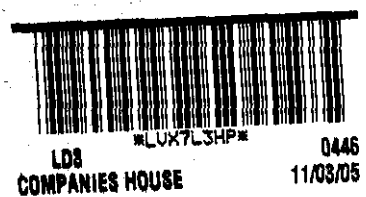


SMS Management & Technology Limited

**Directors' report and financial
statements**

Registered number 3628022

30 June 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activity

The principal activity of the company in the year under review was the provision of professional IT services and other consultancy services.

Review of the business

The results for the year are set out in the profit and loss account on page 5.

Results and dividends

The directors do not recommend the payment of a dividend (2003: *£nil*). Profit of £370,150 (2003: loss £706,704) will be transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

P Cooper
 T Stianos

None of the directors who held office at 30 June 2004 had any beneficial interest in the shares of the company at that date. The beneficial interests of the directors in the share capital of SMS Management & Technology Ltd (the ultimate parent company) are as follows:

		Ordinary shares	
		30 June 2004	30 June 2003
P Cooper		1,843,437	1,843,437
T Stianos		11,047,090	11,047,090

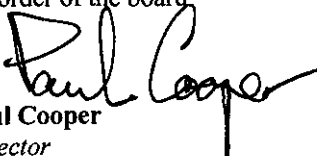
Number of options	At 1 July 2003 or date of appointment if later	Granted in the year	Exercised	Lapsed	At 30 June 2004	Exercise price AUD	Exercise date
P Cooper	215,000	-	-	-	215,000	0.48	1.7.02 to 30.6.06
	75,000	-	-	-	75,000	0.48	1.7.02 to 30.7.07
T Stianos	390,000	-	-	-	390,000	0.48	1.7.01 to 1.7.04

Directors' report

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Paul Cooper
Director

Plumtree Court
London
DE4A 4HT

18th January 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 March 2005

Profit and loss account

for the year ended 30 June 2004

	<i>Note</i>	2004 £	2003 £
Turnover	2	2,473,741	1,600,066
Net operating expenses	3	(2,060,386)	(2,380,826)
		<hr/>	<hr/>
Operating profit/(loss)		413,355	(780,760)
Interest payable and similar charges	6	(45,360)	(27,868)
Interest receivable and similar income		3,078	3,145
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		371,073	(805,483)
Taxation on profit/loss on ordinary activities	7	(923)	98,779
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation	14	370,150	(706,704)
		<hr/>	<hr/>

The above figures relate to continuing activities.

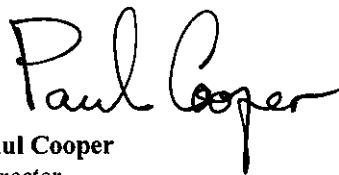
The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and loss has been presented.

Balance sheet

at 30 June 2004

	Note	2004	2003
		£	£
Fixed assets			
Tangible assets	9	22,810	6,130
Current assets			
Debtors	10	452,414	377,463
Cash at bank and in hand		413,533	10,682
		<u>865,947</u>	<u>388,145</u>
Creditors: amounts falling due within one year	11	<u>(1,148,128)</u>	<u>(247,145)</u>
Net current assets		<u>615,365</u>	<u>141,000</u>
Total assets less current liabilities		<u>638,175</u>	<u>147,130</u>
Creditors: amounts falling due after more than one year	12	<u>-</u>	<u>(776,651)</u>
Net (liabilities)		<u>(259,371)</u>	<u>(629,521)</u>
Capital and reserves			
Called up share capital	13	300,000	300,000
Profit and loss account	14	(559,371)	(929,521)
Total equity shareholders' deficit	15	<u>(259,371)</u>	<u>(629,521)</u>

These financial statements were approved by the board of directors on 17th December 2004 and were signed on its behalf by:



Paul Cooper
 Director

Cash flow statement

for the year ended 30 June 2004

	Note	2004 £	2003 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit/(loss)		413,355	(780,760)
Depreciation charges		9,749	3,048
(Increase)/Decrease in debtors		(74,951)	14,897
Increase/(Decrease) in creditors		2,514	(44,469)
Net cash inflow/(outflow) from operating activities		350,667	(807,284)

Cash flow Statement

Cash flow from operating activities		350,667	(807,284)
Returns on investments and servicing of finance			
Interest received		3,078	3,145
Taxation		-	98,779
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(26,429)	(4,655)
Net cash inflow/(outflow) before financing		327,316	(710,015)
Financing			
Drawn down of inter company loan		75,535	103,219
Increase/(decrease) in cash in the year	16/17	402,851	(606,796)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £259,371, which the directors believe to be appropriate for the following reasons.

SMS Management & Technology Limited, the ultimate parent company, has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment	-	33%
Furniture and fittings	-	20%

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of professional services and other consultancy services supplied.

Pension

The company operates a defined contribution pension scheme on behalf of certain staff. The assets of the scheme are held separately from those of the company by an insurance company. The company's contributions are charged to the profit and loss account in the year in which they are payable.

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Related party transactions

As over 90% of the company's voting rights are controlled within the group headed by SMS Management & Technology Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group or investees of the group qualifying as related parties.

Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the exchange rate prevailing on that date. Exchange gains or losses are taken to the profit and loss account in the year in which they arise.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Operating profit/(loss)

	2004 £	2003 £
<i>Operating profit/ loss is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	9,749	3,048
Auditors' remuneration for audit services	7,902	8,000
(Gain)/loss on foreign currencies exchange	(3,561)	3,074
Operating lease rentals - property	103,647	186,949
	<hr/>	<hr/>

Notes (continued)

4 Directors emoluments

	2004 £	2003 £
Aggregate emoluments (including benefits kind)	165,000	258,704
Contributions to a defined contribution scheme	8,384	8,760
Compensation for loss of office	-	79,281
	<u>173,384</u>	<u>346,745</u>

The aggregate of emoluments of the highest paid director was £165,000 (2003: £136,641) and pension contributions of £8,384 (2003: £5,000).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 15 (2003: 17).

	Number of employees	
	2004	2003
Consultants	14	16
Administration	1	1
	<u>15</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	1,078,689	1,441,171
Social security costs	119,797	153,478
Other pension costs	49,975	65,628
	<u>1,248,461</u>	<u>1,660,277</u>

6 Interest payable and similar charges

	2004 £	2003 £
Group undertakings	<u>45,360</u>	<u>27,868</u>

Notes (continued)

7 Tax on profit/(loss) on ordinary activities

	2004 £	2003 £
<i>Analysis of charge in period</i>		
Current tax on income for the year	923	-
Over provision in respect of previous year	-	(98,779)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	923	(98,779)
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (2004: 30%, 2003: 30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit/(Loss) on ordinary activities before tax	371,073	(805,483)
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	111,322	(241,645)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17,798	17,578
Depreciation for period in excess of capital allowances	10	(50)
Losses utilised in the period	(128,207)	-
Losses not utilised	-	224,117
Adjustments to tax charge in respect of previous periods	-	(98,779)
	<hr/>	<hr/>
Total current tax charge/(credit)	923	(98,779)
	<hr/>	<hr/>

8 Deferred tax

The company has an unprovided deferred tax asset as follows:

	2004 £	2003 £
Advance capital allowances	3,739	1,056
Losses	100,326	229,500
Other Intercompany short term timing differences	1,806	-
	<hr/>	<hr/>
	105,871	230,556
	<hr/>	<hr/>

These assets have not been recognised in the financial statements, as, in the opinion of the directors, there is insufficient evidence that they will be recoverable.

Notes (continued)

9 Tangible fixed assets

	Fixtures and fittings £
<i>Cost</i>	
At beginning of year	27,985
Additions	26,429
	<hr/>
At end of year	54,414
	<hr/>
<i>Depreciation</i>	
At beginning of year	21,855
Charge for year	9,749
	<hr/>
At end of year	31,604
	<hr/>
<i>Net book value</i>	
At 30 June 2004	22,810
	<hr/>
At 30 June 2003	6,130
	<hr/>

10 Debtors: amounts falling due within one year

	2004 £	2003 £
Trade debtors	416,339	331,663
Other debtors	29,076	31,982
Prepayments and accrued income	6,999	13,818
	<hr/>	<hr/>
	452,414	377,463
	<hr/>	<hr/>

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	103,531	44,014
Corporation Tax	923	-
Loan from parent undertaking	897,546	-
Other taxation and social security costs	100,238	75,248
Accruals and deferred income	45,890	127,883
	<u>1,148,128</u>	<u>247,145</u>

The amount owed to the parent undertaking are unsecured and have no set repayment date.

12 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Loan from parent undertaking	-	776,651
	<u>-</u>	<u>776,651</u>

13 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>		
300,000 Ordinary shares of £1 each	300,000	300,000
	<u>300,000</u>	<u>300,000</u>

Notes (continued)

14 Reserves - Profit and loss account

	2004 £	2003 £
Retained profit/(loss) at beginning of year	(929,521)	(222,817)
Retained profit/(loss) for the year	370,150	(706,704)
	<hr/>	<hr/>
Retained loss at the end of year	(559,371)	(929,521)
	<hr/>	<hr/>

15 Reconciliation of movement in shareholders' funds

	2004 £	2003 £
Opening shareholders' (deficit)/funds	(629,521)	77,183
Profit/(loss) for the financial year	370,150	(706,704)
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(259,371)	(629,521)
	<hr/>	<hr/>

16 Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Increase/(decrease) in cash in the year	402,851	(606,796)
Cash outflow from increase in debt	(75,535)	(103,219)
	<hr/>	<hr/>
Change in net debt resulting from cash flow	327,316	(710,015)
Accrued interest on intercompany loan	(45,360)	(27,868)
Net debt brought forward	(765,969)	(28,086)
	<hr/>	<hr/>
Net debt at 30 June 2004	(484,013)	(765,969)
	<hr/>	<hr/>

Notes (continued)

17 Reconciliation of movement in net debt

	At 1 July 2003 £	Cash flows £	Other non-cash movements £	At 30 June 2004 £
Cash in hand and at bank	10,682	402,851	-	413,533
Debt due after one year	(776,651)	(75,535)	(45,360)	(897,546)
	<u>(765,969)</u>	<u>327,316</u>	<u>(45,360)</u>	<u>484,013</u>

18 Financial commitments

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Land and buildings:		
Within one year	<u>112,440</u>	<u>103,440</u>

19 Ultimate and immediate parent company

The immediate parent undertaking and controlling party is SMS Consulting Group Pty Limited, a company registered in Australia, which held 100% of the issued share capital of the company.

The ultimate parent undertaking and controlling party is SMS Management & Technology Limited, a company registered in Australia. The consolidated financial statements of SMS Management & Technology Limited can be obtained from Level 18, 60 City Road, Southbank, Victoria, Australia 3006.