**SMS Management & Technology Limited**

# Directors' report and financial statements

Registered number 3628022

30 June 2006

# Contents

| | |
|---|---|
| Directors' report | 1 |
| Statement of directors' responsibilities | 3 |
| Independent auditors' report to the members of SMS Management & Technology Limited | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Cash flow statement | 7 |
| Notes | 8 |

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006.

### 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 *(2005: £nil)*. Profit of £86,131 *(2005: Profit £52,804)* will be transferred to reserves.

### *Directors and directors' interests*

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

M Senova (appointed 28 February 2006)
P Cooper (resigned 24 February 2006)
T Stianos

None of the directors who held office at 30 June 2006 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 Limited (the ultimate parent company) are as follows:

| | Ordinary shares | |
|---|---|---|
| | **30 June** ***2006*** | **30 June** ***2005*** |
| M Senova | - | - |
| T Stianos | 1,795,418 | 1,717,418 |

| **Number of options** | **At 1 July 2005 or date of appointment if later** | **Granted in the year** | **Exercised** | **Lapsed** | **At 30 June 2006** | **Exercise price AUD** | **Date fully vested** | **Lapse date** |
|---|---|---|---|---|---|---|---|---|
| M Senova | - | - | - | - | - | - | - | - |
| T Stianos | 78,000 | - | (78,000) | - | - | $1.95 | 1 July 2004 | 30 June 2006 |
| | 150,000 | - | - | (150,000) | - | $1.95 | 1 July 2006 | 30 June 2007 |
| | - | *100,000* | - | - | *100,000* | *$nil* | *1 July 2008* | *30 June 2011* |

The performance rights which lapse on 30 June 2011 only become fully vested if the participants meet specified performance criteria during the period 1 July 2005 to 30 June 2008.

The 150,000 options held by T Stianos were the subject of specified exercise conditions which were tested on 1 July 2004, 1 July 2005 and 1 July 2006 and if the exercise conditions were not met (as they were not at the final test on 1 July 2006), the options could not be exercised at all. These 150,000 options have now been cancelled.

# 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

**Thomas Stianos**
*Director*

Level 18, IBM Centre
60 City Road
Southbank VIC 3006
Australia

30 January 2007

**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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK generally Accepted Accounting Principles).

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

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

We have audited the financial statements of SMS Management and Technology Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and *International Standards on Auditing (UK and Ireland)*.

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

**KPMG LLP**
*Chartered Accountants*
*Registered Auditor*

Po Box 695
8 Salisbury Square
London
EC4Y 8BB

30 January 2007

## Profit and loss account

*for the year ended 30 June 2006*

| | *Note* | **2006** | 2005 |
|---|---|---|---|
| | | **£** | £ |
| **Turnover** | *2* | **2,176,083** | 2,638,073 |
| Net operating expenses | *3* | **(2,044,266)** | (2,549,768) |
| **Operating profit** | | **131,817** | 88,305 |
| Interest payable and similar charges | *6* | **(58,233)** | (45,883) |
| Interest receivable and similar income | | **13,476** | 14,831 |
| **Profit on ordinary activities before taxation** | | **87,060** | 57,253 |
| Taxation on profit on ordinary activities | *7* | **(929)** | (4,449) |
| **Profit on ordinary activities after taxation** | *14* | **86,131** | 52,804 |

The above figures relate to continuing activities.

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

There is no difference between the profit 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 2006*

| | Note | 2006 | | 2005 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | *9* | | **8,890** | | 17,475 |
| **Current assets** | | | | | |
| Debtors | *10* | **445,742** | | 389,667 | |
| Cash at bank and in hand | | **94,111** | | 628,681 | |
| | | **539,853** | | 1,018,348 | |
| **Creditors** | | | | | |
| Amounts falling due within one year | *11* | **(669,179)** | | (1,242,390) | |
| **Net current (liabilities)** | | | **(129,326)** | | (224,042) |
| **Total assets less current liabilities** | | | **(120,436)** | | (206,567) |
| **Net (liabilities)** | | | **(120,436)** | | (206,567) |
| **Capital and reserves** | | | | | |
| Called up share capital | *12* | | **300,000** | | 300,000 |
| Profit and loss account | *13* | | **(420,436)** | | (506,567) |
| **Total equity shareholders' deficit** | *14* | | **(120,436)** | | (206,567) |

These financial statements were approved by the board of directors on 30 January 2007 and were signed on its behalf by:

**Thomas Stianos**
*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 2006*

| | Note | 2006 £ | 2005 £ |
|---|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating profit | | **86,131** | 52,804 |
| Depreciation charges | | **10,739** | 10,320 |
| Assets written off | | **4,150** | - |
| (Increase)/decrease in debtors | | **(56,074)** | 61,711 |
| (Decrease)/increase in creditors | | **(65,578)** | 66,080 |
| **Net cash inflow/(outflow) from operating activities** | | **(20,632)** | 190,915 |

# Cash flow statement

| | Note | 2006 £ | 2005 £ |
|---|---|---|---|
| **Cash flow from operating activities** | | **(20,632)** | 190,915 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **13,476** | 14,831 |
| **Taxation** | | **(2,818)** | (923) |
| **Capital expenditure and financial investments** | | | |
| Purchase of tangible fixed assets | | **(6,304)** | (4,985) |
| **Net cash (outflow)/inflow before financing** | | **(16,278)** | 199,838 |
| **Financing** | | | |
| Draw down of inter company loan | | **(518,292)** | 15,310 |
| ***(Decrease)/increase in cash in the year*** | *15/16* | **(534,570)** | 215,148 |

# 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 £120,436, 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.

The Company has adopted FRS 28 'Corresponding amounts' for the first time in these accounts. The adoption of this standard has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

***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

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| ***Operating profit is stated after charging/(crediting):*** | | |
| Depreciation of tangible fixed assets | **10,739** | 10,320 |
| Auditors' remuneration for audit services | **5,047** | 8,000 |
| (Gain)/loss on foreign currencies exchange | **-** | - |
| Operating lease rentals - property | **92,505** | 111,598 |

## Notes *(continued)*

### 4 Directors emoluments

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Aggregate emoluments (including benefits kind) | **212,915** | 233,173 |
| Contributions to a defined contribution scheme | **9,506** | 8,520 |
| | **222,421** | 241,693 |

The aggregate of emoluments of the highest paid director was £176,039 *(2005: £233,173)* and pension contributions of £6,302 *(2005: £8,520)*.

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 16 *(2005: 21)*.

| | **Number of employees** | |
|---|---|---|
| | **2006** | 2005 |
| Consultants | **13** | 19 |
| Administration | **3** | 2 |
| | **16** | 21 |

The aggregate payroll costs of these persons were as follows:

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **1,062,219** | 1,478,481 |
| Social security costs | **94,640** | 165,089 |
| Other pension costs | **45,990** | 73,924 |
| | **1,202,849** | 1,717,494 |

### 6 Interest payable and similar charges

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Group undertakings | **58,233** | 45,883 |

# Notes *(continued)*

## 7 Tax on profit/(loss) on ordinary activities

| | 2006 | 2005 |
|---|---|---|
| | **£** | £ |
| *Analysis of charge in period* | | |
| Current tax on income for the year | **2,560** | 4,449 |
| Over provision in respect of previous year | **(1,631)** | - |
| Tax on profit/(loss) on ordinary activities | **929** | 4,449 |

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower *(2005: lower)* than the standard rate of corporation tax in the UK *(2006: 30%, 2005: 30%)*. The differences are explained below:

| | 2006 | 2005 |
|---|---|---|
| | **£** | £ |
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **87,060** | 57,253 |
| Current tax at 30% *(2005:30%)* | **26,118** | 17,176 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **3,673** | 20,333 |
| Depreciation for period in excess of capital allowances | **259** | 598 |
| Losses utilised in the period | **(26,007)** | (33,658) |
| Effect of lower tax rate (19%) on interest income | **(1,483)** | - |
| Total current tax charge | **2,560** | 4,449 |

## 8 Deferred tax

The company has an unprovided deferred tax asset as follows *(2006: 30%, 2005: 30%)*:

| | 2006 | 2005 |
|---|---|---|
| | **£** | £ |
| Advance capital allowances | **6,223** | 2,252 |
| Losses | **22,988** | 66,668 |
| Other short term timing differences | **5,303** | 1,655 |
| | **34,514** | 70,575 |

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 | 59,399 |
| Additions | 6,304 |
| Disposals | (4,348) |
| At end of year | 61,355 |
| ***Depreciation*** | |
| At beginning of year | 41,924 |
| Charge for year | 10,739 |
| Disposals | (198) |
| At end of year | 52,465 |
| ***Net book value*** | |
| **At 30 June 2006** | 8,890 |
| At 30 June 2005 | 17,475 |

## 10 Debtors: amounts falling due within one year

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Trade debtors | **401,559** | 298,460 |
| Other debtors | **44,183** | 85,244 |
| Prepayments and accrued income | - | 5,963 |
| | **445,742** | 389,667 |

Trade debtors are shown net of impairment losses of £nil (2005: £11,136)

# Notes *(continued)*

## 11 Creditors: amounts falling due within one year

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| Trade creditors | **62,332** | 134,092 |
| Corporation tax | **2,560** | 4,449 |
| Loan from parent undertaking | **498,680** | 958,739 |
| Other taxation and social security costs | **64,893** | 91,657 |
| Accruals and deferred income | **40,714** | 53,453 |
| | **669,179** | 1,242,390 |

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

## 12 Called up share capital

| | 2006 | 2005 |
|---|---|---|
| | £ | £ |
| ***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

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| *Retained (loss) at beginning of year* | **(506,567)** | (559,371) |
| Retained profit for the year | **86,131** | 52,804 |
| Retained loss at the end of year | **(420,436)** | (506,567) |

## 14 Reconciliation of movement in shareholders' funds

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| Opening shareholders' deficit | **(206,567)** | (259,371) |
| Profit for the financial year | **86,131** | 52,804 |
| **Closing shareholders' deficit** | **(120,436)** | (206,567) |

## 15 Reconciliation of net cash flow to movement in net debt

| | **2006** | 2005 |
|---|---|---|
| | **£** | £ |
| (Decrease)/increase in cash in the year | **(534,570)** | 215,148 |
| Cash outflow/(inflow) from increase in debt | **518,292** | (15,310) |
| Change in net debt resulting from cash flow | **(16,278)** | 199,838 |
| Accrued interest on intercompany loan | **(58,233)** | (45,883) |
| Net debt brought forward | **(330,058)** | (484,013) |
| **Net debt at 30 June** | **(404,569)** | (330,058) |

# Notes *(continued)*

## 16 Reconciliation of movement in net debt

| | At 1 July 2005 | Cash flows £ | Other non-cash movements £ | **At 30 June 2006 £** |
|---|---|---|---|---|
| Cash in hand and at bank | 628,681 | (534,570) | - | **94,111** |
| Debt due within one year | (958,739) | 518,292 | (58,233) | **(498,680)** |
| | (330,058) | (16,278) | (58,233) | **(404,569)** |

## 17 Financial commitments

At 30 June 2006 the company had annual commitments under non-cancellable operating leases as follows:

| | **2006 £** | 2005 £ |
|---|---|---|
| **Land and buildings:** | | |
| Within one year | **89,925** | 28,500 |

## 18 Ultimate and immediate parent company

At 30 June 2006 the Company's immediate parent company was SMS Consulting Group Limited, a company incorporated and registered in Australia, which held 100% of the issued share capital of the Company. The Company's ultimate parent company was SMS Management & Technology Limited, a company incorporated and registered in Australia.

The largest and smallest group in which the results of the Company were consolidated was that headed by SMS Management & Technology Limited. The consolidated accounts of SMS Management & Technology Limited are available to the public and may be obtained from the Company Secretary, Level 18, 60 City Road, Southbank, Victoria, Australia 3006.