.

Directors' Report

Operating and Financial Review (continued)

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

+ **Business analytics** – clients are seeking ways in which to better connect with the customer base. SMS provides valuable insights through the use of data analytics.
+ **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 experience** – 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 enhancement** – 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 solutions** – 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.

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

SMS has transformed traditional capability in advisory 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.

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.

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

The July 2013 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 October 2013 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 staff are the front line of project delivery, 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 advice may be impacted if staff with unique skill-sets resign.

  This 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.

  This 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. This 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.

  The risk is ongoing due to economic uncertainty and is expected to be similar in the next financial year.

Outlook

Looking forward, SMS continues to see signs of growth in what remains a competitive environment. 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 staff and shift services to multi-year contracts and the higher demand managed services segment of the market.

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 29 to 35.

Events Subsequent to Reporting Date

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 2015 or on the results and cash flows of the Group for the year ended on that date.

Directors' Report

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 2014 ordinary	7.5	5,205	Fully-franked	24 October 2014
Interim 2015 ordinary	7.0	4,852	Fully-franked	10 April 2015

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 19 August 2015, the directors declared the payment of a final 2015 ordinary (fully-franked) dividend of 10 cents per share ($6,887,136) to be paid on 6 November 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015 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 currently complies with all of the third edition ASX Principles.

Further information on the Company's corporate governance policies and practices can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance

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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance

Prior to the appointment of a new Director, appropriate checks are undertaken and security holders are provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director through the relevant Notice of Meeting.

The Company currently has written agreements with each director and senior executive setting out the terms of their appointment. The Company did not have written agreements with either Mr Bruce Thompson or Mr Tom Stianos (other than annual letters to Mr Stianos confirming key performance requirements and salary package).

Mr Stianos has now retired and Mr Thompson has signed a new agreement confirming the terms of his appointment.

The Company Secretaries are accountable directly to the Board on all matters to do with the proper functioning of the Board.

The Company has a diversity policy which includes a requirement that the Board set measurable objectives for achieving diversity, including gender diversity, and to assess annually both the objectives and progress in achieving them. Further information about diversity can be found on pages 56 to 57 of this report.

The Board's Charter states that the Board will conduct annual reviews of both individual Board members, performance of the Board as a whole and monitor the performance of both the Audit, Risk and Compliance Committee and the Remuneration and Nominations Committee. In the current reporting period performance evaluations were undertaken as part of Board assessment and succession planning.

As part of the Board's oversight role, the Board undertakes a review of the CEO and senior management performance on at least an annual basis. Objectives for the CEO are approved by the Board after they have been established between the CEO and the Chairman. These objectives are aligned against a range of criteria including financial goals, completion of key performance measures and adherence to the Company's values. The CEO, with input from the Board, sets the objectives for the senior management team.

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 26 and 27 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 a director's independence and tenure, the Board considers the matters set out in its Charter, as summarised on page 40 of this report. The Board considers all members other than the CEO to be independent. The Board has considered the tenure of each member and is satisfied that all members are independent. 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 41, and the Audit, Risk and Compliance Committee on pages 52 and 53 of this report. Information on the number of Board and Committee meetings attended by each director is set out on page 28.

A summary of the experience and skills of the Board is set out in the skills matrix below.

Experience and Skills	Number of Directors
Leadership	5
Corporate Governance	5
Strategy & Planning	6
Accounting, Finance & M&A	3
Risk Management	5
People & Culture	5
Consulting & Technology Services	5
Marketing & Sales	3

The Company has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. For more information on Director and Executive education, see page 39 of this report.

Principle 3: Act ethically and responsibly

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. The Board has established a Share Trading Policy which governs dealing in the Company's shares. Information relating to the Code of Conduct and Share Trading Policy can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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 56 to 57 of this report.

Principle 4: Safeguard integrity in corporate reporting

The Board has established an Audit, Risk and Compliance Committee which assists the Board in the effective discharge of its responsibilities for corporate reporting, including 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 and a copy of the Committee's Charter can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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 52 of this report and their attendance at meetings is set out on page 28 of this report. The relevant qualifications and experience of each member of the Audit, Risk and Compliance Committee are set out on pages 26 and 27.

Directors' Report

Corporate Governance Statement (continued)

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.

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.

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, a summary of which can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

Principle 6: Respect the rights of security holders

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. Shareholders have the option to receive communications from and send communications to the Company and its security registry electronically. Information regarding the Company's Communications Statement and a copy of the Company's Constitution, added to the website in August 2014, can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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.

The Audit, Risk and Compliance Committee undertook a review of the Company's risk management framework during the reporting period.

The Company does not have an internal audit function. The Board and the Audit, Risk and Compliance Committee monitor and evaluate internal risks through a variety of existing systems, programs and policies including:

+ a delegations of authority policy, including approval limits for operational and capital expenditure;
+ an annual insurance program;
+ annual budgeting and monthly reporting systems to monitor performance against budget targets;
+ external financial audits;
+ written reports from key executives at each Board meeting;
+ an identification and assessment of strategic risks through an annual review; and
+ workplace health and safety reviews and reporting to the Board.

The company does not have any material exposure to environmental and social sustainability risks. See page 34 and 35 of this report for comment on the Company's exposure to material economic risks.

Principle 8: Remunerate fairly and responsibly

The Remuneration Report (on pages 41 to 52 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 41 of this report, and their attendance at meetings is set out on page 28 of this report.

The composition and structure of the Remuneration and Nominations Committee complies with the ASX principles. Information relating to the Remuneration and Nominations

Committee and the Company's policy on share trading in relation to shares or equity-based products can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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 Derek Young will retire at the 2015 Annual General Meeting of the Company and is 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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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 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.

Directors' Report

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 26 and 27.

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'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 percent 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 percent 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;
+ 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; and
+ has not had their independence compromised by the length of their tenure preventing them from being able to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders.

* 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 percent 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)

Bruce Thompson

Nicole Birrell

Deb Radford

Justin Milne (appointed to the Committee 15 September 2014)

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 three times during the year and the Committee members' attendance record is disclosed in the table of directors' meetings, on page 28 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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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:

+ capability and experience of the directors and executives;
+ directors' and executives' ability to control the relevant business units' performance;
+ Group performance including:
  - Group earnings;
  - growth in the share price and in shareholder wealth; and
+ 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-term and long-term performance-based incentives.

Remuneration Report – Audited (continued)

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, 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 marketplace. 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 2011 Executive Performance Rights Plan (the "2011 Plan"), 2012 Executive Performance Rights Plan (the "2012 Plan"), 2013 Executive Performance Rights Plan (the "2013 Plan") and 2014 Executive Performance Rights Plan (the "2014 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, business units and the individual. The KPIs 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, business unit and the individual against the KPIs as set at the beginning of the financial year. A percentage of the predetermined maximum amount may be 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 2012 Plan, 2013 Plan and 2014 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 rights 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.

Remuneration Report – Audited (continued)

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

Directors' Report

Remuneration Report – Audited (continued)

A list of the 15 companies that make up the Comparator Group for the 2014 Plan (unchanged from the 2013 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	Carsales.com Limited	CAR

2011 Plan

The TSR performance rights and the EPS performance rights granted under the 2011 Plan have been forfeited during the year. The performance hurdles of TSR and EPS growth were not satisfied.

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	2015	2014	2013	2012	2011
EBITDA	$28.7m	$20.9m	$29.5m	$44.3m	$42.2m
Net profit after tax for the year	$17.0m	$12.7m	$21.1m	$30.6m	$29.8m
Dividends declared (fully-franked)	17.0c	12.5c	25.5c	30.5c	30.0c
Change in share price	($0.08)	($1.01)	($0.59)	($1.16)	$0.34
Basic earnings per share	24.5c	18.1c	30.6c	44.8c	44.3c

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.

During 2015, STI financial performance criteria were met for five members of the Key Management Personnel ("KMP"), whilst LTIs relating to the 2011 Plan were forfeited.

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 termination provision for Jacqueline Korhonen (CEO) is six months' notice by the executive or by the Group. After the executive or the Group has given notice, the termination of employment may be brought forward at any time by the Group paying the executive an amount equivalent to the remuneration which the executive would have earned during the balance of the notice period.

Non-executive directors

Total remuneration for all 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 17 June 2014. The Chairman received twice that amount.

Non-executive directors do not receive performance-related remuneration.

Directors' Report

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	Bonus (i)	Leave entitlements	Superannuation contribution
Non-Executive Directors	**Year**	**$**	**$**	**$**	**$**
Derek Young (v) Chairman	**2015** 2014	**157,400** 80,132	**-** -	**-** -	**14,953** 7,412
Bruce Thompson Non-Executive Director	**2015** 2014	**77,169** 77,345	**-** -	**-** -	**7,331** 7,155
Nicole Birrell Non-Executive Director	**2015** 2014	**77,169** 77,345	**-** -	**-** -	**7,331** 7,155
Deb Radford Non-Executive Director	**2015** 2014	**77,169** 62,920	**-** -	**-** -	**7,331** 5,820
Justin Milne Non-Executive Director (Appointed 28 August 2014)	**2015** 2014	**64,308** -	**-** -	**-** -	**6,109** -
Executive Directors					
Thomas Stianos CEO (Retired 30 January 2015)	**2015** 2014	**359,333** 617,667	**239,530** -	**(22,299)** 15,432	**30,303** 32,333
Jacqueline Korhonen CEO (Appointed 2 February 2015)	**2015** 2014	**285,917** -	**580,211** -	**25,156** -	**10,533** -
Total all directors	**2015** 2014	**1,098,465** 915,409	**819,741** -	**2,857** 15,432	**83,891** 59,875
Executives					
Rick Rostolis CFO	**2015** 2014	**327,200** 327,200	**140,000** -	**10,946** (1,254)	**24,000** 24,000
Darren Stanley Managing Director, SMS Consulting (Resigned 30 April 2015)	**2015** 2014	**268,500** 327,200	**-** -	**(11,022)** (3,125)	**27,482** 24,000
Chris Sandham (vi) Managing Director, M&T Resources	**2015** 2014	**273,387** 225,307	**130,000** 100,000	**6,271** (2,754)	**25,858** 20,730
Merlin Allan Managing Director, Managed Services	**2015** 2014	**229,511** 31,271	**255,000** -	**6,594** 2,369	**21,690** 2,858
Shaneen Argall Director, Human Services (Resigned 12 June 2015)	**2015** 2014	**218,802** 207,668	**-** -	**(762)** 2,572	**20,677** 19,099
Philip Heggie Managing Director, Sales (Appointed 16 June 2015)	**2015** 2014	**15,704** -	**45,000** -	**1,381** -	**1,488** -
Total all named executives	**2015** 2014	**1,333,104** 1,118,646	**570,000** 100,000	**13,408** (2,192)	**121,195** 90,687
Total remuneration	**2015** 2014	**2,431,569** 2,034,055	**1,389,741** 100,000	**16,265** 13,240	**205,086** 150,562

Remuneration Report – Audited (continued)

Other long-term		Equity remuneration			
Leave entitlements	Termination benefits	Value of performance rights (ii)	Total (iii)	Proportion of remuneration performance related	Value of equity remuneration as proportion of remuneration (iv)
$	$	$	$	%	%
-	**-**	**-**	**172,353**	**-**	**-**
–	–	–	87,544	–	–
-	**-**	**-**	**84,500**	**-**	**-**
–	–	–	84,500	–	–
-	**-**	**-**	**84,500**	**-**	**-**
–	–	–	84,500	–	–
-	**-**	**-**	**84,500**	**-**	**-**
–	–	–	68,740	–	–
-	**-**	**-**	**70,417**	**-**	**-**
–	–	–	–	–	–
9,948	**641,666**	**(565,364)**	**693,117**	**-47.0%**	**-81.6%**
8,225	–	349,414	1,023,071	34.2%	34.2%
-	**-**	**49,465**	**951,282**	**29.3%**	**5.2%**
–	–	–	–	–	–
9,948	**641,666**	**(515,899)**	**2,140,669**	**-**	**-**
8,225	–	349,414	1,348,355		
1,472	**-**	**39,127**	**542,745**	**33.0%**	**7.2%**
932	–	67,672	418,550	16.2%	16.2%
4,236	**212,619**	**(136,362)**	**365,453**	**-37.3%**	**-37.3%**
8,429	–	86,508	443,012	19.5%	19.5%
3,213	**-**	**34,940**	**473,669**	**34.8%**	**7.4%**
1,106	–	69,884	414,273	41.0%	16.9%
15,741	**-**	**29,508**	**558,044**	**51.0%**	**5.3%**
1,011	–	9,650	47,159	20.5%	20.5%
(6,026)	**-**	**(108,889)**	**123,802**	**-88.0%**	**-88.0%**
4,430	–	67,672	301,441	22.4%	22.4%
-	**-**	**-**	**63,573**	**-**	**-**
–	–	–	–	–	–
18,636	**212,619**	**(141,676)**	**2,127,286**		
15,908	–	301,386	1,624,435		
28,584	**854,285**	**(657,575)**	**4,267,955**		
24,133	–	650,800	2,972,790		

Remuneration Report – Audited (continued)

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

(i) Sign-on bonuses were paid to Jacqueline Korhonen ($351,211) and Philip Heggie ($45,000). Subject to the terms of their respective agreements, the sign-on bonus may be repayable to the Group in the event their employment ceases within one year of their respective commencement dates. All other amounts relate to the STI cash bonus which is for performance using the criteria set out on page 42.

(ii) The fair value of performance rights granted under the 2012 Plan, the 2013 Plan and the 2014 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 2012 Plan, the 2013 Plan and the 2014 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. Remuneration includes negative amounts for rights which did not vest and were forfeited during the year.

(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.

(iv) The percentages disclosed reflect the value of remuneration consisting of share rights, based on the value of share-based payments expensed during the year. Rights issued and expensed in previous financial years have failed to vest in 2015 either due to the non-achievement of the EPS performance condition or due to the executive retiring/resigning and, as a result, the previously recognised expense has been credited in the 2015 financial year.

(v) Includes $3,353 adjustment upon appointment to the role of Chairman.

(vi) Acting in the role of Director, People and Culture from 12 June 2015.

STI cash bonus

Analysis of STI included in remuneration

Details of the percentage of the available STI that was expensed in the 2015 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 (i) $	Achieved in year	Forfeited in year
Jacqueline Korhonen (Appointed 2 February 2015)	229,000	100%	0%
Thomas Stianos (Retired 30 January 2015)	250,000	86%	14%
Rick Rostolis	140,000	100%	0%
Darren Stanley (Resigned 30 April 2015)	–	0%	100%
Chris Sandham	130,000	59%	41%
Merlin Allan	255,000	85%	15%
Shaneen Argall (Resigned 12 June 2015)	–	0%	100%

(i) Inclusive of superannuation. Some executives have elected not to have any superannuation deducted from their gross bonus depending on their personal circumstances.

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 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%
01 Jul 14 (i)	$1.98	$3.54	35%	2.88%	5.30%
01 Jul 14 (ii)	$3.02	$3.54	35%	2.88%	5.30%
06 Feb 15 (i) & (iii)	$2.00	$3.53	35%	2.29%	5.38%
06 Feb 15 (ii) & (iii)	$3.10	$3.53	35%	2.29%	5.38%

(i) Grant with TSR performance hurdle.
(ii) Grant with EPS performance hurdle.
(iii) Grant date of 6 February 2015 relates to the rights in the 2014 Plan issued to Jacqueline Korhonen.

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 2015, 1 July 2016 and 1 July 2017 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 and analysis of share-based payments 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 table on pages 50 and 51. 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 42 to 44 of this report. There have been no modifications to the terms of equity-settled share-based payment transactions during the financial year.

Directors' Report

Remuneration Report – Audited (continued)

	Year of Grant	Grant date	Vesting date	Number granted during the year	Fair value per performance right at grant date	Vested during the year %	Forfeited during the year %
Directors							
Jacqueline Korhonen	2015	6 Feb 15	1 Jul 17	29,097	$2.00	–	–
	2015	6 Feb 15	1 Jul 17	29,097	$3.10	–	–
Thomas Stianos	2014	1 Jul 13	1 Jul 16	56,434	$2.55	–	100%
	2014	1 Jul 13	1 Jul 16	56,434	$3.91	–	100%
	2013	1 Jul 12	1 Jul 15	49,116	$2.91	–	100%
	2013	1 Jul 12	1 Jul 15	49,116	$4.25	–	100%
	2012	1 Jul 11	1 Jul 14	39,809	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	39,809	$5.26	–	100%
Executives							
Rick Rostolis	2015	1 Jul 14	1 Jul 17	17,442	$1.98	–	–
	2015	1 Jul 14	1 Jul 17	17,442	$3.02	–	–
	2014	1 Jul 13	1 Jul 16	11,287	$2.55	–	–
	2014	1 Jul 13	1 Jul 16	11,287	$3.91	–	–
	2013	1 Jul 12	1 Jul 15	9,824	$2.91	–	–
	2013	1 Jul 12	1 Jul 15	9,823	$4.25	–	–
	2012	1 Jul 11	1 Jul 14	7,166	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	7,166	$5.26	–	100%
Darren Stanley	2015	1 Jul 14	1 Jul 17	23,256	$1.98	–	100%
	2015	1 Jul 14	1 Jul 17	23,256	$3.02	–	100%
	2014	1 Jul 13	1 Jul 16	15,802	$2.55	–	100%
	2014	1 Jul 13	1 Jul 16	15,802	$3.91	–	100%
	2013	1 Jul 12	1 Jul 15	11,788	$2.91	–	100%
	2013	1 Jul 12	1 Jul 15	11,788	$4.25	–	100%
	2012	1 Jul 11	1 Jul 14	8,758	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	8,758	$5.26	–	100%

Remuneration Report – Audited (continued)

	Year of Grant	Grant date	Vesting date	Number granted during the year	Fair value per performance right at grant date	Vested during the year %	Forfeited during the year %
Executives							
Chris Sandham	2015	1 Jul 14	1 Jul 17	17,442	$1.98	–	–
	2015	1 Jul 14	1 Jul 17	17,442	$3.02	–	–
	2014	1 Jul 13	1 Jul 16	11,287	$2.55	–	–
	2014	1 Jul 13	1 Jul 16	11,287	$3.91	–	–
	2013	1 Jul 12	1 Jul 15	9,824	$2.91	–	–
	2013	1 Jul 12	1 Jul 15	9,823	$4.25	–	–
	2012	1 Jul 11	1 Jul 14	7,962	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	7,962	$5.26	–	100%
Merlin Allan	2015	1 Jul 14	1 Jul 17	14,535	$1.98	–	–
	2015	1 Jul 14	1 Jul 17	14,535	$3.02	–	–
	2014	1 Jul 13	1 Jul 16	10,159	$2.55	–	–
	2014	1 Jul 13	1 Jul 16	10,159	$3.91	–	–
	2013	1 Jul 12	1 Jul 15	8,841	$2.91	–	–
	2013	1 Jul 12	1 Jul 15	8,841	$4.25	–	–
	2012	1 Jul 11	1 Jul 14	7,166	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	7,166	$5.26	–	100%
Shaneen Argall	2015	1 Jul 14	1 Jul 17	14,535	$1.98	–	100%
	2015	1 Jul 14	1 Jul 17	14,535	$3.02	–	100%
	2014	1 Jul 13	1 Jul 16	11,287	$2.55	–	100%
	2014	1 Jul 13	1 Jul 16	11,287	$3.91	–	100%
	2013	1 Jul 12	1 Jul 15	9,824	$2.91	–	100%
	2013	1 Jul 12	1 Jul 15	9,823	$4.25	–	100%
	2012	1 Jul 11	1 Jul 14	7,166	$3.08	–	100%
	2012	1 Jul 11	1 Jul 14	7,166	$5.26	–	100%

Remuneration Report – Audited (continued)

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	–	–	1,048,241
Jacqueline Korhonen	148,395	–	–
Executives			
Rick Rostolis	87,210	–	59,764
Darren Stanley	116,280	–	375,805
Chris Sandham	87,210	–	66,403
Merlin Allan	72,675	–	59,764
Shaneen Argall	72,675	–	275,690

(i) The value of performance rights granted in the year is their fair value at grant date.
(ii) The TSR performance rights and the EPS performance rights granted under the 2011 Plan have been forfeited during the year. The performance hurdles of TSR and EPS growth were not satisfied.
(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

Deb Radford

Justin Milne
(appointed to the Committee 15 September 2014)

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 four occasions during the year and members' attendance record is disclosed in the table of directors' meetings on page 28 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 2015 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.

Audit, Risk and Compliance Committee (continued)

A summary of the Committee's role and responsibilities together with information on procedures for the selection and appointment of the external auditor, and for the rotation of the external audit engagement partner, can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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;
+ 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, Australian Securities and Investments Commission, 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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

Directors' Report

Risk Management (continued)

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.

Risk Management (continued)

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 26 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:

+ 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 quality, service standards and commitments to 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, unless prior approval has been obtained; 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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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 can be found at http://www.smsmt.com/AU/Information-Centre/Investors/Corporate-Governance.

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.
+ 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 2015 included:

+ 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;

Diversity (continued)

- 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 staff; and
- promoting an approach to blended teams across age and cultural diversity to support innovation and knowledge sharing.

These objectives have been partially met. Gender diversity remains a key challenge and is the main area of focus for our Diversity Working Group.

During the year, 40% of our graduates were female. The number of women making up our workforce is 30%, exceeding both the IT industry technical and professional average of 18% and the overall industry average of 25% as reported by the Australian Computer Society.

Our progress with gender balance can be measured below:

	2015		2014	
	Female	**Male**	**Female**	**Male**
Board	40%	60%	40%	60%
Executive KMP (including CEO)	20%	80%	20%	80%
Staff	30%	70%	32%	68%
Graduates	40%	60%	29%	71%

The measurable objectives for 2016 which have been aligned to the Design-Build-Operate strategy include:

- the Diversity Working Group continuing to oversee and guide the practical activity undertaken within each functional area to promote an inclusive culture;
- further promoting diversity in leadership by continuing the Male Champions of Change program;
- continuing to proactively analyse and address potential gender pay difference that may exist across our role types within each functional area;
- continuing initiatives to support age diversity in the context of a career progression model for junior staff; 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 continued the diversity initiative to leverage the opportunity to contribute to greater diversity in Australian workplaces.

M&T Resources' diversity events provide the space for employers and the broader candidate market to share ideas. During 2015, M&T Resources' joined with a diversity partner to deliver 'Women in IT' breakfast seminars to promote a gender diversity network.

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 2015 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 it is prohibited under the terms of the contract.

The liabilities insured include costs 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.

	2015 $	2014 $
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial reports	**208,000**	208,000
Services other than statutory audit		
Accounting advisory services – KPMG	**35,000**	20,000
Tax services – KPMG	**225,000**	157,800
Total	**468,000**	385,800

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 60 and forms part of the Directors' Report for the year ended 30 June 2015.

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
Chairman

Jacqueline Korhonen
CEO

Signed at Melbourne on this 19th day of August 2015

Lead Auditor's Independence Declaration

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 2015 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

19 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Revenue from operating activities		**356,243**	314,410
Employee benefits expense		**(288,601)**	(257,966)
Project expenses		**(16,157)**	(14,389)
Depreciation and amortisation expenses	14,16	**(2,826)**	(1,739)
Administrative expenses		**(8,635)**	(8,556)
Occupancy expenses		**(6,144)**	(6,051)
Due diligence and acquisition related costs		**-**	(429)
Contingent consideration expense	9	**(2,300)**	-
Other expenses		**(5,718)**	(6,113)
Results from operating activities		**25,862**	19,167
Finance income		**242**	348
Finance costs		**(1,288)**	(858)
Net finance costs		**(1,046)**	(510)
Profit before income tax		**24,816**	18,657
Income tax expense	7	**(7,809)**	(6,004)
Profit for the year		**17,007**	12,653
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**724**	(131)
Profit and other comprehensive income for the year attributable to the ordinary equity holders of the company		**17,731**	12,522
Earnings per share:			
Basic earnings per share	8	**24.5 cents**	18.1 cents
Diluted earnings per share	8	**24.1 cents**	17.7 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 65 to 102.

Consolidated Statement of Financial Position

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	10	**12,908**	18,059
Trade and other receivables	11	**65,030**	58,941
Current tax assets	12	**-**	805
Other	13	**3,163**	2,568
Total current assets		**81,101**	80,373
Non-current assets			
Plant and equipment	14	**3,120**	4,870
Deferred tax assets	15	**1,076**	1,133
Intangible assets	16	**112,436**	114,322
Other	13	**1,194**	-
Total non-current assets		**117,826**	120,325
Total assets		**198,927**	200,698
Current liabilities			
Trade and other payables	17	**20,880**	17,214
Loans and borrowings	18	**4,299**	5,403
Current tax liabilities	12	**1,738**	-
Employee benefits	19	**12,477**	11,250
Other	20	**21,775**	14,264
Total current liabilities		**61,169**	48,131
Non-current liabilities			
Deferred tax liabilities	15	**2,100**	2,517
Loans and borrowings	18	**1,085**	5,186
Employee benefits	19	**965**	1,039
Other	20	**1,443**	18,124
Total non-current liabilities		**5,593**	26,866
Total liabilities		**66,762**	74,997
Net assets		**132,165**	125,701
Equity			
Issued capital		**64,350**	65,690
Reserves		**10,849**	9,995
Retained earnings		**56,966**	50,016
Total equity		**132,165**	125,701

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 65 to 102.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Notes	Issued capital $'000	Foreign currency translation reserve $'000	Equity compensation reserve $'000	Retained earnings $'000	Total $'000
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 shareholders, recorded directly in equity						
Issue of ordinary shares related to business combinations	9	2,420	–	–	–	2,420
On-market share buy-back	21	(2,326)	–	–	–	(2,326)
Equity-settled share-based payment transactions	21	–	–	864	–	864
Dividends to shareholders	21	–	–	–	(11,917)	(11,917)
Balance at 30 June 2014		**65,690**	**(411)**	**10,406**	**50,016**	**125,701**
Balance at 1 July 2014		65,690	(411)	10,406	50,016	125,701
Total comprehensive income for the year						
Profit		–	–	–	17,007	17,007
Other comprehensive income		–	724	–	–	724
Total comprehensive income		–	724	–	17,007	17,731
Transactions with shareholders, recorded directly in equity						
On-market share buy-back	21	(1,340)	–	–	–	(1,340)
Equity-settled share-based payment transactions	21	–	–	130	–	130
Dividends to shareholders	21	–	–	–	(10,057)	(10,057)
Balance at 30 June 2015		**64,350**	**313**	**10,536**	**56,966**	**132,165**

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 65 to 102.

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		**385,553**	338,651
Payments to suppliers and employees		**(355,808)**	(320,480)
Cash generated from operations		**29,745**	18,171
Interest received		**248**	389
Income taxes paid		**(5,619)**	(11,347)
Net cash from operating activities	25	**24,374**	7,213
Cash flows from investing activities			
Acquisition of plant and equipment		**(763)**	(465)
Proceeds on sale of plant and equipment		**-**	19
Due diligence and acquisition related costs		**-**	(429)
Payments of contingent consideration related to previous business combinations	9	**(11,920)**	-
Payment for controlled entities, net of cash acquired	9	**-**	(19,133)
Acquisition of intangible assets		**-**	(3)
Net cash used in investing activities		**(12,683)**	(20,011)
Cash flows from financing activities			
On-market share buy-back		**(1,424)**	(2,242)
Dividends paid to shareholders	21	**(10,057)**	(11,917)
Proceeds from borrowings		**227**	12,500
Repayment of borrowings		**(5,492)**	(3,839)
Borrowing costs paid		**(796)**	(555)
Net cash used in financing activities		**(17,542)**	(6,053)
Net decrease in cash and cash equivalents		**(5,851)**	(18,851)
Cash and cash equivalents at 1 July		**18,059**	36,998
Effect of exchange rate fluctuations on cash held		**700**	(88)
Cash and cash equivalents at 30 June	10	**12,908**	18,059

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 65 to 102.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

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 2015, 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 19 August 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, with the exception of contingent consideration assumed in a business combination which is measured at fair value at each reporting date.

(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 estimate is 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 16	Intangible Assets
Note 19	Employee Benefits

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

The Group has not adopted any new accounting standards and amendments to standards, including any consequential amendments to other standards, during the year.

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.

3. Significant Accounting Policies (continued)

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 payable (i.e. consideration which is contingent on the achievement of agreed future financial performance targets) 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.

When a foreign operation is disposed, 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.

3. Significant Accounting Policies (continued)

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

(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 a cash-generating unit ("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 over their estimated useful lives, based on the anticipated relationship with customers and the timing of projected cash flows of the contracts. The useful lives for each class of asset are as follows:

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

Where the estimated useful life of the asset varies, the amortisation rate applicable to a customer relationship or contract is reassessed.

(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 CGUs.

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.

3. Significant Accounting Policies (continued)

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 determine its present value.

(ii) Share-based payment transactions

The 2011, 2012, 2013 and 2014 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. 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 19 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.

3. Significant Accounting Policies (continued)

(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.

3. Significant Accounting Policies (continued)

(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.

(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

3. Significant Accounting Policies (continued)

average number of ordinary shares outstanding during the period. Diluted EPS is calculated in the same manner after adjusting 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 are 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 2015, but have not been applied in preparing this financial report.

AASB 9 *Financial Instruments* ("AASB 9") (published in July 2014) replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet assessed the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 *Revenue from Contracts with Customers* ("AASB 15") establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue,* AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.* AASB 15 is effective for reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet assessed the potential impact on its consolidated financial statements resulting from the application of AASB 15.

4. Financial Risk Management

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

+ credit risk;
+ liquidity risk; and
+ 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.

4. Financial Risk Management (continued)

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.

The Group's trade receivables over 90 days past due at the reporting date that were not impaired was as follows:

	2015 $'000	2014 $'000
Past due over 90 days	**828**	810
	828	810

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

	2015 $'000	2014 $'000
Balance at 1 July	**245**	–
Impairment loss recognised	**407**	245
Reversal of impairment loss	**(245)**	–
Balance at 30 June	**407**	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 $12,908,000 at 30 June 2015 (2014: $18,059,000), 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 23 and 24.

4. Financial Risk Management (continued)

(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.

2015		2015 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	19,230	19,300	11,300	8,000	–	–
Trade and other payables	20,880	20,880	20,880	–	–	–
Unsecured bank loan	3,742	3,833	2,569	1,264	–	–
Finance lease liabilities	1,642	1,852	337	337	637	541
	45,494	45,865	35,086	9,601	637	541

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

The Group has a $15 million working capital facility that is unsecured and remains undrawn at 30 June 2015. Once drawn, interest is payable on this facility at the bank bill swap rate plus 120 basis points.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

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	
	2015 AUD $'000	2014 AUD $'000
Cash and cash equivalents	**636**	4,055
	636	4,055

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 2015 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
2015		
HKD (5% movement)	(16)	16
2014		
HKD (5% movement)	(22)	22

4. Financial Risk Management (continued)

Exchange rates

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	**2014**	**2015**	**2014**
HKD	**6.5384**	7.1312	**5.9829**	7.3150
NZD	**1.0729**	1.1150	**1.1207**	1.0750
VND	**18,039**	19,410	**16,841**	20,137
SGD	**1.1008**	1.1593	**1.0371**	1.1790
USD	**0.8432**	0.9202	**0.7718**	0.9437

(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:

	2015 $'000	2014 $'000
Fixed-rate instruments		
Financial assets	**-**	133
Financial liabilities	**(1,642)**	(1,908)
Variable-rate instruments		
Financial assets	**12,908**	17,926
Financial liabilities	**(3,742)**	(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:

	2015		2014	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Financial assets				
Cash	**17**	**(17)**	160	(160)
Financial liabilities				
Unsecured bank loan	**(69)**	**69**	(171)	171

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

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 employed, which the Group defines as profit before tax divided by capital employed. The Board also monitors the level of dividends to shareholders. The Board has a dividend payout policy of 65-70% of net profit after tax.

The $12.5 million three-year debt facility, which was put in place in October 2013 to fund the upfront acquisition payment for Birchman, is being repaid as scheduled. The remaining balance of the debt at 30 June 2015 is $3.7 million. 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.

	2015 $'000	2014 $'000
Total cash and cash equivalents	**12,908**	18,059
Less: unsecured bank loan	**(3,742)**	(8,681)
Net cash (1)	**9,166**	9,378

(1) Net cash excludes finance lease liabilities and bank guarantees.

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 five percent of issued ordinary shares. On 15 June 2015, the Group extended the buy-back program for a further 12 months. The total number of shares purchased depends on the prevailing share price, available cash reserves, market conditions and market volumes. During the year, 406,236 (2014: 705,226) shares were acquired at a cost of $1,340,431 (2014: $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 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		Unallocated		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
External revenue	**271,051**	237,482	**85,192**	76,928	**-**	–	**356,243**	314,410
Inter-segment revenue	**-**	–	**32,060**	16,378	**-**	–	**32,060**	16,378
Segment EBITDA before adjustments	**39,972**	**30,429**	**5,131**	**3,640**	**(14,115)**	**(13,163)**	**30,988**	**20,906**
Contingent consideration expense	**(2,300)**	–	**-**	–	**-**	–	**(2,300)**	–
Segment EBITDA after adjustments	**37,672**	**30,429**	**5,131**	**3,640**	**(14,115)**	**(13,163)**	**28,688**	**20,906**
Net finance costs	**-**	–	**-**	–	**(1,046)**	(510)	**(1,046)**	(510)
Depreciation and amortisation	**(1,886)**	(677)	**-**	–	**(940)**	(1,062)	**(2,826)**	(1,739)
Profit before income tax	**35,786**	**29,752**	**5,131**	**3,640**	**(16,101)**	**(14,735)**	**24,816**	**18,657**
Income tax expense	**-**	–	**-**	–	**(7,809)**	(6,004)	**(7,809)**	(6,004)
Profit after income tax	**35,786**	**29,752**	**5,131**	**3,640**	**(23,910)**	**(20,739)**	**17,007**	**12,653**
Reportable segment assets	**161,637**	**158,711**	**15,584**	**14,324**	**21,706**	**27,663**	**198,927**	**200,698**

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 for the year (2014: no customer represented more than 10%).

6. Auditors' Remuneration

	2015 $	2014 $
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial reports	**208,000**	208,000
Other services		
Auditors of the Group – KPMG		
Accounting advisory services	**35,000**	20,000
Tax services	**225,000**	157,800
	468,000	385,800

7. Income Tax Expense

	2015 $'000	2014 $'000
Current tax expense		
Current year	**8,378**	6,467
Adjustments for prior years	**(365)**	(553)
	8,013	5,914
Deferred tax expense		
Origination and reversal of temporary differences	**(66)**	109
Adjustments for prior years	**(138)**	(19)
	(204)	90
Total income tax expense	**7,809**	6,004

Reconciliation of effective tax rate

	2015 $'000	2014 $'000
Profit before income tax	**24,816**	18,657
Income tax using the domestic tax rate of 30% (2014: 30%)	**7,445**	5,597
Increase in tax expense due to:		
Non-deductible expenses	**367**	87
Non-deductible contingent consideration expense	**690**	–
Effect of tax rate in foreign jurisdictions	**–**	917
Other items	**139**	–
	1,196	1,004
Decrease in tax expense due to:		
Other items	**(39)**	(25)
Effect of tax rate in foreign jurisdictions	**(290)**	–
	(329)	(25)
Over provided in previous year	**(503)**	(572)
Total income tax expense	**7,809**	6,004

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8. Earnings Per Share

Basic earnings per share

The calculation of basic EPS of 24.5 cents at 30 June 2015 was based on the profit attributable to ordinary shareholders of $17,006,957 (2014: $12,653,015) and the weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 69,361,634 (2014: 69,989,018), calculated as follows:

	2015 $'000	2014 $'000
Profit attributable to ordinary shareholders (basic)	**17,007**	12,653
	Number '000	**Number '000**
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**69,394**	69,378
Effect of shares issued during the year	**-**	615
Effect of shares cancelled under share buy-back	**(32)**	(4)
Weighted average number of ordinary shares at 30 June	**69,362**	69,989

Diluted earnings per share

The calculation of diluted EPS of 24.1 cents at 30 June 2015 was based on profit attributable to ordinary shareholders of $17,006,957 (2014: $12,653,015) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 70,522,974 (2014: 71,335,517), calculated as follows:

	2015 $'000	2014 $'000
Profit attributable to ordinary shareholders (diluted)	**17,007**	12,653
	Number '000	**Number '000**
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 July	**69,394**	69,378
Effect of shares issued during the year	**-**	615
Effect of shares cancelled under share buy-back	**(32)**	(4)
Effect of shares to be issued in relation to Performance Rights Plans	**1,161**	702
Effect of shares to be issued in relation to business combinations	**-**	645
Weighted average number of ordinary shares (diluted) at 30 June	**70,523**	71,336

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.

9. Business Combinations

Indicium

In July 2013, the Group acquired 100% of the shares in Indicium Technology Group Pty Ltd and 100% of the units in Access Networks & Communications Unit Trust (together "Indicium") for $22,000,000, comprising an up-front payment of $9,680,000 in cash and $2,420,000 in shares and two contingent payments conditional on profit performance over a two year period totaling $9,900,000.

The first contingent payment of $4,400,000 was paid in August 2014 together with a $20,000 performance payment, based on the business exceeding its first year profit target. The second contingent payment of $5,500,000 has been provided for and is payable in August 2015, based on the business achieving its second year profit target.

A final performance payment of $5,800,000 (30 June 2014: $1,500,000) has also been provided for and is payable in August 2015, based on the business exceeding its second year profit target. The increase in contingent consideration payable of $4,300,000 in 2015 is due to the business exceeding profit target expectations in the second year of the earn-out arrangements and has been expensed to profit or loss during the year ended 30 June 2015.

The total acquisition price for Indicium is approximately $27,800,000.

Birchman

In October 2013, the Group acquired 100% of the shares in The Birchman Group Asia Pacific Pty Ltd and its controlled entities ("Birchman") for $25,000,000, comprising an up-front payment of $12,500,000 in cash and two contingent payments conditional on profit performance over a two year period totaling $12,500,000.

The first contingent payment of $7,500,000 was paid in January 2015, based on the business achieving its first year profit target.

On 12 May 2015, a Deed of Variation was entered into between The Birchman Group Asia Pacific Pty Ltd and SMS Consulting Group Limited which resulted in an amendment to the Share Sale and Purchase Deed between the parties dated 25 September 2013. The Deed of Variation had the following effect:

+ The second contingent payment of $5,000,000 (30 June 2014: $5,000,000) which has been provided for is no longer contingent or based on the business achieving its second year profit target and will be paid in January 2016.
+ A further performance payment of $3,000,000 (30 June 2014: $5,000,000) which has been provided for is no longer contingent or based on the business exceeding its second year profit target and will be paid in January 2016.

The decrease in the performance payment liability of $2,000,000 has been credited to profit or loss during the year ended 30 June 2015.

The total acquisition price for Birchman is $28,000,000.

10. Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash at bank and on hand	**12,908**	18,059

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

11. Trade and Other Receivables

	2015 $'000	2014 $'000
Current		
Work in progress	**25,620**	24,424
Trade receivables	**39,572**	34,518
Less: Impairment losses	**(407)**	(245)
	64,785	58,697
Other receivables	**245**	244
	65,030	58,941

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

12. Current Tax Assets And Liabilities

The current tax liabilities of the Group of $1,738,000 (2014: current tax asset of $805,000) represents the amount of income tax payable 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.

13. Other Assets

	2015 $'000	2014 $'000
Current		
Prepayments	**2,426**	2,388
Security deposits	**184**	107
Finance lease receivables(1)	**548**	–
Other	**5**	73
	3,163	2,568
Non-current		
Finance lease receivables(1)	**1,194**	–
	1,194	–

(1) Finance lease receivables are a component of back-to-back lease arrangements relating to equipment associated with certain managed services contracts.

14. Plant and Equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Cost			
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
Balance at 1 July 2014	8,609	353	8,962
Additions	695	68	763
Disposals(1)	(2,700)	(10)	(2,710)
Foreign exchange movements	8	–	8
Balance at 30 June 2015	6,612	411	7,023
Depreciation and impairment losses			
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)
Balance at 1 July 2014	(3,954)	(138)	(4,092)
Depreciation charge for the year	(830)	(110)	(940)
Disposals(1)	1,128	10	1,138
Foreign exchange movements	(9)	–	(9)
Balance at 30 June 2015	(3,665)	(238)	(3,903)
Carrying amounts			
At 1 July 2013	2,935	229	3,164
At 30 June 2014	4,655	215	4,870
At 1 July 2014	4,655	215	4,870
At 30 June 2015	2,947	173	3,120

(1) Disposals relate to plant and equipment with a cost of $1.1 million (nil carrying amount) retired during the year, as well as leased plant and equipment with a cost of $1.6 million ($1.6 million carrying amount) transferred to finance lease receivables relating to multi-year customer contracts.

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15. Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Trade and other receivables	**53**	74	**(7,148)**	(7,146)	**(7,095)**	(7,072)
Other current assets	**-**	–	**(356)**	–	**(356)**	–
Plant and equipment	**(222)**	(134)	**-**	–	**(222)**	(134)
Intangible assets	**-**	–	**(412)**	(977)	**(412)**	(977)
Trade and other payables	**1,208**	795	**-**	–	**1,208**	795
Provisions	**159**	540	**-**	–	**159**	540
Employee benefits	**3,918**	3,592	**-**	–	**3,918**	3,592
Tax losses	**1,076**	1,133	**-**	–	**1,076**	1,133
Other items	**700**	739	**-**	–	**700**	739
Tax assets/(liabilities)	**6,892**	6,739	**(7,916)**	(8,123)	**(1,024)**	(1,384)
Set-off of tax	**(5,816)**	(5,606)	**5,816**	5,606	**-**	–
Net tax assets/(liabilities)	**1,076**	1,133	**(2,100)**	(2,517)	**(1,024)**	(1,384)

Movement in temporary differences during the year

2015	Balance 1 July 2014 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Acquired in business combinations $'000	Balance 30 June 2015 $'000
Trade and other receivables	(7,072)	(23)	–	–	(7,095)
Other current assets	–	(356)	–	–	(356)
Plant and equipment	(134)	(88)	–	–	(222)
Intangible assets	(977)	565	–	–	(412)
Trade and other payables	795	413	–	–	1,208
Provisions	540	(381)	–	–	159
Employee benefits	3,592	326	–	–	3,918
Tax losses	1,133	(57)	–	–	1,076
Other items	739	(195)	156	–	700
Net tax assets/(liabilities)	(1,384)	204	156	–	(1,024)

15. Deferred Tax Assets and Liabilities (continued)

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)

16. Intangible Assets

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 2013	395,481	–	–	395,481
Acquisition through business combinations	48,754	3,935	18	52,707
Additions	–	–	3	3
Balance at 30 June 2014	444,235	3,935	21	448,191
Balance at 1 July 2014	444,235	3,935	21	448,191
Balance at 30 June 2015	444,235	3,935	21	448,191
Amortisation and impairment losses				
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)
Balance at 1 July 2014	(333,191)	(678)	–	(333,869)
Amortisation for the year	–	(1,886)	–	(1,886)
Balance at 30 June 2015	(333,191)	(2,564)	–	(335,755)
Carrying amounts				
At 1 July 2013	62,290	–	–	62,290
At 30 June 2014	111,044	3,257	21	114,322
At 1 July 2014	111,044	3,257	21	114,322
At 30 June 2015	111,044	1,371	21	112,436

16. Intangible Assets (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 in July 2013 and October 2013 respectively, identifiable intangible assets were recognised for customer contracts and relationships. These intangibles are being amortised on a straight line basis over 4-6 years, or accelerated according to the profile of the contract as disclosed in Note 3(d).

17. Trade and Other Payables

	2015 $'000	2014 $'000
Trade and other payables	**8,501**	9,528
Accrued expenses	**12,379**	7,686
	20,880	17,214

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

18. Loans and Borrowings

	2015 $'000	2014 $'000
Current		
Unsecured bank loan	**3,742**	4,946
Secured finance lease liabilities (1)	**557**	457
	4,299	5,403
Non-current		
Unsecured bank loan	**-**	3,735
Secured finance lease liabilities (1)	**1,085**	1,451
	1,085	5,186

(1) Secured by the leased assets.

The Group entered into a $12.5 million unsecured bank loan facility in October 2013 to fund the up-front payment of the Birchman acquisition. The facility has a three-year amortising term. The facility is repayable on a quarterly basis and cannot be redrawn once repayments have been made.

In addition, the Group has a multi-option working capital facility of $15 million (2014: $10 million). The facility is non-amortising, unsecured and was undrawn at 30 June 2015.

Further details regarding the Group's exposure to interest rate and liquidity risk is included in Note 4(c)(ii) and Note 4(b) respectively.

18. Loans and Borrowings (continued)

Financing facilities

	2015 $'000	2014 $'000
Total facilities available [1]		
Unsecured bank loan facility	**3,750**	8,750
Unsecured overdraft	**15,000**	10,000
Bank indemnity/guarantee facility	**4,658**	4,772
	23,408	23,522
Facilities used at balance date [1]		
Unsecured bank loan facility	**3,750**	8,750
Unsecured overdraft	**-**	-
Bank indemnity/guarantee facility	**2,133**	2,927
	5,883	11,677
Facilities not utilised at balance date [1]		
Unsecured bank loan facility	**-**	-
Unsecured overdraft	**15,000**	10,000
Bank indemnity/guarantee facility	**2,525**	1,845
	17,525	11,845

(1) Represents face value of the facilities.

During the year, the Group made total repayments of $5.0 million with respect to the unsecured bank loan facility.

The Group has financed equipment to support multi-year managed services contracts.

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Within one year	**674**	590	**117**	133	**557**	457
One year or later and no later than five years	**1,178**	1,642	**93**	191	**1,085**	1,451
	1,852	2,232	**210**	324	**1,642**	1,908

19. Employee Benefits

	2015 $'000	2014 $'000
Current		
Liability for annual leave	**8,145**	7,530
Liability for long service leave	**4,332**	3,720
	12,477	11,250
Non-current		
Liability for long service leave	**965**	1,039

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

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19. Employee Benefits (continued)

(a) Share-based payments

Performance Rights Plans

2011, 2012, 2013 and 2014 Executive Performance Rights Plans

During 2011, 2012, 2013 and 2014, 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).

2015

Grant date	Exercise date on or after	Expiry date	Exercise price	Number as at 1 July 2014	Granted
1 Jul 11	1 Jul 14	n/a	$0.00	353,528	–
1 Jul 12	1 Jul 15	n/a	$0.00	529,866	–
1 Jul 13	1 Jul 16	n/a	$0.00	696,424	–
1 Jul 14	1 Jul 17	n/a	$0.00	–	864,076
6 Feb 15 (i)	1 Jul 17	n/a	$0.00	–	58,194
				1,579,818	922,270

(i) Grant date of 6 February 2015 relates to the rights in the 2014 Plan issued to Jacqueline Korhonen.

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

19. Employee Benefits (continued)

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.

Lapsed	Exercised	Number as at 30 June 2015		Proceeds received $	Date issued	Performance rights converted to shares
		Unvested	Vested			
353,528	–	–	–	–	–	–
166,017	–	363,849	–	–	–	–
218,786	–	477,638	–	–	–	–
143,040	–	721,036	–	–	–	–
–	–	58,194	–	–	–	–
881,371	–	1,620,717	–	–		–

Lapsed	Exercised	Number as at 30 June 2014		Proceeds received $	Date issued	Performance rights converted to shares
		Unvested	Vested			
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	–	–		–

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19. Employee Benefits (continued)

(a) Share-based payments (continued)

Performance Rights Plans (continued)

The fair value of the performance rights granted under the 2012, 2013 and 2014 Performance Rights Plans was assessed using the following parameters:

	2014 Plan-EPS	2014 Plan-TSR	2014 Plan-EPS	2014 Plan-TSR	2013 Plan-EPS	2013 Plan-TSR	2012 Plan-EPS	2012 Plan-TSR
Grant date (i)	6 Feb15	6 Feb15	1 Jul 14	1 Jul 14	1 Jul 13	1 Jul 13	1 Jul 12	1 Jul 12
Share price at grant date	$3.53	$3.53	$3.54	$3.54	$4.48	$4.48	$5.06	$5.06
Fair value at measurement date (ii)	$3.10	$2.00	$3.02	$1.98	$3.91	$2.55	$4.25	$2.91
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility (iii)	35%	35%	35%	35%	32%	32%	31%	31%
Vesting Period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield p.a. (iv)	5.38%	5.38%	5.30%	5.30%	4.48%	4.48%	5.82%	5.82%
Risk free interest rate p.a. (v)	2.29%	2.29%	2.88%	2.88%	3.06%	3.06%	3.28%	3.28%

(i) Grant date of 6 February 2015 relates to the rights in the 2014 Plan issued to Jacqueline Korhonen.
(ii) 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.
(iii) Expected volatility based on historical daily share price for the three-year period preceding the grant date.
(iv) Expected dividend yield is based on historic yield and expected future yield at the grant date.
(v) Risk free interest rate is based on the three-year Australian Bank Bill Swap Rate.

(b) Employee expenses

	2015 $'000	2014 $'000
Performance rights – equity-settled (net)	**293**	1,087
Total expense recognised as employee costs	**293**	1,087

(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 $18,070,000 (2014: $16,308,000).

20. Other Liabilities

	2015 $'000	2014 $'000
Current		
Revenue received in advance	**1,799**	2,157
Contingent consideration	**19,230**	11,920
Provisions	**471**	187
Other	**275**	–
	21,775	14,264
Non-current		
Accrued rent	**1,443**	1,633
Contingent consideration	**-**	16,491
	1,443	18,124

21. Equity

Issued capital

	2015 Number '000	2014 Number '000
On issue at 1 July	**69,394**	69,378
Shares issued in relation to business combinations	**-**	541
Shares issued in relation to Performance Rights Plans	**-**	180
Shares cancelled under share buy-back during the financial year	**(406)**	(705)
On issue at 30 June – fully paid	**68,988**	69,394

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.

The Company has also issued performance rights that may be converted into ordinary shares subject to the performance of the Plans (see Note 19).

Issue of ordinary shares

541,388 ($2,420,000) ordinary shares were issued in the prior year, forming part of the consideration paid relating to a previous business combination (investing activities). Refer Note 9.

There were no ordinary shares issued during the year in relation to performance rights arising from the 2011 Plan (2014: 179,898 in relation to the 2010 Plan).

Shares cancelled under share buy-back

406,236 ($1,340,431) ordinary shares were cancelled during the year as a result of the on-market share buy-back (2014: 705,226 ($2,325,670) ordinary shares).

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.

21. Equity (continued)

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 $293,000 (2014: $1,087,000) of equity-settled share-based payments (see Note 19) less the associated permanent tax difference of $163,000 (2014: $223,000).

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
2015				
Final 2014 ordinary	7.5	5,205	Franked	24 Oct 2014
Interim 2015 ordinary	7.0	4,852	Franked	10 Apr 2015
Total	14.5	10,057		
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		

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 19 August 2015, the directors declared the payment of a final 2015 ordinary (fully-franked) dividend of 10 cents per share ($6,887,136) to be paid on 6 November 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015 and will be recognised in subsequent financial statements.

21. Equity (continued)

(iii) Dividend franking account

	The Company	
	2015 $'000	**2014 $'000**
30% franking credits available to shareholders of the Company for subsequent financial years	**32,535**	26,925

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 $2,951,629 (2014: $2,230,539). In accordance with the tax consolidation legislation, the Company (as the head entity in the tax consolidated group) has also assumed the benefit of $32,535,000 (2014: $26,925,000) of franking credits.

22. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2015 $'000	**2014 $'000**
Within one year	**5,262**	5,146
One year or later and no later than five years	**8,274**	11,914
Later than five years	**186**	850
	13,722	17,910

Total operating lease expense in profit or loss for the year was $5,165,000 (2014: $5,194,000).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

23. Controlled Entities

(a) Summary of controlled entities

	Country of incorporation	Class of shares	Ownership interest	
			2015 %	2014 %
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) (2)	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	100
Access Networks and Communications Pty Ltd	Australia	Ordinary	100	100
Access Networks & Communications Unit Trust	Australia		100	100
The Birchman Group Asia Pacific Pty Ltd(1) (2) (3)	Australia	Ordinary	100	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	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 and lodge an audited 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 joined as a party to the Deed of Cross Guarantee on 19 August 2014 effective for the financial years ending on or after 30 June 2015.

23. Controlled Entities (continued)

(b) Acquisition of controlled entities in 2015
During the financial year, the Group has not acquired any entities.

(c) Incorporation of controlled entities in 2015
During the financial year, the Group has not incorporated any entities.

(d) Deregistration and disposal of controlled entities in 2015
During the financial year, the Group has not disposed of or deregistered any entities.

24. 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 $2,133,000 (2014: $2,927,000) 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 23.

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

	2015 $'000	2014* $'000
Revenue	**347,731**	275,378
Finance costs	**(1,064)**	(818)
Income tax expense	**(10,183)**	(5,803)
Profit for the year	**18,976**	11,696

* Comparative information excludes The Birchman Group Asia Pacific Pty Ltd which joined as a party to the Deed of Cross Guarantee on 19 August 2014 effective for the financial years ending on or after 30 June 2015.

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 $10,057,000 (2014: $11,917,000).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

24. Contingencies (continued)

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

	2015 $'000	2014* $'000
Current assets		
Cash and cash equivalents	**10,636**	14,666
Trade and other receivables	**62,980**	51,107
Current tax assets	**-**	630
Amounts receivable from controlled entities	**469**	–
Other	**2,812**	2,138
Total current assets	**76,897**	68,541
Non-current assets		
Plant and equipment	**1,934**	3,900
Deferred tax assets	**967**	1,026
Intangible assets	**75,989**	48,337
Investments in controlled entities	**37,536**	67,024
Other	**849**	–
Total non-current assets	**117,275**	120,287
Total assets	**194,172**	188,828
Current liabilities		
Trade and other payables	**19,013**	13,863
Loans and borrowings	**4,114**	5,298
Current tax liabilities	**5,569**	–
Employee benefits	**11,902**	9,473
Amounts payable to controlled entities	**-**	1,141
Other	**21,522**	12,766
Total current liabilities	**62,120**	42,541
Non-current liabilities		
Deferred tax liabilities	**1,902**	1,909
Loans and borrowings	**850**	4,956
Employee benefits	**947**	953
Other	**1,443**	17,767
Total non-current liabilities	**5,142**	25,585
Total liabilities	**67,262**	68,126
Net assets	**126,910**	120,702
Equity		
Issued capital	**64,350**	65,690
Reserves	**10,840**	9,854
Retained earnings	**51,720**	45,158
Total equity	**126,910**	120,702

* Comparative information excludes The Birchman Group Asia Pacific Pty Ltd which joined as a party to the Deed of Cross Guarantee on 19 August 2014 effective for financial years ending on or after 30 June 2015.

25. Reconciliation of Cash Flows from Operating Activities

	2015 $'000	2014 $'000
Cash flows from operating activities		
Profit after income tax	**17,007**	12,653
Adjustments for:		
Depreciation and amortisation	**2,826**	1,739
Loss on disposal of plant and equipment	**-**	69
Due diligence and acquisition related costs	**-**	429
Contingent consideration expense	**2,300**	-
Equity-settled share-based payment transactions	**293**	1,087
Finance costs	**1,288**	858
Income tax expense	**7,809**	6,004
	31,523	22,839
Increase in trade and other receivables	**(5,453)**	(6,485)
Increase in other assets	**(220)**	(437)
Increase in trade payables, prepaid revenue, other current liabilities and provisions	**4,143**	2,643
Income taxes paid	**(5,619)**	(11,347)
Net cash from operating activities	**24,374**	7,213

26. Related Parties

Key management personnel remuneration

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

	2015 $	2014 $
Short-term employee benefits	**3,837,575**	2,327,768
Post-employment benefits	**205,086**	167,256
Other long-term benefits	**28,584**	24,133
Termination benefits	**854,285**	–
Equity remuneration benefits	**(657,575)**	650,800
	4,267,955	3,169,957

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 41 to 52.

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 2015.

26. Related Parties (continued)

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:

2015	Held at 1 July 2014	Granted as remuneration	Vested and exercised	Forfeited	Held at 30 June 2015	Vested and exercisable at 30 June 2015
Directors						
Derek Young	–	–	–	–	–	–
Bruce Thompson	–	–	–	–	–	–
Nicole Birrell	–	–	–	–	–	–
Deb Radford	–	–	–	–	–	–
Justin Milne (i)	–	–	–	–	–	–
Jacqueline Korhonen (ii)	–	58,194	–	–	58,194	–
Thomas Stianos (iii)	290,718	–	–	290,718	–	–
Executives						
Rick Rostolis	56,553	34,884	–	14,332	77,105	–
Darren Stanley (iv)	72,696	46,512	–	119,208	–	–
Chris Sandham	58,145	34,884	–	15,924	77,105	–
Merlin Allan	52,332	29,070	–	14,332	67,070	–
Shaneen Argall (v)	56,553	29,070	–	85,623	–	–
Philip Heggie (vi)	–	–	–	–	–	–

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	–	–	–	–	–	–
Deb Radford	–	–	–	–	–	–
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	59,705	31,604	9,307	9,306	72,696	–
Chris Sandham	51,785	22,574	8,107	8,107	58,145	–
Merlin Allan	52,332	–	–	–	52,332	–
Shaneen Argall	49,207	22,574	7,614	7,614	56,553	–

(i) Appointed 28 August 2014.
(ii) Appointed 2 February 2015.
(iii) Retired 30 January 2015, closing balance forfeited at date of departure was 211,100.
(iv) Resigned 30 April 2015, closing balance forfeited at date of departure was 101,691.
(v) Resigned 12 June 2015, closing balance forfeited at date of departure was 71,291.
(vi) Appointed 16 June 2015.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

26. 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:

2015	Held at 1 July 2014	Received on exercise of performance rights	Purchases	Sales	Held at 30 June 2015
Directors					
Derek Young	4,000	–	16,000	–	20,000
Bruce Thompson	70,499	–	–	–	70,499
Nicole Birrell	9,681	–	–	–	9,681
Deb Radford	10,000	–	–	–	10,000
Justin Milne (i)	–	–	–	–	–
Jacqueline Korhonen (ii)	–	–	–	–	–
Thomas Stianos (iii)	2,001,224	–	–	–	–
Executives					
Rick Rostolis	–	–	–	–	–
Darren Stanley (iv)	42,024	–	–	–	–
Chris Sandham	1,507	–	–	1,507	–
Merlin Allan	86,445	–	–	–	86,445
Shaneen Argall (v)	41,155	–	–	–	–
Philip Heggie (vi)	–	–	–	–	–

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
Deb Radford	–	–	10,000	–	10,000
Thomas Stianos	1,817,383	33,841	150,000	–	2,001,224
Executives					
Rick Rostolis	–	4,230	–	4,230	–
Darren Stanley	27,717	9,307	5,000	–	42,024
Chris Sandham	–	8,107	–	6,600	1,507
Merlin Allan	86,445	–	–	–	86,445
Shaneen Argall	33,541	7,614	–	–	41,155

(i) Appointed 28 August 2014.
(ii) Appointed 2 February 2015.
(iii) Retired 30 January 2015, closing balance held at date of departure was 2,001,224 shares.
(iv) Resigned 30 April 2015, closing balance held at date of departure was 42,024 shares.
(v) Resigned 12 June 2015, closing balance held at date of departure was 41,155 shares.
(vi) Appointed 16 June 2015.

26. Related Parties (continued)

Changes in key management personnel

Mr Justin Milne, Non-Executive Director, was appointed 28 August 2014. Mr Thomas Stianos, Chief Executive Officer, retired 30 January 2015. Ms Jacqueline Korhonen, Chief Executive Officer, was appointed 2 February 2015 (appointed as a director 18 February 2015).

Mr Darren Stanley, Managing Director - SMS Consulting Australia, resigned 30 April 2015. Ms Shaneen Argall, Director, Human Resources, resigned 12 June 2015. Mr Philip Heggie, Managing Director - Sales, was appointed 16 June 2015.

Other related parties

The wholly-owned group consists of SMS Management & Technology Limited and its controlled entities as set out in Note 23. 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.

27. Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2015, the parent entity of the Group was SMS Management & Technology Limited. A summary of the comprehensive income and financial position of the parent entity is detailed below:

	The Company	
	2015 $'000	2014 $'000
Summary of the comprehensive income of the parent entity		
Profit for the year	**10,057**	11,917
Total profit and other comprehensive income for the year	**10,057**	11,917

	The Company	
	2015 $'000	2014 $'000
Summary of the financial position of the parent entity at year-end		
Current assets	**11,271**	10,760
Non-current assets	**82,398**	82,398
Total assets	**93,669**	93,158
Current liabilities	**1,721**	–
Total liabilities	**1,721**	–
Net assets	**91,948**	93,158
Total equity of the parent entity comprising of:		
Issued capital	**64,350**	65,690
Reserves	**10,539**	10,409
Retained earnings	**17,059**	17,059
Total equity	**91,948**	93,158

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

27. Parent Entity Disclosures (continued)

Parent entity guarantees

	The Company	
	2015 $'000	2014 $'000
GST liabilities of other entities within the GST Group	**2,858**	2,688
Tax liabilities of other entities within the Group	**17**	17

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 Notes 23 and 24.

28. Subsequent Events

No matter or circumstance has arisen since 30 June 2015 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 61 to 102 and the Remuneration Report on pages 41 to 52 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 2015 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 23 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 2015.
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
Chairman

Jacqueline Korhonen
CEO

Signed at Melbourne on this 19th day of August 2015

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 2015, 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 28 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.

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 2015 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 41 to 52 of the directors' report for the year ended 30 June 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

19 August 2015

Shareholder Information

Distribution of Holdings (as at 10 August 2015)

Range	No. of Holders	No. of Shares	% of Issued Capital
1 to 1,000	3,251	1,641,625	2.38%
1,001 to 5,000	2,829	7,239,403	10.51%
5,001 to 10,000	693	5,172,792	7.51%
10,001 to 100,000	473	11,411,037	16.57%
100,001 and Over	31	43,406,498	63.03%
Total	**7,277**	**68,871,355**	**100.00%**

The number of shareholders holding less than a marketable parcel of 137 shares (based on the closing share price of $3.66 on 10 August 2015) is 503 and they hold 33,324 shares.

Twenty Largest Registered Shareholders (as at 10 August 2015)

Rank	Name Of Shareholder	No. of Shares	% of Issued Capital
1	HSBC Custody Nominees (Australia) Limited	12,455,327	18.08%
2	J P Morgan Nominees Australia Limited	11,489,385	16.68%
3	National Nominees Limited	6,295,512	9.14%
4	Citicorp Nominees Pty Limited	2,877,843	4.18%
5	Citicorp Nominees Pty Limited	1,772,782	2.57%
6	Larison Pty Ltd	1,506,502	2.19%
7	BNP Paribas Noms Pty Ltd	1,091,198	1.58%
8	RBC Investor Services Australia Nominees Pty Limited	766,331	1.11%
9	Glennfield Pty Ltd	686,851	1.00%
10	RBC Investor Services Australia Nominees Pty Limited	642,488	0.93%
11	Mr Michael Phillip Thompson & Mrs Tracie Jane Thompson	301,312	0.44%
12	Pacific Custodians Pty Limited	294,585	0.43%
13	Larison Pty Ltd	276,158	0.40%
14	M Goklaney Enterprises Pty Ltd	270,694	0.39%
14	Stylianou Enterprises Pty Ltd	270,694	0.39%
15	Mr Stephen Ashley Hurst & Mrs Helen Hurst	247,295	0.36%
16	Mr Thomas Stianos	218,564	0.32%
17	Sakmarian Superannuation Nominees Pty Limited	190,685	0.28%
18	Warbont Nominees Pty Ltd	182,564	0.27%
19	Navigator Australia Ltd	181,086	0.26%
20	Ms Gail Gorham	156,000	0.23%
Total		**42,173,856**	**61.24%**
Balance of Register		**26,697,499**	**38.76%**
Grand Total		**68,871,355**	**100.00%**

Substantial Shareholders (as at 10 August 2015)

Name of Shareholder	No. of Shares	% of Issued Capital
Celeste Fund Management Limited	5,329,437	7.62%
Renaissance Smaller Companies Pty Ltd	4,878,261	7.04%
BT Investment Management Limited	4,238,585	6.10%

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)

Jacqueline Korhonen (Chief Executive Officer)

Bruce Thompson

Nicole Birrell

Deb Radford

Justin Milne

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, 17 November 2015.

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

Share Registry
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Locked Bag A14, Sydney South, NSW 1235
Telephone (within Australia): 1300 554 474
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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
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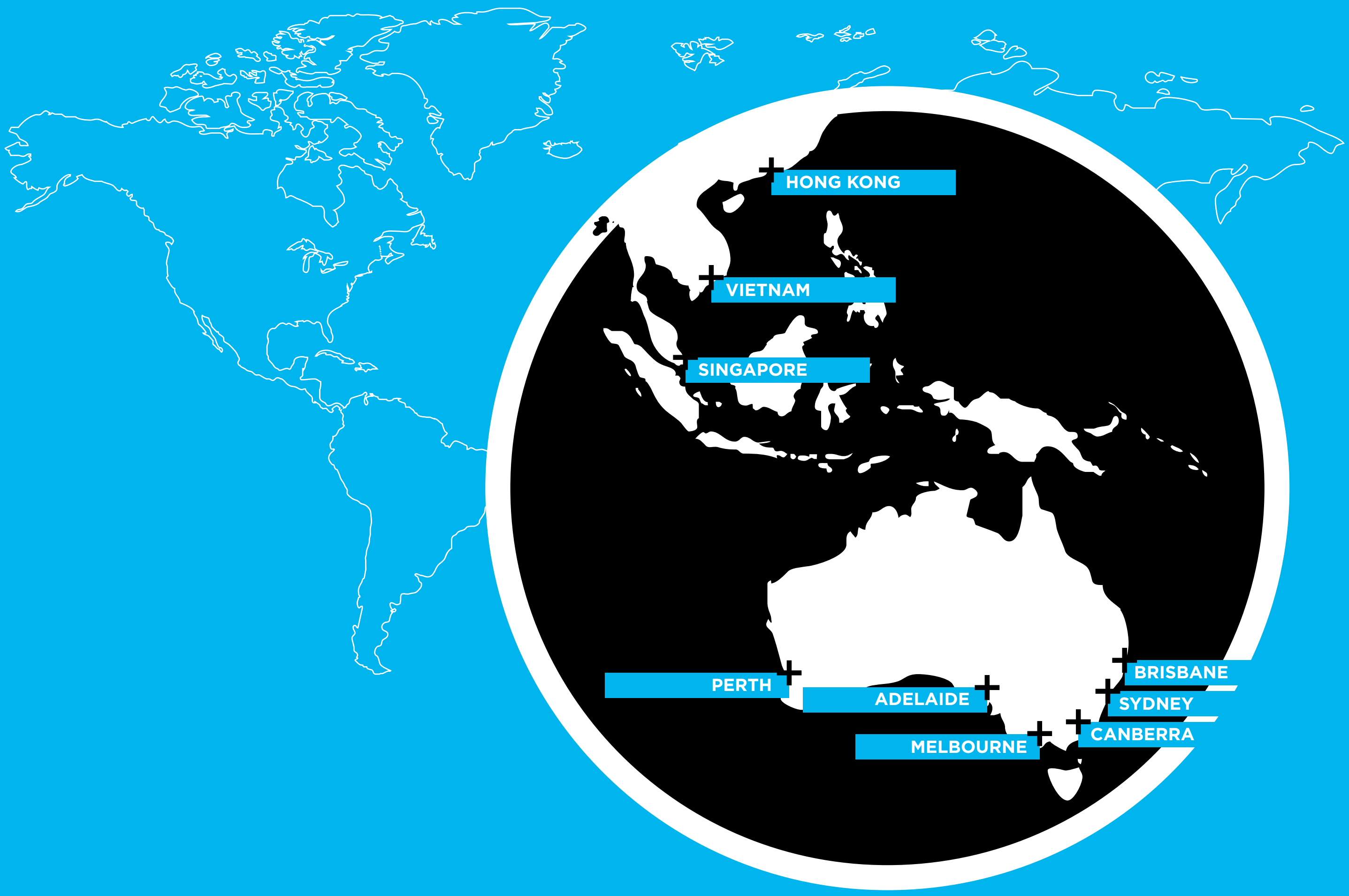

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