SMS Management & Technology Limited

Directors' report and financial statements

Registered number 3628022

30 June 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

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 *(2004: £nil)*. Profit of £52,804 *(2004: Profit £370,150)* will be transferred to reserves.

Directors and directors' interests

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

	Appointed	*Resigned*
P Cooper		24 February 2006
T Stianos		
M Senova	28 February 2006	

None of the directors who held office at 30 June 2005 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 2005	30 June 2004
P Cooper	368,687	1,843,437
T Stianos	2,209,418	11,047,090

Number of options	**At 1 July 2004 or date of *appointment* if later**	**Granted in the *year***	**Exercised**	**Lapsed**	**At 30 June 2005**	**Exercise price AUD**	**Exercise date**
P Cooper	215,000	-	-	-	43,000	1.95	1.7.02 to 30.6.06
	75,000	-	-	-	15,000	1.95	1.7.02 to 30.7.07
T Stianos	390,000	-	-	-	78,000	1.95	1.7.01 to 1.7.04

During the year SMS Management and Technology Ltd (the ultimate parent company) undertook a five for one consolidation of its share capital, which accounts for the movement in the number of options outlined above.

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

Senova

Mehmet Metin Senova
Director

Plumtree Court
London
DE4A 4HT

7th July '06 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- *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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

KPMG
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 2005 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

7 July 2006

Profit and loss account

for the year ended 30 June 2005

	Note	2005 £	2004 £
Turnover	*2*	**2,638,073**	2,473,741
Net operating expenses	*3*	**(2,549,768)**	(2,060,386)
Operating profit		**88,305**	413,355
Interest payable and similar charges	*6*	**(45,883)**	(45,360)
Interest receivable and similar income		**14,831**	3,078
Profit on ordinary activities before taxation		**57,253**	371,073
Taxation on profit on ordinary activities	*7*	**(4,449)**	(923)
Profit on ordinary activities after taxation	*14*	**52,804**	370,150

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.

There is no difference between the loss on ordinary activities before taxation and the retained profit stated above, and their historical cost equivalents.

The notes on pages 8 to 15 form an integral part of these financial statements.

Balance sheet

at 30 June 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	9		**17,475**		22,810
Current assets					
Debtors	10	**389,667**		452,414	
Cash at bank and in hand		**628,681**		413,533	
		1,018,348		865,947	
Creditors: amounts falling due within one year	11	**(1,242,390)**		(1,148,128)	
Net current (liabilities)			**(224,042)**		(282,181)
Total assets less current liabilities			**(206,567)**		(259,371)
Net (liabilities)			**(206,567)**		(259,371)
Capital and reserves					
Called up share capital	12		**300,000**		300,000
Profit and loss account	13		**(506,567)**		(559,371)
Total equity shareholders' deficit	14		**(206,567)**		(259,371)

These financial statements were approved by the board of directors on 7th July 2006 and were signed on its behalf by:

Senova

Mehmet Metin Senova
Director

The notes on pages 8 to 15 form an integral part of these financial statements.

Cash flow statement

for the year ended 30 June 2005

	Note	2005 £	2004 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**52,804**	413,355
Depreciation charges		**10,320**	9,749
Decrease/(Increase) in debtors		**61,711**	(74,951)
Increase in creditors		**66,080**	2,514
Net cash inflow from operating activities		**190,915**	350,667

Cash flow Statement

Cash flow from operating activities		**190,915**	350,667
Returns on investments and servicing of finance			
Interest received		**14,831**	3,078
Taxation		**(923)**	-
Capital expenditure and financial investments			
Purchase of tangible fixed assets		**(4,985)**	(26,429)
Net cash inflow before financing		***199,838***	327,316
Financing			
Drawn down of inter company loan		**15,310**	75,535
Increase in cash in the year	*15/16*	**215,148**	402,851

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 £206,567, 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 due from the company. Accordingly the company is expected to continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

In light of the above 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 100% 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

	2005	2004
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**10,320**	9,749
Auditors' remuneration for audit services	**8,000**	7,902
(Gain)/loss on foreign currencies exchange	**-**	(3,561)
Operating lease rentals - property	**111,598**	103,647

Notes *(continued)*

4 Directors emoluments

	2005	2004
	£	£
Aggregate emoluments (including benefits kind)	**233,173**	165,000
Contributions to a defined contribution scheme	**8,520**	8,384
	241,693	173,384

The aggregate of emoluments of the highest paid director was £233,173 *(2004: £165,000)* and pension contributions of £8,520 *(2004: £8,384)*.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 21 *(2004: 15)*.

	Number of employees	
	2005	2004
Consultants	**19**	14
Administration	**2**	1
	21	15

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	**1,478,481**	1,078,689
Social security costs	**165,089**	119,797
Other pension costs	**73,924**	49,975
	1,717,494	1,248,461

6 Interest payable and similar charges

	2005	2004
	£	£
Group undertakings	**45,883**	45,360

Notes *(continued)*

7 Tax on profit/(loss) on ordinary activities

	2005 £	2004 £
Analysis of charge in period		
Current tax on income for the year	**4,449**	**923**
Over provision in respect of previous year	**-**	**-**
Tax on profit/(loss) on ordinary activities	**4,449**	**923**

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2004: lower)* than the standard rate of corporation tax in the UK *(2005: 30%, 2004: 30%)*. The differences are explained below:

	2005 £	2004 £
Current tax reconciliation		
Profit on ordinary activities before tax	**57,253**	**371,073**
Current tax at 30% *(2004:30%)*	**17,176**	**111,322**
Effects of:		
Expenses not deductible for tax purposes	**20,333**	**17,798**
Depreciation for period in excess of capital allowances	**598**	**10**
Losses utilised in the period	**(33,658)**	**(128,207)**
Total current tax charge/(credit)	**4,449**	**923**

8 Deferred tax

The company has an unprovided deferred tax asset as follows:

	2005 £	2004 £
Advance capital allowances	**2,252**	3,739
Losses	**66,668**	100,326
Other Intercompany short term timing differences	**1,655**	1,806
	70,575	105,871

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 £
Cost	
At beginning of year	54,414
Additions	4,985
At end of year	59,399
Depreciation	
At beginning of year	31,604
Charge for year	10,320
At end of year	41,924
Net book value	
At 30 June 2005	**17,475**
At 30 June 2004	22,810

10 Debtors: amounts falling due within one year

	2005 £	2004 £
Trade debtors	**298,460**	416,339
Other debtors	**85,244**	29,076
Prepayments and accrued income	**5,963**	6,999
	389,667	452,414

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	134,092	103,531
Corporation tax	4,449	923
Loan from parent undertaking	958,739	897,546
Other taxation and social security costs	91,657	100,238
Accruals and deferred income	53,453	45,890
	1,242,390	1,148,128

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

12 Called up share capital

	2005	2004
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	300,000	300,000

Notes *(continued)*

13 Reserves - Profit and loss account

	2005 £	2004 £
Retained (loss) at beginning of year	(559,371)	(929,521)
Retained profit for the year	52,804	370,150
Retained loss at the end of year	(506,567)	(559,371)

14 Reconciliation of movement in shareholders' funds

	2005 £	2004 £
Opening shareholders' deficit	(259,371)	(629,521)
Profit for the financial year	52,804	370,150
Closing shareholders' deficit	(206,567)	(259,371)

15 Reconciliation of net cash flow to movement in net debt

	2005 £	2004 £
Increase/(decrease) in cash in the year	215,148	402,851
Cash outflow from increase in debt	(15,310)	(75,535)
Change in net debt resulting from cash flow	199,838	327,316
Accrued interest on intercompany loan	(45,883)	(45,360)
Net debt brought forward	(484,013)	(765,969)
Net debt at 30 June 2005	(330,058)	(484,013)

Notes *(continued)*

16 Reconciliation of movement in net debt

	At 1 July 2004	Cash flows £	Other non-cash movements £	**At 30 June 2005 £**
Cash in hand and at bank	**413,533**	215,148	-	**628,681**
Debt due within one year	**(897,546)**	(15,310)	(45,883)	**(958,739)**
	(484,013)	199,838	(45,883)	**(330,058)**

17 Financial commitments

At 30 June 2005 the company had annual commitments under non-cancellable operating leases as follows:

	***2005* £**	2004 £
Land and buildings:		
Within one year	**28,500**	112,440

18 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.