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26 August 2003

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SMS MANAGEMENT & TECHNOLOGY LIMITED: A refocused SMS clears the way for the future

In accordance with Listing Rule 3.1 attached for immediate release to the market is Appendix 4E for the year ended 30 June 2003 together with the CEO briefing to be presented no earlier than 10:00 am this morning. A brief review of operations follows below.

SMS has restored its focus and optimised its operations. The METHOD business (internet and e-commerce developer) has been discontinued, bringing SMS back to its traditional business of management and IT consulting services – which it has operated profitably for 17 years.

Trading conditions for the consulting and IT services market worsened in 2003, hitting their lowest point in 20 years and SMS was adversely affected.

In response, the business has been streamlined. Corporate overheads have been cut from $10.6m per annum to $5.1m per annum over the last two years. The loss making UK operation has been restructured and new management installed. As a result of this restructuring, the international business is expected to deliver a profit in the 2003/2004 year.

Overall revenue has declined from the previous year, due to the divestment of non-core businesses and the reduction in demand for IT and consulting services. M&T Resources, the Company's labour contracting and recruitment business, maintained revenues.

Revenues	**2003**	2002
	$'000	$'000
Operating revenues from SMS (continuing business)	**80,563**	99,637
Operating revenues from METHOD (now discontinued)	**1,854**	8,170
Revenue from divested businesses	**181**	21,245
Interest, government grants and other sundry income	**2,248**	2,116
Divestment of non-core businesses	**-**	1,589
Total revenue	**84,846**	132,757

Despite a tough business environment, results from SMS's Australian operations were sufficient to produce an EBITDA before restructuring costs of $7.7m. $3.3m was spent on restructuring and retrenchments in the Australian and international businesses.

The Company also booked a provision of $0.854m covering rent for offices which have been vacated as well as the write-down of assets associated with these vacated offices of $0.544m. These costs provide for the eventuality that the vacated offices will not be sublet for the remaining period of the leases.

SMS has reduced the carrying value of goodwill by $94m. This, together with the write-down of goodwill for METHOD in the first half by $4m, cuts the annual amortisation charge from $6.8m to $0.8m per annum. One consequence of this write-down is that there will be greater scope for franked dividend payments from future profits. The Company currently holds $16.6m in franking credits.

Earnings from Operations	**$'000 2003**	**$'000 2002**
Australian operations	7,725	17,076
METHOD	(2,306)	(4,870)
International operations	(1,903)	(1,510)
Divested businesses & proceeds of divestment	-	(1,343)
EBITDA before:	3,516	9,353
Restructuring (Australia & International)	(3,252)	-
Provision for surplus lease space/asset write-downs	(1,398)	-
EBITDA	(1,134)	9,353
Depreciation and Amortisation	(2,444)	(3,823)
Net Interest Revenue	1,701	1,141
Income Tax (expense)/benefit	(88)	635
Profit before amortisation and write-down of goodwill	(1,965)	7,306
Amortisation and write down of goodwill	(104,843)	(7,317)
Net Profit/(Loss)	(106,808)	(11)

Cash movements for the year are summarised in the table below. Business operations generated positive cash flow for the year. Net movements in cash balances were primarily due to buy back of the Company's shares as part of the capital management strategy.

Cash Movements for the Year	
Opening balance at 1 July 2002	**47,668**
Proceeds received on divestment activities	1,117
Operational cash flow for the financial year	2,299
Repayment of lease liabilities	(874)
Buy back of Company shares	(13,970)
Conversion of shares	115
Payment for purchase of plant & equipment	(322)
Proceeds from sale of plant & equipment	58
Closing balance as at 30 June 2003	**36,091**

SMS has a low capital requirement to support business growth. Under normal circumstances operations generate free cash flow. Therefore the surplus cash holding places SMS in a strong position to participate in any Industry consolidation which may emerge.

SMS has grown its presence in a number of sectors including Government, Mining and Defence. The Telecommunications and Banking sectors experienced the greatest contraction in demand although they remain significant areas of operation for SMS and are expected to grow in future.

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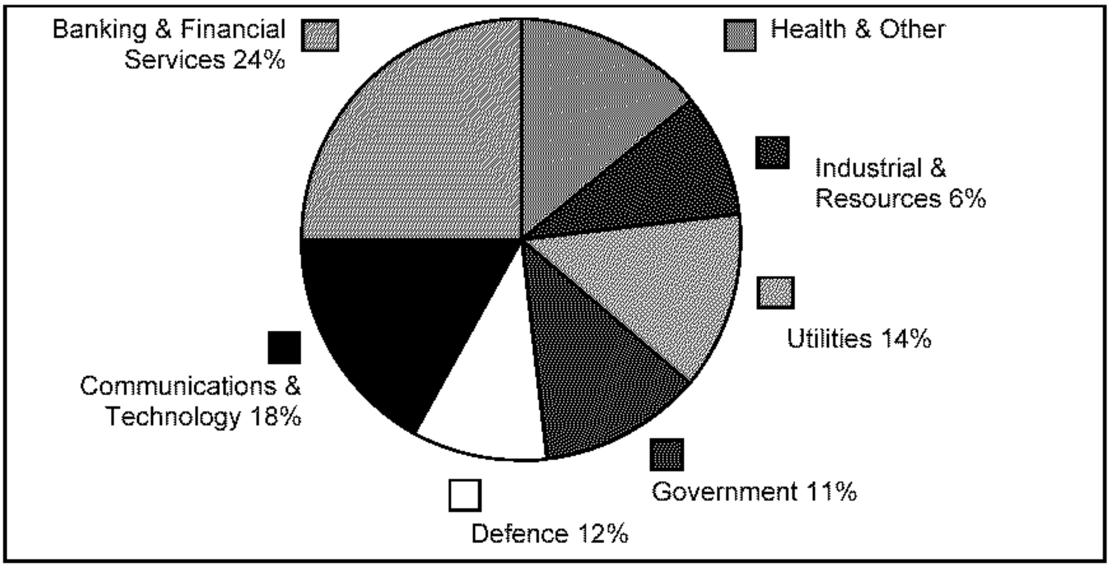
The business today has a healthy spread of revenue across a number of industries. There is enough diversity to avoid dependence on a single industry or client while being sufficiently focused on a small number of industries which we know well and can offer targeted services.



Having rationalised the lines of business, streamlined overheads and reduced staff numbers, the Company is now focused on strategies that aim to grow market share. During the year, SMS undertook a strategic study and commenced a number of initiatives aimed at driving sales growth. These initiatives include:

- Developing new service offerings better targeted to current client needs;
- Establishing global industry teams – in Defence, Banking and Financial Services, Energy and Utilities, Government and Telecommunications – to combine the Intellectual Property and talent of all geographic regions and provide a stronger offering to chosen sectors;
- Introducing innovative commercial engagements giving clients alternative ways of engaging SMS as a partner in varying levels of risk/reward sharing; and
- Enhancing systems for managing and utilising SMS IP, resources and skills.

There has been some early success with each of these initiatives such as:

- Sale of a business integration product for organisations acquiring or divesting subsidiaries;
- Establishing SMS's presence in the UK Defence market; and
- Introducing the SMS "Biblio" knowledge management system, enabling consultants to leverage experience, capabilities, and knowledge for the benefit of customers.

In summary, SMS remains in a sound financial position. The business is in good shape to deal with an uncertain market, but also well tuned to a potential pick up in demand for its services.

Tom Stianos
Chief Executive Officer

Vivian Clark
Company Secretary

Rules 4.1, 4.3

Appendix 4E
Preliminary Final Report

SMS Management & Technology Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
49 009 558 865		✓	**30 June 2003**

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

	$A'000 30 June 2003	$A'000 30 June 2002	Movement
Revenues from Ordinary activities *(item 1.1)*	84,846	132,757	(36.1%)
Proft (loss) from ordinary activities after tax attributable to members *(item 1.22)*	(106,808)	(11)	(>100%)
Proft (loss) from extraordinary activities after tax attributable to members *(item 1.9)*	(106,808)	(11)	(>100%)
Net profit (loss) for the period attributable to members *(item 1.11)*	(106,848)	(11)	(>100%)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only - item 13.4)* Interim dividend *(Half yearly report only - item 1*	NIL ¢	NIL ¢
Previous corresponding period *(Preliminary final report - item 13.5; half yearly report - item 13.7)*	NIL ¢	NIL ¢

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)*

Not Applicable

Revenues from Ordinary Activities

Operating revenues	$A'000 30 June 2003	$A'000 30 June 2002	Movement %
SMS Consulting	80,563	99,637	(19.1%)
Method	1,854	8,170	(77.3%)
Revenue from divested business	181	21,245	(99.4%)
Interest, grants & sundry revenue	2,248	2,116	6.2%
Divestment of non-core businesses	-	1,589	(96.3%)
Revenue from ordinary activities	**84,846**	**132,757**	**(36.1%)**

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Revenues have declined from the previous year primarily due to the progressive divestment of non-core businesses, however the core business has also contracted as demand for its services reduced across the economy. Despite the decline in demand for IT and consulting services as well as SMS carrying excess capacity for most of the year, the Australian business operated profitably and the business overall (including METHOD and International) delivered a positive operating cash flow.

The write-down in the carrying value of goodwill was $98,042,000 for the year. Amortisation of goodwill for the year was $6,801,000. Net loss after tax and before amortisation and write-down of goodwill amounted to $1,965,000. As a result of the write-down of goodwill the amortisation charge per annum reduces to $0.8m per annum.

Also refer to the attached announcement for additional information on the current year results of the SMS group.

Condensed consolidated statement of financial performance

		$A'000 June 2003	$A'000 June 2002
1.1	Revenues from ordinary activities (see items 1.23 - 1.25)	84,846	132,757
1.2	Expenses from ordinary activities (see items 1.26 & 1.27)	(191,492)	(133,086)
1.3	Borrowing costs (see item 1.26)	(74)	(317)
1.4	Share of net profits (losses) of associates and joint venture entities (see item 14.7)	-	-
1.5	**Profit (loss) from ordinary activities before tax**	**(106,720)**	**(646)**
1.6	Income tax (expense)/benefit on ordinary activities (see note 1 below)	(88)	635
1.7	**Profit (loss) from ordinary activities after tax**	**(106,808)**	**(11)**
1.8	Profit (loss) from extraordinary activities after tax (see item 2.5)	-	-
1.9	**Net profit (loss)**	**(106,808)**	**(11)**
1.10	Net profit (loss) attributable to outside equity interests	-	-
1.11	**Net profit (loss) attributable to members**	**(106,808)**	**(11)**
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves	-	-
1.13	Net exchange difference recognised in equity	(169)	(183)
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)	-	-
1.15	Initial adjustments from UIG transitional provisions	-	-
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	(169)	(183)
1.17	**Total changes in equity not resulting from transactions with owners as owners**	**(106,977)**	**(194)**

Earnings per security (EPS)		30 June 2003	30 June 2002
1.18	Basic earnings (loss) per share	($0.33)	($0.00)
1.19	Diluted earnings (loss) per share	($0.33)	($0.00)

Note 1 **Income Tax Expense Calculation**	**2003** **$'000**	2002 $'000
Prima facie income tax expense/(benefit) for the financial year differs from the amount calculated on the operating profit (loss). The differences are reconciled as follows:		
Profit (loss) from ordinary activities before income tax expense	(106,720)	(646)
Income tax calculated at 30% (2002 at 30%)	(32,016)	(194)
Tax effect of permanent differences:		
Non-deductible entertainment	128	179
Non-deductible taxable profit/loss of divested entities	-	334
Non-deductible legal fees and acquisition/divestment costs	1	54
Non-deductible amortisation expense	2,040	2,195
Write-down of carrying value of goodwill (individually significant item)	29,413	-
Gain/(loss) on disposal of divested entities	-	(453)
Sundry items	17	167
Income tax adjusted for permanent differences	(417)	2,282
Tax losses not brought to account / (brought to account)	780	(2,917)
Under / (over) provision in previous year	(275)	-
Aggregate income tax expense / (credit)	**88**	(635)

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

		$A'000 30 June 2003	$A'000 30 June 2002
1.20	Profit (loss) from ordinary activities after tax (*item 1.7*)	(106,808)	(11)
1.21	Less (plus) outside +equity interests	-	-
1.22	**Profit (loss) from ordinary activities after tax, attributable to members**	**(106,808)**	**(11)**

Revenue and expenses from ordinary activities

		$A'000 30 June 2003	$A'000 30 June 2002
1.23	Revenue from sales or services	82,540	129,052
1.24	Interest revenue	1,776	1,457
1.25	Other relevant revenue	530	2,248
1.26	**Details of relevant expenses;**		
	Cost of Goods Sold	-	(1,336)
	Employment Costs	(73,932)	(99,139)
	Borrowing Costs	(74)	(317)
	Occupancy Costs	(4,557)	(5,983)
	Other costs	(5,716)	(15,488)
	Write-down of goodwill (see item 2.2)	(98,042)	-
	Amortisation of goodwill (see item 2.1)	(6,801)	(7,317)
1.27	Depreciation and amortisation excluding amortisation of intangibles	(2,444)	(3,823)

Capitalised outlays

1.28	Interest costs capitalised in asset values	N/A	N/A
1.29	Outlays capitalised in intangibles (unless arising from an acquisition of a business)	N/A	N/A

Consolidated retained profits

		$A'000 30 June 2003	$A'000 30 June 2002
1.3	Retained profits (accumulated losses) at the beginning of the financial period	(279,047)	(280,433)
1.31	Net profit (loss) attributable to members (*item 1.11*)	(106,808)	(11)
1.32	Net transfers from (to) reserves *(details if material)*	-	1,397
1.33	Net effect of changes in accounting policies	-	-
1.34	Dividends and other equity distributions paid or payable	-	-
1.35	**Retained profits (accumulated losses) at end of financial period**	**(385,855)**	**(279,047)**

Intangible and extraordinary items

		Consolidated – current period			
		Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
2.1	Amortisation of goodwill	6,801	-	-	6,801
2.2	Write-down of carrying value of goodwill	98,042	-	-	98,042
2.3	**Total amortisation of intangibles**	**104,843**	-	-	**104,843**
2.4	Extraordinary items (details)	-	-	-	-
2.5	**Total extraordinary items**	-	-	-	-

		Consolidated –prior period			
		Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
2.1	Amortisation of goodwill	7,317	-	-	7,317
2.2	Write-down of carrying value of goodwill	-	-	-	-
2.3	**Total amortisation of intangibles**	**7,317**	-	-	**7,317**
2.4	Extraordinary items (details)	-	-	-	-
2.5	**Total extraordinary items**	-	-	-	-

Individually significant expenses included in the loss from ordinary Activities before income tax

	$A'000 30 June 2003	$A'000 30 June 2002
Write down of goodwill to recoverable amount	98,042	-

Condensed consolidated statement of financial position

		$A'000 30 June 2003	$A'000 30 June 2002
	Current assets		
3.1	Cash	36,091	47,668
3.2	Receivables	16,972	22,339
3.3	Investments	-	-
3.4	Inventories	-	-
3.5	Tax assets	-	632
3.6	Other (provide details if material)	872	1,002
3.7	**Total current assets**	**53,935**	**71,641**
	Non-current assets	-	
3.8	Receivables	-	-
3.9	Investments (equity accounted)	-	-
3.10	Other investments	-	-
3.11	Inventories	-	-
3.12	Exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)*	-	-
3.13	Development properties (+mining entities)	-	-
3.14	Property, plant and equipment (net)	2,151	4,489
3.15	Intangibles (net)	13,300	118,142
3.16	Tax assets	1,237	775
3.17	Other (provide details if material)	-	-
3.18	**Total non-current assets**	**16,688**	**123,406**
3.19	**Total assets**	**70,623**	**195,047**
	Current liabilities		
3.20	Payables	2,795	5,113
3.21	Interest bearing liabilities	340	798
3.22	Tax liabilities	-	40
3.23	Provisions (exc tax liabilities)	3,177	3,242
3.24	Other (provide details if material)	-	419
3.25	**Total current liabilities**	**6,312**	**9,612**
	Non-current liabilities		
3.26	Payables	-	-
3.27	Interest bearing liabilities	333	650
3.28	Tax liabilities	-	82
3.29	Provisions (exc tax liabilities)	563	456
3.30	Other (provide details if material)	-	-
3.31	**Total non-current liabilities**	**896**	**1,188**
3.32	**Total liabilities**	**7,208**	**10,800**
3.33	**Net assets**	**63,415**	**184,247**
	Equity		
3.34	Capital/contributed equity	449,399	463,254
3.35	Reserves	(129)	40
3.36	Retained profits (accumulated losses)	**(385,855)**	**(279,047)**
3.37	**Equity attributable to members of the parent entity**	**63,415**	**184,247**
3.38	Outside +equity interests in controlled entities	-	-
3.39	**Total equity**	**63,415**	**184,247**

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

Not Applicable		$A'000 30 June 2003	$A'000 30 June 2002
4.1	Opening balance		
4.2	Expenditure incurred during current period		
4.3	Expenditure written off during current period		
4.4	Acquisitions, disposals, revaluation increments, etc.		
4.5	Expenditure transferred to Development Properties		
4.6	**Closing balance as shown in the consolidated balance sheet** *(item 3.12)*		

Development properties

(To be completed only by entities with mining interests if amounts are material)

Not Applicable		$A'000 30 June 2003	$A'000 30 June 2002
5.1	Opening balance		
5.2	Expenditure incurred during current period		
5.3	Expenditure transferred from exploration and evaluation		
5.4	Expenditure written off during current period		
5.5	Acquisitions, disposals, revaluation increments, etc.		
5.6	Expenditure transferred to mine properties		
5.7	**Closing balance as shown in the consolidated balance sheet** *(item 3.13)*		

Condensed consolidated statement of cash flows

		$A'000 30 June 2003	$A'000 30 June 2002
	Cash flows related to operating activities		
6.1	Receipts from customers	98,003	148,036
6.2	Payments to suppliers and employees	(96,083)	(131,760)
6.3	Dividends received from associates	-	-
6.4	Other dividends received	-	-
6.5	Interest and other items of similar nature received	1,776	1,457
6.6	Interest and other costs of finance paid	(74)	(317)
6.7	Income taxes paid	(1,323)	(520)
6.8	Other (provide details if material)	-	-
6.9	**Net operating cash flows**	**2,299**	**16,896**
	Cash flows related to investing activities		
6.10	Payment for purchases of plant and equipment	(322)	(1,259)
6.11	Proceeds from sale of plant and equipment	58	66
6.12	Payment for purchases of equity investments	-	-
6.13	Net proceeds from sale of equity investments	1,117	3,031
6.14	Loans to other entities	-	-
6.15	Loans repaid by other entities	-	-
6.16	Other (provide details if material)	-	-
6.17	**Net investing cash flows**	**853**	**1,838**
	Cash flows related to financing activities		
6.18	Proceeds from issues of +securities (shares, options, etc.)	115	15,926
6.19	Proceeds from borrowings	-	-
6.20	Repayment of borrowings	(874)	(5,192)
6.21	Dividends paid	-	
6.22	Other (Share buy back)	(13,970)	(3,796)
6.23	**Net financing cash flows**	**(14,729)**	**6,938**
6.24	**Net increase (decrease) in cash held**	**(11,577)**	**25,672**
6.25	Cash at beginning of period (see Reconciliation of cash)	47,668	21,996
6.26	Exchange rate adjustments to item 7.25.	-	-
6.27	**Cash at end of period (see Reconciliation of cash)**	**36,091**	**47,668**

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

None

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		$A'000 30 June 2003	$A'000 30 June 2002
7.1	Cash on hand and at bank	18,144	16,281
7.2	Deposits at call	17,947	31,387
7.3	Bank overdraft	-	-
7.4	Other (provide details)	-	-
7.5	**Total cash at end of period** *(item 6.27)*	**36,091**	**47,668**

Other notes to the condensed financial statements

Ratios		30 June 2003	30 June 2002
8.1	**Profit before tax / revenue** Consolidated profit (loss) from ordinary activities before tax (*item 1.5*) as a percentage of revenue (*item 1.1*)	(125.8%)	**(0.5%)**
8.2	**Profit after tax / +equity interests** Consolidated net profit (loss) from ordinary activities after tax attributable to members (*item 1.11*) as a percentage of equity (similarly attributable) at the end of the period (*item 3.37*)	(168.4%)	**(0.006%)**

Earnings per security (EPS)

9. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

	30 June 2003	30 June 2002
	Cents	Cents
Basic earnings (loss) per share	(0.33)	(0.00)
Diluted earnings (loss) per share	(0.33)	(0.00)
Earnings used in calculating earnings per share	$A'000	$A'000
Net profit/(loss)	(106,808)	(11)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	321,914,508	334,731,220
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	321,957,958	354,620,375

		30 June 2003	30 June 2002
10.1	Net tangible asset backing per +ordinary Security	**16.0c**	**18.7c**

Control gained over entities having material effect

11.1	Name of entity (or group of entities)	Not Applicable
11.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired	$
11.3	Date from which such profit has been calculated	
11.4	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	$

Loss of control of entities having material effect

12.1	Name of entity (or group of entities)	Not Applicable
		$'000
12.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	
12.3	Date to which the profit (loss) in item 14.2 has been calculated	
12.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	
12.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	

On the 2nd July 2002, Garner MacLennan Design Pty Ltd was sold. The loss of control did not have a material effect to the results of the consolidated group.

Dividends (in the case of a trust, distributions) – Not Applicable

13.1	Date the dividend (distribution) is payable	
13.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	
13.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	

Amount per security – Not Applicable

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
13.4	*(Preliminary final report only)* **Final dividend:** Current year	¢	¢	¢
13.5	Previous year	¢	¢	¢
13.6	*(Half yearly and preliminary final reports)* **Interim dividend:** Current year	¢	¢	¢
13.7	Previous year	¢	¢	¢

Total dividend (distribution) per security (interim *plus* final) – Not Applicable

(Preliminary final report only)

		$A'000 30 June 2003	$A'000 30 June 2002
13.8	+Ordinary securities	¢	¢
13.9	Preference +securities	¢	¢

Half yearly report - interim dividend (distribution) on all securities *or* Preliminary final report - final dividend (distribution) on all securities

Not Applicable		$A'000 30 June 2003	$A'000 30 June 2002
13.10	+Ordinary securities *(each class separately)*		
13.11	Preference +securities *(each class separately)*		
13.12	Other equity instruments *(each class separately)*		
13.13	**Total**		

The +dividend or distribution plans shown below are in operation.

Not Applicable

The last date(s) for receipt of election notices for the +dividend or distribution plans	

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

Details of aggregate share of profits (losses) of associates and joint venture entities   Not Applicable

Group's share of associates' and joint venture entities':		$A'000 30 June 2003	$A'000 30 June 2002
14.1	Profit (loss) from ordinary activities before tax		
14.2	Income tax on ordinary activities		
14.3	**Profit (loss) from ordinary activities after tax**		
14.4	Extraordinary items net of tax		
14.5	**Net profit (loss)**		
14.6	Adjustments		
14.7	**Share of net profit (loss) of associates and joint venture entities**		

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

Not Applicable

Name of entity		Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (*item 1.9*)	
		$A'000 30 June 2003	$A'000 30 June 2002	$A'000 30 June 2003	$A'000 30 June 2002
15.1	Equity accounted Associates & joint venture entities				
15.2	**Total**				
15.3	Other Material Interests				
15.4	**Total**				

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

`	**Details**	**Number of Shares**	**Issue Price**	**$'000**
1 July 2002	Opening balance	352,355,094		**463,254**
Various	Conversion of options to ordinary shares with nil exercise price	206,980	NIL	**-**
Various	Conversion of options to ordinary shares with $0.48 exercise price	240,000	$0.48	**115**
Various	Cancellation of shares bought back under share buy back scheme	(38,835,504)	Avg $0.36	**(13,970)**
30 June 2003	Closing balance	313,966,570		**449,399**

Options (description and conversion factor)

	Balance at beginning of year	Converted into ordinary shares	Expired during financial year	Issued during year	Balance at end of year
	Number	Number	Number	Number	Number
Employment contract options with various exercise prices and expiry dates	4,520,000	-	(932,000)	-	3,588,000
Exercise price of $nil issued pursuant to former Employee Option Plan	328,640	(206,980)	(78,210)	-	43,450
Exercise price of $2.00 and expiry date of 30 June 2010	226,000	-	(226,000)	-	-
Exercise price of $2.00 and expiry date of 30 June 2005	44,000	-	(14,000)	18,000	48,000
Exercise price of $2.00/ $2.50/ $3.00 and expiry date of 30 June 2005	40,000	-	(40,000)	-	-
Exercise price of $0.48 and expiry date of 30 June 2006 issued to employees	11,917,500	(240,000)	(4,460,100)	692,500	7,909,900
Exercise price of $0.48 and expiry date of 30 June 2006 issued to Directors	1,600,000	-	-	750,000	2,350,000
Exercise price of $0.48 and expiry date of 30 June 2007 issued to employees	-	-	(1,301,000)	5,333,900	4,032,900
	18,676,140	(446,980)	(7,051,310)	6,794,400	17,972,250

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's +accounts should be reported separately and attached to this report.)

SMS Management & Technology Limited (SMS) and its controlled entities develop, manage and implement Information Technology and business solutions. There is only one business segment based on the consolidated entity's management reporting system. All non core segments have been divested or closed down.

For the financial year ended 30 June 2003, SMS Management & Technology Limited and its controlled entities operated predominantly in Australia. Whilst there are overseas subsidiaries they are not material to the consolidated group result. Accordingly, the predominant geographical segment of operations is considered to be Australia.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

16.1 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

During the financial year, the company wrote down the carrying value of goodwill amounting to $4.4m in relation to Method at 31 December 2002 and $93.6m at 30 June 2003 relating to the SMS Consulting Group.

16.2 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

The Company will be the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly-owned subsidiaries, from the implementation date of 1 July 2003. The financial effect of this change has not been brought to account in the financial statements for the year ended 30 June 2003. No material impact is expected to occur. However, the ultimate financial effect of the Tax Consolidation legislation may change as a result of Urgent Issues Group deliberations and final calculations and decisions under the legislation.

Except for the matter noted above, no other matter or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the consolidated entity's state of affairs in future financial years.

16.3 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Franking amounts at 30 June 2003 amount to approximately $7.1m (2002:$16.6M)

Change in measurement of dividend franking account

In accordance with the New Business Tax System (Imputation) Act 2002, the measurement basis of the dividend franking account changed on 1 July 2002 from an after - tax profits basis to an income tax paid basis.

The amount of franking credits available to shareholders disclosed as at 30 June 2003 has been measured under the new legislation and represents income tax paid amounts available to frank distributions. The balance disclosed at 30 June 2002 has been measured under the legislation existing at 30 June 2002 and represents after – tax profits able to be distributed fully franked at the current tax rate.

The change in the basis of measurement does not change the underlying value of franking credits or offsets available to shareholders from the dividend franking accounts.

Comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance as at 30 June 2003 would have been $16.6M.

16.4 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting.* Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

The consolidated entity has applied the revised AASB 1028 *Employee Benefits* for the first time from 1 July 2002.

The liability for wages and salaries, annual leave and is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The change in accounting standard has not had a material impact for the current financial year ended 30 June 2003.

16.5 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

In accordance with AASB 1027 "Earnings per Share", the basic earnings per share ("EPS") calculations for the current and prior year now include a bonus element for the conversion of options at an exercise price less than the fair market value on the date of exercise. There was no material effect on the current and prior year calculations.

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

There are no contingent liabilities at 30 June 2003.

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	ANZ Pavilion, Victorian Arts Centre
Date	27th October, 2003
Time	10.00 am
Approximate date the +annual report will be available	30th September,2003

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used	

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on +accounts to which one of the following applies.
(Tick one)

	The +accounts have been audited.	☐	The +accounts have been subject to review.
✓	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The accounts are in the process of being audited. An unqualified audit report will be issued.

6 The entity has a formally constituted audit committee.

Sign here: (Company Secretary) Date: 26 August 2003

Print name: Vivian Clark

SMS MANAGEMENT & TECHNOLOGY LIMITED

SMS Management & Technology

Annual Results to 30 June 2003

Tom Stianos, CEO
26 August 2003

Year in review

- Tough year but we've adjusted to current conditions
  - Overheads streamlined
  - Costs reduced

- Business currently well positioned
  - Australian business profitable
  - Overseas business restructured
  - Overall positive operating cash flows
  - Sound financial position – $36m cash balance

Revenue & EBITDA analysis $000

	2003	2002
Revenue from SMS operations*	80,563	99,637
EBITDA before restructuring and provisions		
Australian operations	7,725	17,076
METHOD and divested businesses	(2,306)	(6,213)
International (now restructured)	(1,903)	(1,510)
Sub total	3,516	9,353
Restructuring (Australia and International)	(3,252)	-
Provision for surplus lease space/asset write-downs	(1,398)	-
EBITDA after restructuring and provisions	(1,134)	9,353
Revenue excludes divested businesses		

Net Profit analysis $000

	2003	2002
EBITDA after restructuring and provisions	(1,134)	9,353
Depreciation and amortisation	(2,444)	(3,823)
Net interest revenue	1,701	1,141
Income tax (expense)/benefit	(88)	635
Net profit before goodwill write-down	(1,965)	7,306
Write-down of goodwill	(98,042)	-
Amortisation of goodwill	(6,801)	(7,317)
Net Profit/(Loss)	(106,808)	(11)

Consequences of goodwill write-down

- Reduce annual amortisation from $6.8m to $0.8m
- Permit future earnings to be distributed as franked dividends
- Franking credits of $16.6m

Business Strategy – 1. Be fit for today

- Restored focus to traditional business of IT and management consulting
  - METHOD discontinued
- Optimised operations
  - Optimisation project completed March 2003
  - Reduced excess staff capacity and costs by $5m
  - Streamlined overheads from $10.6m to $5.1m in the last two years
- Business tuned to potential pick up in demand but not dependent on this
  - Focus on business fundamentals
  - In good shape to deal with an uncertain market

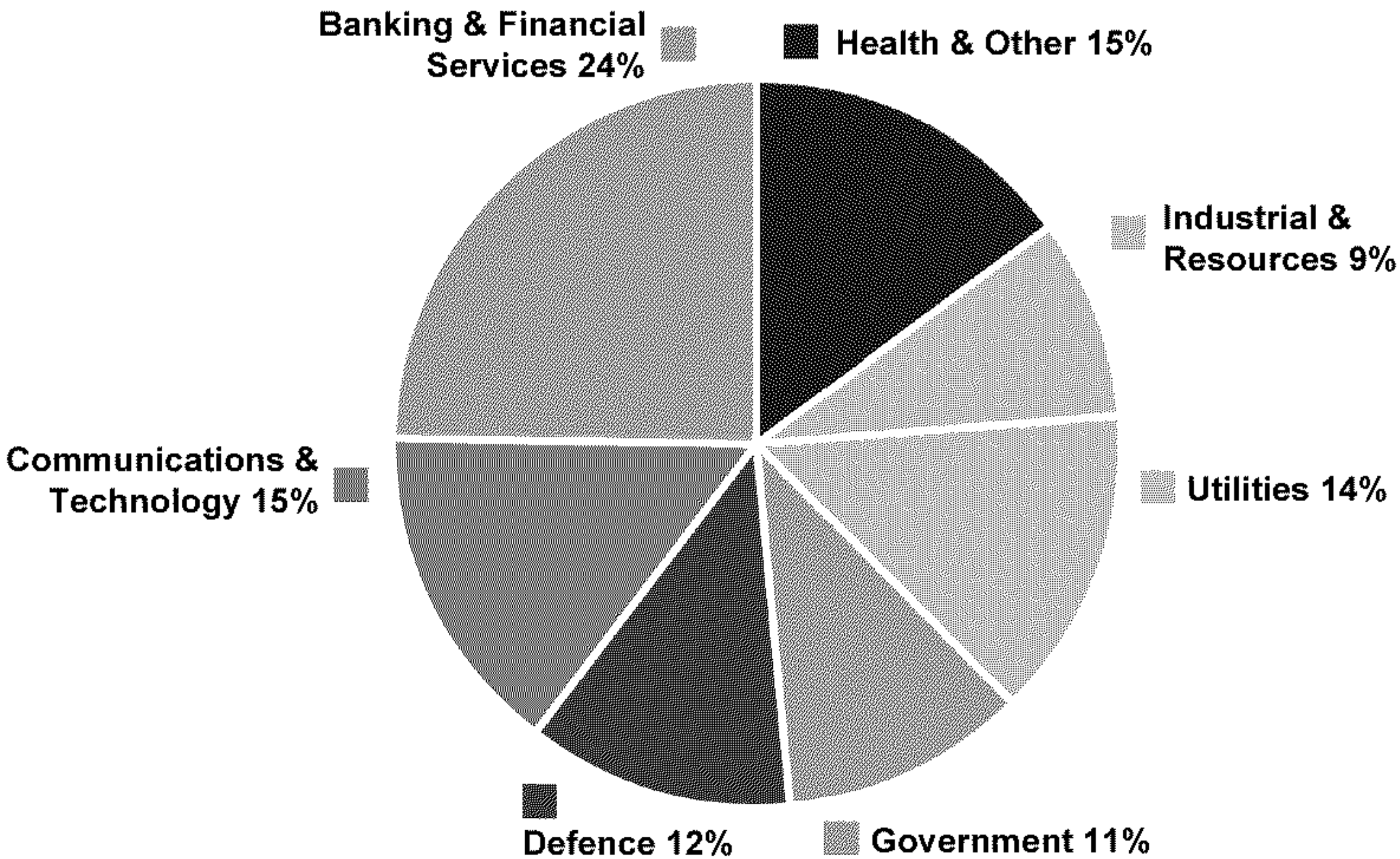
Business strategy – 2. Look to the future

- Focus on growth
- Global industry teams established to drive sales and delivery
- New products to refresh SMS offering eg:
  - Business divestment or integration services
  - Basel II services
- Enhanced knowledge management system (Biblio)
- Alternative engagement model introduced
  - Shared risk/reward options

Overseas businesses

- London
  - New MD appointed January 2003
  - Loss making practice area discontinued
  - New accounts in Government and Defence
- Singapore
  - Operations rationalised
  - Development contracts secure for next year

Balanced industry exposure



Balance sheet remains healthy

	2003	2002
Cash	36.1	47.7
Receivables and other	17.8	23.3
Total current assets	53.9	71.6
Intangibles (goodwill)	13.3	118.1
Total assets	70.6	195.0
Total current liabilities	6.3	9.6
Total liabilities	7.2	10.8
Net assets	63.4	184.2
Net tangible assets	50.1	66.1