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ASX ANNOUNCEMENT

27 July 2017

SMS Scheme Booklet registered with Australian Securities and Investments Commission

Unaudited 2017 Results Update

Scheme Booklet

SMS Management & Technology Limited (**SMS**) (ASX:SMX) today announced that the Australian Securities and Investments Commission has registered the Scheme Booklet in relation to the proposed acquisition of SMS by ASG Group Limited (**ASG**), via a Scheme of Arrangement (**Scheme**).

A copy of the Scheme Booklet, which includes the Independent Expert's Report, a notice of Scheme meeting and a copy of the proxy form for the Scheme meeting, is attached to this announcement. Copies of the Scheme Booklet will be sent to SMS shareholders on or about Wednesday, 2 August 2017. SMS shareholders who have elected to receive communications electronically will receive an email where they can download the Scheme Booklet and lodge their proxy vote online. The Scheme Booklet will also be available for download from SMS's website at http://www.smsmt.com/investor-information.

The Directors of SMS continue to unanimously recommend that SMS shareholders vote in favour of the Scheme at the Scheme meeting to be held on Friday, 1 September 2017, in the absence of a superior proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS shareholders. Subject to those same qualifications, each of your Directors intends to vote any SMS shares in their control in favour of the Scheme.

The upcoming Scheme meeting will be held at 11.00 am (Melbourne time) on Friday, 1 September 2017, at Level 2 of the RACV Club, located at 501 Bourke Street, Melbourne, Victoria.

Should you have any questions in relation to the Scheme, or the Scheme Booklet, please contact the SMS Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) Monday to Friday from 8.30 am to 5.30 pm (Melbourne time).

Unaudited 2017 Results Update

SMS today announced an update on its unaudited results for the financial year ended 30 June 2017. Based on unaudited results, total revenue was $304.5 million and total earnings before interest, tax, depreciation and amortisation (EBITDA) prior to significant items was $10.9 million. These results remain subject to completion of the external audit of SMS's financial statements.

Significant items include a non-cash goodwill impairment charge of $46.7 million and termination costs of $0.9 million, both disclosed in the 2017 half-year results presentation released on 27 February 2017, together with transaction costs incurred in relation to the now terminated DWS scheme of $1.2 million.

SMS plans to release its 2017 audited financial results on 23 August 2017.

For further information please contact:

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About SMS

SMS is an ASX-listed Australian business specialising in business and IT advisory, technology solutions, managed services and recruitment. SMS cultivates innovation, digital, mobile and design-led business and technology capability to empower organisations across all industry sectors. With over 1,400 staff across Australia, Hong Kong, Singapore and the Philippines, SMS promotes and delivers next-generation customer-centric outcomes for our clients.

For more information please visit www.smsmt.com

SMS

+ Empowering Business

SCHEME BOOKLET

+ In relation to a proposal from **ASG Group Limited** ACN 070 045 117 (**ASG**) to acquire all the ordinary shares in SMS Management & Technology Limited ACN 009 558 865 (**SMS**) by way of scheme of arrangement.

Your Directors unanimously recommend that you

VOTE IN FAVOUR

of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

Subject to the above qualifications, each SMS Director intends to vote the SMS Shares they hold or control in favour of the Scheme Resolution.

A Notice of Scheme Meeting is included as Annexure D to this Scheme Booklet, and a proxy form for the Scheme Meeting accompanies this Scheme Booklet.

The Scheme Meeting will be held at 11:00am (Melbourne time) on Friday 1 September 2017 at Level 2, RACV Club, 501 Bourke Street, Melbourne.

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

Financial advisers

MACQUARIE

Legal adviser

CORRS CHAMBERS WESTGARTH lawyers

IMPORTANT NOTICES

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

This Scheme Booklet provides SMS Shareholders with information about the proposed acquisition of SMS by ASG.

Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to SMS Shareholders, or a solicitation of an offer from SMS Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Subsection 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under subsection 411(1). Instead, SMS Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearings to approve the Scheme.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened by SMS for SMS Shareholders to consider and vote on the Scheme and directed that an explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

+ has formed any view as to the merits of the proposed Scheme or as to how SMS Shareholders should vote (on this matter SMS Shareholders must reach their own conclusion); or
+ has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D.

Notice of Second Court Hearing

If SMS Shareholders approve the Scheme by the Requisite Majorities, the Court will consider whether to approve the Scheme at the Second Court Hearing to be held at 10:00am on Wednesday, 6 September 2017 at the Supreme Court of Victoria, 210 William Street, Melbourne VIC 3000.

You may appear at the Second Court Hearing.

If you wish to oppose the approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court, and serving on SMS, a notice of appearance in the form prescribed under the *Supreme Court (Corporations) Rules 2013* (Vic), together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on SMS at its address for service at least one day before the Second Court Date.

The address for service is: SMS Management & Technology Limited, Level 41, 140 William Street, Melbourne VIC 3000, Attention: General Counsel.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in Section 13.1 of this Scheme Booklet. Section 13.2 also sets out some rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in Section 13.1.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of each SMS Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The SMS Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in Section 6.8 of this Scheme Booklet, the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A and the risks associated with the Scheme set out in Section 9. If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of ASG are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to SMS and ASG and/or the industry in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of SMS or ASG or their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, SMS and ASG, and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

SMS has prepared, and is responsible for, the SMS Information. Neither ASG nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

ASG has prepared, and is responsible for, the ASG Information. Neither SMS nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) has prepared the Independent Expert's Report (as set out in Annexure A) and takes responsibility for that report. Ernst & Young has prepared the "Tax Considerations" in Section 10 and takes responsibility for the

IMPORTANT NOTICES (cont)

information contained in that section. None of SMS or ASG or any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report or the "Tax Considerations" in Section 10 of this Scheme Booklet, except in relation to any information which SMS or ASG (as the case may be) has provided to the Independent Expert.

Each of KPMG Corporate Finance and Ernst & Young has consented to being named in this Scheme Booklet in the context in which they are mentioned. No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia, which are different from those of any other jurisdiction, and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

Tax implications of the Scheme

If the Scheme becomes Effective, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain or disposal of SMS Shares. For further detail regarding general Australian tax consequences of the Transaction, refer to Section 10. The tax treatment may vary depending on the nature and characteristics of each SMS Shareholder and their specific circumstances. Accordingly, SMS Shareholders should seek professional tax advice in relation to their particular circumstances.

Financial amounts

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Melbourne, Victoria, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

Privacy

SMS may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in SMS and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist SMS to conduct the Scheme Meeting and implement the Scheme. Without this information, SMS may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the SMS Share Registry, ASG, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of SMS, Government Agencies, and also where disclosure is otherwise required or allowed by law. SMS Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the SMS Share Registry in connection with SMS Shares, please contact the SMS Share Registry. SMS Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above.

Date of Scheme Booklet

This Scheme Booklet is dated Wednesday 26 July 2017.

CONTENTS

1. KEY DATES RELATING TO THE TRANSACTION

1 KEY DATES RELATING TO THE TRANSACTION

Event	Time and date
Date of this Scheme Booklet	Wednesday 26 July 2017
First Court Date	1:30pm Wednesday 26 July 2017
Latest time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the SMS Share Registry for the Scheme Meeting	11:00am Wednesday 30 August 2017
Time and date for determining eligibility to vote at the Scheme Meeting	7:00pm Wednesday 30 August 2017
Scheme Meeting	11:00am Friday 1 September 2017
If the Scheme is approved by SMS Shareholders at the Scheme Meeting:	
Second Court Date	Wednesday 6 September 2017
Effective Date (Court order lodged with ASIC; SMS Shares suspended on the ASX from close of trading)	Thursday 7 September 2017
Special Dividend Record Date (for determining entitlement to Special Dividend, if declared)	7:00pm Monday 11 September 2017
Special Dividend Payment Date (if declared)	Monday 18 September 2017
Scheme Record Date (for determining entitlement to Scheme Consideration)	7:00pm Tuesday 19 September 2017
Implementation Date (Scheme Consideration will be despatched to Scheme Shareholders on the Implementation Date)	Tuesday 26 September 2017

All times and dates in the above timetable are references to the time and date in Melbourne, Victoria, Australia, and all such times and dates are subject to change. SMS may vary any or all of these dates and times and will provide reasonable notice of any such variation. Certain times and dates are conditional on the approval of the Scheme by SMS Shareholders and by the Court. Any changes will be announced by SMS to ASX.

2. LETTER FROM THE CHAIRMAN OF SMS

2 LETTER FROM THE CHAIRMAN OF SMS

26 July 2017

Dear SMS Shareholder,

On behalf of the SMS Board, I am pleased to provide you with this Scheme Booklet which contains details of the proposed acquisition of SMS Management & Technology Limited (**SMS**) by ASG Group Limited (**ASG**, a 100% owned subsidiary of Nomura Research Institute, Ltd (**NRI**)) and important matters relevant to your vote in relation to the Scheme.

The Scheme

On 20 June 2017, SMS announced that it had entered into a Scheme Implementation Agreement with ASG under which it is proposed that ASG will acquire 100% of the issued share capital of SMS by way of scheme of arrangement (**Scheme** or **ASG Scheme**).

If the Scheme is approved and implemented, SMS Shareholders will receive a cash payment of $1.80 for each SMS Share less the cash value of any Special Dividend paid (**Scheme Consideration**).

The SMS Directors consider that the Scheme is in the best interests of SMS Shareholders and unanimously recommend that SMS Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

Value of the Scheme Consideration

The Scheme Consideration of $1.80 cash per SMS Share represents:

+ a 41% premium to the closing share price on 22 February 2017 (the last undisturbed share price close prior to the announcement of the DWS SIA) of $1.28;
+ a 37% premium to the one month volume weighted average price (**VWAP**) to 22 February 2017 of $1.32;
+ a 40% premium to the VWAP since the SMS AGM on 14 November 2016 to 22 February 2017 of $1.28; and
+ an enterprise value of $133.7 million for SMS[1], representing an attractive EV/EBITDA[2] multiple of 12.9x for the 12 months to 31 December 2016; and
+ an enterprise value of $132.5 million for SMS[3] based on the unaudited results to 30 June 2017, representing an EV/EBITDA[4] multiple of 12.2x.

Subject to a favourable draft ATO Class Ruling being obtained, SMS retains the discretion to pay a fully franked Special Dividend of up to a maximum of 10.2 cents per SMS Share. If the Special Dividend is declared by the SMS Board and the Scheme becomes Effective, the Scheme Consideration will be reduced by the cash value of any Special Dividend paid. If declared, the Special Dividend is expected to be paid to SMS Shareholders shortly before the Scheme Record Date. Those SMS Shareholders who are able to realise the full benefit of franking credits attached to the Special Dividend (if declared) will realise additional value of up to a maximum of 4.4 cents per SMS Share (based on a Special Dividend of 10.2 cents per SMS Share). Whether you will be able to realise the full benefit of the franking credits attached to the Special Dividend will depend on your individual tax circumstances.[5]

Independent Expert

The Independent Expert, KPMG Corporate Finance, has assessed the underlying value of SMS to be in the range of $1.55 to $1.79 per SMS Share. The value of the Scheme Consideration is $1.80 per SMS Share less the cash value of any Special Dividend paid. As the Scheme Consideration is above the assessed underlying value of SMS, the Independent Expert has concluded that the Scheme is in the best interests of SMS Shareholders on the basis it is both fair and reasonable, in the absence of a Superior Proposal. The SMS Board encourages you to read and consider the Independent Expert's Report, which is set out in Annexure A of this Scheme Booklet, in full.

Board recommendation

The SMS Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS

1. Based on SMS net debt of $10.3 million as at 31 December 2016.
2. Based on EBITDA in the 12 months to 31 December 2016, prior to significant items, of $5.4 million in 2H FY16 and $5.0 million in 1H FY17.
3. Based on unaudited SMS net debt of $9.1 million as at 30 June 2017.
4. Based on unaudited EBITDA for the financial year ended 30 June 2017, prior to significant items, of $10.9 million.
5. In assessing the value to them of any Special Dividend, SMS Shareholders should seek professional taxation advice as to whether or not the receipt of any Special Dividend and any entitlement to a tax offset in respect of the franking credits attached to any Special Dividend is beneficial to them in their own individual circumstances. Refer to Section 10 ("Tax Considerations") for further information.

Shareholders. In addition, each of your Directors intends to vote all of the SMS Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion.[6]

The SMS Board has made its recommendation that the Scheme is in the best interests of SMS Shareholders on the basis that:

- the Scheme Consideration represents a significant premium to the Last Undisturbed Share Price;
- the Scheme Consideration represents an attractive valuation for the Company, particularly in the context of the structural changes to the IT services industry reflected in intensified competition, emerging technology trends and changing buying patterns. These structural changes have impacted the performance of SMS in recent years;
- the Scheme Consideration provides immediate and certain value through the all cash consideration;
- the Scheme Consideration is above the valuation range for SMS Shares as assessed by the Independent Expert in its report dated 26 July 2017 prepared in connection with the Scheme;
- no Superior Proposal has emerged as at the date of this Scheme Booklet; and
- the SMS share price is likely to fall if the Scheme is not successful and no alternative proposal emerges.

The full reasons for your Board's recommendation to vote in favour of the Scheme are set out in detail in Section 4.2. There are also reasons you may choose to vote against the Scheme and these are set out in Section 4.3. In considering the Scheme, the SMS Directors have also carefully considered the risks and uncertainties of delivering value to SMS Shareholders that is equal to, or superior to, the Scheme Consideration. The risks are set out in detail in Section 9.

Section 6.12 of the Scheme Booklet identifies certain warranties that are deemed to be given by Scheme Shareholders. In relation to the tax withholding declaration, SMS has been advised that although any SMS Shares held by a foreign resident for tax purposes do not constitute indirect Australian real property interests, it is nevertheless advisable for tax purposes for SMS Shareholders to make such a declaration.

Evolution of the Scheme

The SMS Board believes that the proposed Scheme is the best available opportunity for SMS Shareholders to realise value for their shares.

- On 27 February 2017, SMS announced that it had entered into a scheme implementation agreement with DWS Limited (**DWS**) under which DWS proposed to acquire all of the issued shares in SMS for $1.00 in cash plus 0.39 new DWS shares per SMS Share (**DWS SIA**).
  - The Independent Expert assessed the value of consideration under the scheme contemplated by the DWS SIA to be in the range of $1.57 to $1.64.
- On 26 May 2017, SMS received a non-binding expression of interest from ASG, following which a binding offer was received on 14 June 2017, which has ultimately led to the proposed ASG Scheme.
- DWS had the opportunity to put forward a counter proposal pursuant to a "matching rights" process, however, it was announced on 19 June 2017 that DWS did not wish to submit a counter proposal.
- SMS subsequently terminated the DWS SIA and entered into a binding agreement with ASG in relation to the proposed ASG Scheme and cancelled the DWS scheme meeting.

The SMS Board believes that the process leading to the proposed ASG Scheme, including the decision by DWS to not put forward a counter proposal despite its matching rights, provides further evidence that the ASG Scheme represents the best available opportunity for SMS Shareholders to realise value for their shares.

6. With respect to Rick Rostolis' recommendation, SMS Shareholders are advised that Mr Rostolis will receive a $600,000 cash incentive conditional upon the Scheme becoming Effective. Despite this fact, Mr Rostolis considers that it is appropriate for him to make a recommendation on the Scheme. SMS has also agreed to tag the votes of Mr Rostolis at the Scheme Meeting at the request of ASIC. Further details of the incentive payment are set out in Section 7.10, and further details of the vote tagging are set out in Sections 3.1 and 6.10(a). As discussed in Section 11.3(b), no similar incentives, agreements or arrangements exist with any other SMS Director.

Next steps

Your vote is important and on behalf of the SMS Board, I strongly encourage you to vote on this significant transaction.

You may vote by personally attending the Scheme Meeting to be held at Level 2, RACV Club, 501 Bourke Street, Melbourne, on Friday 1 September 2017 at 11:00am or by appointing a proxy or in the case of a corporate SMS Shareholder, a corporate representative to attend the Scheme Meeting and to vote on your behalf. If you wish to appoint a proxy to vote on your behalf, you must return the accompanying proxy form so that it is received at the address shown on the proxy form by 11:00am on Wednesday 30 August 2017.

I encourage you to read this Scheme Booklet (including the report of the Independent Expert) carefully and in its entirety to assist you in making an informed decision on how to vote. If you require any further information, please contact the SMS Shareholder Information Line on 1300 970 086 (within Australia) and +61 1300 970 086 (outside of Australia) between 8.30am and 5.30pm, Monday to Friday. You should seek your own legal, financial or other professional advice before making any decision in relation to your SMS Shares.

On behalf of the SMS Board, I recommend that you read this Scheme Booklet in full and thank you for your ongoing support of SMS.

Yours sincerely

Mr Derek Young, AM
Chairman
SMS Management & Technology Limited

3. ACTION REQUIRED BY SMS SHAREHOLDERS

3 ACTION REQUIRED BY SMS SHAREHOLDERS

3.1 What is the Transaction?

The Transaction involves ASG acquiring all of the SMS Shares on issue as at the Scheme Record Date. The Transaction will be implemented by way of a Scheme of Arrangement between SMS and its shareholders.

If you are a SMS Shareholder on the Scheme Record Date and the Scheme becomes Effective, you will receive the Scheme Consideration of $1.80 cash (reduced by the cash value of any Special Dividend paid).

In order for the Scheme to proceed, the Scheme Resolution approving the Scheme must be passed by the Requisite Majorities of SMS Shareholders at the Scheme Meeting to be held on Friday 1 September 2017 at 11:00am, being:

+ unless the Court orders otherwise, a majority in number (more than 50%) of SMS Shareholders present and voting at the Scheme Meeting (either in person or by proxy); and
+ at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SMS Shareholders present and voting at the Scheme Meeting (either in person or by proxy).

In respect of the entitlement of recipients of the incentive payments (as disclosed in Sections 7.10 and 11.3(b)) to vote their SMS Shares on the Scheme, at the request of ASIC, SMS has agreed to tag any votes cast at the Scheme Meeting by any recipients of the incentive payments so that these votes can be separately recorded.

This will enable ASIC, and if necessary the Court, at the Second Court Hearing to consider whether the Scheme Resolution, if approved by the Requisite Majorities, would have been approved even if these votes were to be disregarded.

The Scheme is also subject to the satisfaction or waiver of various other Conditions Precedent, as summarised in Sections 6.7 and 12.1(b).

3.2 What should I do?

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour of or against the Scheme (as set out in Sections 4.2 and 4.3), before making any decision on how to vote on the Scheme Resolution.

Answers to various frequently asked questions about the Transaction are set out in Section 5. If you have any additional questions about this Scheme Booklet, the Scheme or the Transaction, please contact the SMS Shareholder Information Line on 1300 970 086 (within Australia) and +61 1300 970 086 (outside of Australia), or contact your broker or legal, financial, taxation or other professional adviser.

3.3 What is the SMS Directors' recommendation?

Your Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting at Level 2, RACV Club, 501 Bourke Street, Melbourne on Friday 1 September 2017 at 11:00am, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

The SMS Directors intend to vote all of the Scheme Shares controlled by them or held by or on behalf of them in favour of the Scheme Resolution, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

The SMS Directors consider that the reasons for SMS Shareholders to vote in favour of the Scheme outweigh the reasons to vote against it, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders. These reasons and other relevant considerations are set out in Section 4.

The SMS Directors note that the Independent Expert has concluded that the Scheme is in the best interests of SMS Shareholders. You should also read the Independent Expert's Report which is contained in Annexure A.

With respect to Rick Rostolis' recommendation, SMS Shareholders are advised that Mr Rostolis will receive a $600,000 cash incentive conditional upon the Scheme becoming Effective. Despite this fact, Mr Rostolis considers that it is appropriate for him to make a recommendation on the Scheme. SMS has also agreed to tag the votes of Mr Rostolis at the Scheme Meeting at the request of ASIC. Further details of the incentive payment are set out in Section 7.10, and further details of the vote tagging are set out in Sections 3.1 and 6.10(a). As discussed in Section 11.3(b), no similar incentives, agreements or arrangements exist with any other SMS Director.

3 ACTION REQUIRED BY SMS SHAREHOLDERS (cont)

3.4 Am I entitled to vote?

If you are registered as a SMS Shareholder on the SMS Share Register at 7:00pm on Wednesday 30 August 2017, you will be entitled to attend and vote at the Scheme Meeting to be held on Friday 1 September 2017 at 11:00am.

3.5 How do I vote on the Scheme?

You can vote on the Scheme Resolution at the upcoming Scheme Meeting on Friday 1 September 2017 at 11:00am in any of the following ways.

You can vote:

+ **in person** – by attending the Scheme Meeting;
+ **by proxy** – by completing and returning to the SMS Share Registry the enclosed proxy form for the Scheme Meeting. The proxy form must be received by the SMS Share Registry by no later than 11:00am on Wednesday 30 August 2017. You can also lodge your proxy online at www.linkmarketservices.com.au by no later than 11:00am on Wednesday 30 August 2017.
+ **by attorney** – by providing the SMS Share Registry the original (or certified copy) of the instrument appointing an attorney by no later than 11:00am on Wednesday 30 August 2017 (unless a copy has already been provided to the SMS Share Registry); or
+ **by corporate representative** – in the case of a body corporate, by appointing a corporate representative to act as its representative. The appointment must comply with section 253B of the Corporations Act. Persons attending the Scheme Meeting as a corporate representative should bring to the Scheme Meeting evidence of their appointment, including an original or certified copy of any authority under which the document appointing them as corporate representative was signed.

4. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

4 KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

4.1 Summary of reasons why you might vote for or against the Scheme

(a)	Reasons to vote in favour of the Scheme
1	The SMS Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.
2	The Independent Expert has concluded that the Scheme is both fair and reasonable and, therefore, is in the best interests of SMS Shareholders.
3	The value of the Scheme Consideration represents a significant premium to the Last Undisturbed Share Price of $1.28, and to trading valuations since SMS provided updated guidance at its AGM in November 2016.
4	If the Special Dividend is declared and the Scheme becomes Effective, SMS Shareholders will receive a fully franked Special Dividend of up to a maximum of 10.2 cents per SMS Share. Those SMS Shareholders who are able to realise the full benefit of franking credits attached to the Special Dividend may receive additional benefits of up to a maximum of 4.4 cents per SMS Share (based on a Special Dividend of 10.2 cents per SMS Share).
5	The all cash Scheme Consideration provides immediate and certain value.
6	No Superior Proposal has emerged as at the date of this Scheme Booklet.
7	If the Scheme does not proceed, and no Superior Proposal emerges, the SMS share price may fall.
8	No brokerage or stamp duty will be payable by you on the transfer of your Scheme Shares.

The reasons to vote in favour of the Scheme are discussed in more detail in Section 4.2 of this Scheme Booklet.

(b)	Reasons to vote against the Scheme
1	You may disagree with the SMS Directors' unanimous recommendation and the Independent Expert's conclusion.
2	You may prefer to realise the potential value of SMS over the long term, and may consider that the Scheme does not capture SMS's long-term potential.
3	You may consider that there is a possibility that a Superior Proposal could emerge in relation to SMS in the foreseeable future.
4	The Scheme may be subject to conditions that you consider unacceptable.

The reasons to vote against the Scheme are discussed in more detail in Section 4.3 of this Scheme Booklet.

4.2 Reasons to vote in favour of the Scheme

This section sets out the reasons you may want to vote in favour of the Scheme. This section should be read in conjunction with the 'Reasons you may want to vote against the Scheme' set out in Section 4.3 of this Scheme Booklet, and the 'Other considerations' set out in Section 4.4 of this Scheme Booklet.

4 KEY CONSIDERATIONS RELEVANT TO YOUR VOTE (cont)

(a) The SMS Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders

The SMS Directors consider that the Scheme represents an attractive opportunity for SMS Shareholders as it provides SMS Shareholders with a significant premium and immediate and certain value through the all cash consideration. On this basis, the SMS Directors unanimously recommend that SMS Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.[1]

The SMS Board has reached this recommendation through a thorough process of consideration and review. After carefully reflecting on the proposal, in conjunction with SMS's advisers, the SMS Directors have determined to make their unanimous recommendation.

In making their unanimous recommendation, the SMS Directors have considered the advantages and disadvantages of the Scheme, including the information contained in:

+ Section 4 of this Scheme Booklet (Key Considerations Relevant to Your Vote);
+ Section 9 of this Scheme Booklet (Risk Factors); and
+ Annexure A of this Scheme Booklet (Independent Expert's Report).

Details of the interests of the SMS Directors are contained in Section 11 of this Scheme Booklet.

(b) The Independent Expert has concluded that the Scheme is both fair and reasonable and, therefore, is in the best interests of SMS Shareholders

SMS appointed KPMG Corporate Finance to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is in the best interests of SMS Shareholders.

The Independent Expert concluded that the Scheme is in the best interests of SMS Shareholders, in the absence of a Superior Proposal. The Independent Expert, in arriving at this opinion, has concluded that the Scheme is both fair and reasonable to SMS Shareholders. The basis for this conclusion is that the value of the Scheme Consideration of $1.80 is above the underlying value of SMS which the Independent Expert assessed to be in the range of $1.55 to $1.79 per SMS Share.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A. SMS Shareholders should carefully review the Independent Expert's Report in its entirety.

(c) The value of the Scheme Consideration represents a significant premium to the Last Undisturbed Share Price of $1.28, and to trading valuations since SMS provided updated guidance at its AGM in November 2016

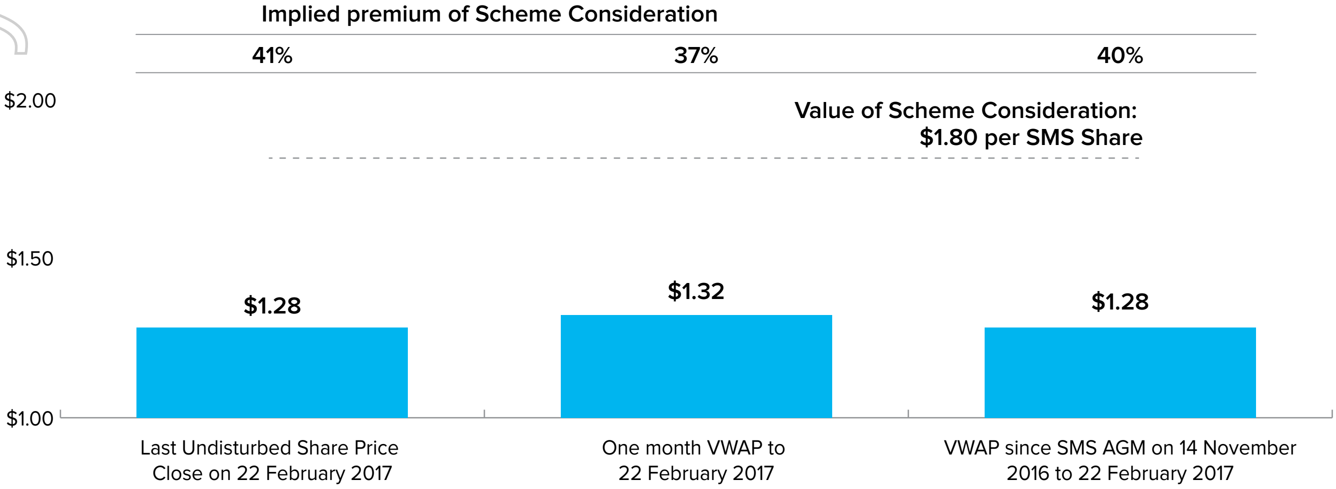
The value of the Scheme Consideration is $1.80 cash per SMS Share.

The value of the Scheme Consideration represents a significant premium to the SMS share price prior to the announcement of the DWS SIA, including:

+ 41% premium to the Last Undisturbed Share Price on 22 February 2017 of $1.28;
+ 37% premium to one month VWAP to share price close on 22 February 2017 of $1.32; and
+ 40% premium to VWAP since the SMS AGM on 14 November 2016 to 22 February 2017, of $1.28.

1. With respect to Rick Rostolis' recommendation, SMS Shareholders are advised that Mr Rostolis will receive a $600,000 cash incentive conditional upon the Scheme becoming Effective. Despite this fact, Mr Rostolis considers that it is appropriate for him to make a recommendation on the Scheme. SMS has also agreed to tag the votes of Mr Rostolis at the Scheme Meeting at the request of ASIC. Further details of the incentive payment are set out in Section 7.10, and further details of the vote tagging are set out in Sections 3.1 and 6.10(a). As discussed in Section 11.3(b), no similar incentives, agreements or arrangements exist with any other SMS Director.

The graph below illustrates the premium implied by the $1.80 value of the Scheme Consideration compared to the three share prices referred to earlier.



(d) If the Special Dividend is declared and the Scheme becomes Effective, SMS Shareholders will receive a fully franked Special Dividend of up to a maximum of 10.2 cents per SMS Share and may be able to realise the full benefit of franking credits up to 4.4 cents per SMS Share

If the Special Dividend is declared and the Scheme becomes Effective, SMS Shareholders will receive a fully franked Special Dividend of up to a maximum of 10.2 cents per SMS Share. Those SMS Shareholders who are able to realise the benefit of franking credits attached to the Special Dividend (if declared) will realise additional value of up to 4.4 cents per SMS Share (based on a Special Dividend of 10.2 cents per SMS Share).

Any additional benefit will be less if the Special Dividend is less than the maximum or is not declared.

If declared, the Special Dividend is expected to be paid shortly before the Scheme Record Date.

Whether a SMS Shareholder will be in a position to derive the full benefit of the franking credits will depend on their particular tax position.

Importantly, the Scheme Consideration will be reduced by the cash value of any Special Dividend paid.

(e) The all cash Scheme Consideration provides immediate and certain value

The Scheme Consideration consists of $1.80 cash per SMS Share.

This all cash Scheme Consideration provides immediate liquidity for SMS Shareholders. This certainty should be compared against the risks and uncertainties of remaining a SMS Shareholder (if the Scheme is not approved) to which SMS Shareholders are currently exposed.

(f) No Superior Proposal has emerged as at the date of this Scheme Booklet

From the announcement of the entry into the Scheme Implementation Agreement to the ASX on 20 June 2017 to the date of this Scheme Booklet, no Superior Proposal has emerged and your Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

On 27 February 2017, SMS announced that it had entered into the DWS SIA under which DWS proposed to acquire all of the issued shares in SMS for $1.00 in cash plus 0.39 new DWS shares per SMS Share. However, on 14 June 2017, the SMS Board determined the ASG Scheme was superior which triggered DWS's matching right. Subsequent to DWS's matching right expiring on 19 June 2017, SMS terminated the DWS SIA and entered into the ASG SIA.

The SMS Directors considered the ASG Scheme to be superior to the DWS SIA for the following reasons:

+ **Premium to consideration under the DWS SIA:** the value of the ASG Scheme Consideration of $1.80 represents a material premium to the consideration implied by the DWS SIA, including:
  - a 12.2% premium to the implied value of consideration based on the mid-point of the Independent Expert's valuation of DWS shares; and

- a 10.5% premium to the implied value of consideration based on the VWAP of DWS shares from 27 February 2017 (when the DWS SIA was announced) to 26 May 2017 (when the ASG expression of interest was received);

+ **All cash consideration:** the Scheme Consideration provides immediate and certain value through the all cash consideration of the ASG Scheme.

(g) If the Scheme does not proceed, and no Superior Proposal emerges, the SMS share price may fall

SMS's Last Undisturbed Share Price was $1.28. This represented a decrease of 21% from the last close prior to the date of the 2016 SMS AGM, held on 14 November 2016, when SMS provided a trading update.

The SMS share price at the Last Practicable Date represents a 40% premium to SMS's Last Undisturbed Share Price.

The SMS Directors are unable to predict the price at which SMS Shares will trade in the future, but consider that, in the absence of implementation of the Scheme, and in the absence of a Superior Proposal, the price of SMS Shares may fall.

(h) No brokerage or stamp duty will be payable by you on the transfer of your Scheme Shares

You will not incur any brokerage or stamp duty on the transfer of your Scheme Shares to ASG under the Scheme. If you sell your SMS Shares on ASX (rather than disposing of them via the Scheme), you may incur brokerage charges.

4.3 Reasons to vote against the Scheme

This section summarises the reasons identified by the SMS Directors as to why you may want to vote against the Scheme. The SMS Directors believe that the reasons to vote in favour of the Scheme outweigh the reasons you may want to vote against the Scheme and that the Scheme is in the best interests of the SMS Shareholders, in the absence of a Superior Proposal. However, the SMS Directors believe that SMS Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

This section should be read in conjunction with the 'Reasons to vote in favour of the Scheme' in Section 4.2 of this Scheme Booklet, the 'Other considerations' set out in Section 4.4 of this Scheme Booklet and the Risk Factors set out in Section 9.

(a) You may disagree with the SMS Directors' unanimous recommendation and the Independent Expert's conclusion

Notwithstanding the unanimous recommendation of the SMS Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the SMS Directors or to agree with the opinion of the Independent Expert.

(b) You may prefer to realise the potential value of SMS over the long term, and may consider that the Scheme does not capture SMS's long-term potential

If the Scheme is approved, it is expected to be implemented on Tuesday 26 September 2017. This time frame may not be consistent with your investment objectives and you may consider that your SMS Shares have greater value on a stand-alone basis over the longer term.

You may consider that SMS has stronger long-term growth potential and that the Scheme Consideration does not fully reflect your views on long-term value. You may therefore prefer to retain your listed SMS Shares and realise the value of your SMS Shares over the longer term.

(c) You may consider that there is a possibility that a Superior Proposal could emerge in relation to SMS in the foreseeable future

You may consider that a Superior Proposal, which is more attractive to SMS Shareholders than the Scheme, could emerge in the foreseeable future.

Since the announcement of the Scheme on 20 June 2017 and up to the date of this Scheme Booklet, the SMS Directors have not received or become aware of a Superior Proposal and have no reason to believe that a Superior Proposal will emerge.

The Scheme Implementation Agreement contains exclusivity arrangements which, amongst other things, prohibit SMS from soliciting Third Party Proposals. These exclusivity arrangements are summarised in Section 12.1(d) of this Scheme Booklet.

(d) The Scheme may be subject to conditions that you consider unacceptable

In addition to SMS Shareholder approval and Court approval, the implementation of the Scheme is subject to a number of other Conditions Precedent. If the Conditions Precedent are not satisfied or waived (as applicable), the Scheme will not be implemented and SMS Shareholders will not receive the Scheme Consideration.

The Conditions Precedent (and their status as at the date of this Scheme Booklet) are summarised in Sections 6.7 and 12.1(b) of this Scheme Booklet and set out in full in Clause 3.1 of the Scheme Implementation Agreement and Clause 3.1 of the Scheme (a copy of which is set out in Annexure B of this Scheme Booklet). It is possible that you consider those Conditions Precedent to be unacceptable. However, note that the Scheme will not be implemented unless those Conditions Precedent are satisfied or waived.

A copy of the Scheme Implementation Agreement was lodged with the ASX on 20 June 2017 by SMS. A copy of the Scheme Implementation Agreement is available on the SMS website and ASX website. SMS Shareholders can also obtain a copy of the Scheme Implementation Agreement at no cost by contacting the SMS Shareholder Information Line.

4.4 Other considerations

(a) The Scheme may be implemented even if you vote against the Scheme or you do not vote at all

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of SMS Shareholders and the Court. If this occurs, your SMS Shares will be transferred to ASG and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

(b) Implications for SMS Shareholders if the Scheme is not implemented

If the Scheme is not implemented, SMS Shareholders will not receive the Scheme Consideration but will retain their SMS Shares.

(c) Conditionality of the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent which are summarised in Sections 6.7 and 12.1(b) of this Scheme Booklet and set out in Clause 3.1 of the Scheme Implementation Agreement and Clause 3.1 of the Scheme (a copy of which is set out in Annexure B).

If the Conditions Precedent are not satisfied or waived (as applicable), the Scheme will not be implemented and SMS Shareholders will not receive the Scheme Consideration.

(d) Warranty by Scheme Shareholders about their SMS Shares and no encumbrances over Scheme Shares

Under the Scheme, each Scheme Shareholder is deemed to have provided certain warranties to SMS (in its own right and for the benefit of ASG) in respect of that Scheme Shareholder's Scheme Shares, including:

+ that there are no encumbrances or other third party interests of any kind over the Scheme Shares;
+ that they have power and capacity to sell and transfer their Scheme Shares to ASG; and
+ in respect of a Scheme Shareholder who is not an "Australian resident" within the meaning of the Tax Administration Act 1953 (Cth), that its Scheme Shares are "membership interests" in SMS but are not "indirect Australian real property interests" (as those terms are defined in section 995-1(1) of the Income Tax Assessment Act 1997 (Cth)).

Please refer to Section 6.12 of this Scheme Booklet for further information on these warranties.

(e) Exclusivity obligations

SMS has agreed to a number of exclusivity arrangements under the Scheme Implementation Agreement, including a "no current discussions" warranty, "no shop", "no talk", "no due diligence", "equal information" and "notification". Further obligations include a "matching right" for ASG and a break fee of $1.2 million, payable by SMS in the event that the Transaction does not proceed, should SMS terminate the Scheme Implementation Agreement upon a change of recommendation by the SMS Directors, or the announcement of a Superior Proposal. The "no talk", "no due diligence", "equal information" and "notification" obligations are subject to fiduciary carve-outs. Please refer to Section 12.1(d) of this Scheme Booklet for further information on the exclusivity arrangements under the Scheme Implementation Agreement.

(f) Reimbursement Fee

A reimbursement fee of $1.2 million is payable by ASG if ASG does not pay the Scheme Consideration in accordance with the terms of the Scheme Implementation Agreement.

5. FREQUENTLY ASKED QUESTIONS

5 FREQUENTLY ASKED QUESTIONS

This Section 5 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for SMS Shareholders. This Section 5 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
The Scheme and the Scheme Consideration		
What is the Scheme?	The Scheme is a scheme of arrangement between SMS and SMS Shareholders at the Scheme Record Date. The Scheme will give effect to the acquisition of SMS by ASG. A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company. If the Scheme is approved and implemented, SMS Shareholders on the Register at the Scheme Record Date will receive the Scheme Consideration on the Implementation Date.	A copy of the Scheme is contained in Annexure B
What is the Scheme Consideration?	The Scheme Consideration is the consideration to be provided by ASG to each Scheme Shareholder for the transfer to ASG of each Scheme Share. The Scheme Consideration is a cash payment of $1.80 per SMS Share, less the cash value of any Special Dividend paid.	
When and how will I receive my Scheme Consideration?	Payment of the Scheme Consideration will be made on the Implementation Date (currently expected to be Tuesday 26 September 2017). The Scheme Consideration will be paid in Australian currency either by direct payment to your nominated bank account (if you have validly registered bank account details with the SMS Share Registry by the Scheme Record Date) or otherwise by cheque despatched to your registered address on the Implementation Date.	
Voting recommendations and considerations		
What do the SMS Directors recommend?	The SMS Board unanimously recommends that, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders, SMS Shareholders should vote in favour of the Scheme at the Scheme Meeting.[1]	
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is in the best interests of SMS Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.	Annexure A of this Scheme Booklet contains the Independent Expert's Report
Why should I vote in favour of the Scheme?	Reasons why you should vote in favour of the Scheme are detailed in Section 4.2.	Section 4.2
Why might I consider voting against the Scheme?	Reasons why you may consider voting against the Scheme are detailed in Section 4.3.	Section 4.3

1. With respect to Rick Rostolis' recommendation, SMS Shareholders are advised that Mr Rostolis will receive a $600,000 cash incentive conditional upon the Scheme becoming Effective. Despite this fact, Mr Rostolis considers that it is appropriate for him to make a recommendation on the Scheme. SMS has also agreed to tag the votes of Mr Rostolis at the Scheme Meeting at the request of ASIC. Further details of the incentive payment are set out in Section 7.10, and further details of the vote tagging are set out in Sections 3.1 and 6.10(a). As discussed in Section 11.3(b), no similar incentives, agreements or arrangements exist with any other SMS Director.

5 FREQUENTLY ASKED QUESTIONS (cont)

Question	Answer	More information
Conditions to the Scheme and approval of the Scheme		
Are there any conditions to the Scheme?	As outlined in Sections 6.7 and 12.1(b), the implementation of the Scheme is subject to a number of Conditions Precedent. Other than the Conditions Precedent relating to "SMS Shareholder approval" and "Court approval of the Scheme" (which cannot be waived), all of the remaining Conditions Precedent must be satisfied or waived by 8.00am on the Second Court Date. The Scheme will not be implemented unless all of the Conditions Precedent are satisfied or waived.	Sections 6.7 and 12.1(b)
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at 11:00am on Friday 1 September 2017 at Level 2, RACV Club, 501 Bourke Street, Melbourne.	The Notice of Scheme Meeting contained in Annexure D contains further information on the Scheme Meeting
What will SMS Shareholders be asked to vote on at the Scheme Meeting?	At the Scheme Meeting, SMS Shareholders will be asked to vote on whether they approve the Scheme.	The Scheme Resolution is set out in the Notice of Scheme Meeting contained in Annexure D
What is the SMS Shareholder approval threshold for the Scheme?	In order to become Effective, the Scheme must be approved by: + a majority in number (more than 50%) of SMS Shareholders present and voting at the Scheme Meeting at 11:00am on Friday 1 September 2017 (either in person or by proxy); and + at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SMS Shareholders present and voting at the Scheme Meeting at 11:00am on Friday 1 September 2017 (either in person or by proxy). SMS has agreed to tag any votes cast at the Scheme Meeting by any recipients of incentive payments so that those votes can be separately recorded. Please refer to Sections 3.1 and 6.10(a) for further details. Even if the Scheme is agreed to by SMS Shareholders at the Scheme Meeting at 11:00am on Friday 1 September 2017, the Scheme is still subject to the approval of the Court (as well as other Conditions Precedent outlined in Sections 6.7 and 12.1(b)).	Section 6.10 and the Notice of Scheme Meeting contained in Annexure D set out further information on the Scheme approval requirements Sections 3.1 and 6.10(a)
Am I entitled to vote at the Scheme Meeting?	Each SMS Shareholder who is registered on the SMS Share Register at 7:00pm (Melbourne time) on Wednesday 30 August 2017 is entitled to attend and vote at the Scheme Meeting.	The Notice of Scheme Meeting contained in Annexure D sets out further information on your entitlement to vote
How can I vote if I can't attend the Scheme Meeting?	If you are unable to attend the Scheme Meeting you are able to vote by proxy, by completing and returning to the SMS Share Registry the enclosed proxy form for the Scheme Meeting. The proxy form must be received by the SMS Share Registry by no later than 11:00am on Wednesday 30 August 2017. You can also lodge your proxy online at www.linkmarketservices.com.au by no later than 11:00am on Wednesday 30 August 2017.	The Notice of Scheme Meeting contained in Annexure D sets out further details on how to vote at the Scheme Meeting.

5 FREQUENTLY ASKED QUESTIONS (cont)

Question	Answer	More information
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting will be available during or shortly after the conclusion of the meeting and will be announced to the ASX once available. Even if the Scheme is passed by the Scheme Meeting, the Scheme is subject to approval of the Court (as well as other Conditions Precedent outlined in Sections 6.7 and 12.1(b)).	
What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed?	If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver) or the Court does not approve the Scheme, then the Scheme will not be implemented. If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their SMS Shares. In these circumstances, SMS will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX.	
What happens to my SMS Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective, any SMS Shares held by you on the Scheme Record Date (currently expected to be 7:00pm on Tuesday 19 September 2017) will be transferred to ASG and you will receive the Scheme Consideration, notwithstanding that you did not vote or voted against the Scheme.	
When will the Scheme be implemented?	If the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date (being the fifth Business Day after the Scheme Record Date), which is currently expected to be Tuesday 26 September 2017.	
Other questions		
What happens if a Superior Proposal is received?	If a Superior Proposal is received this will be announced to the ASX and the SMS Board will carefully consider the proposal and advise you of its recommendation. In accordance with the Scheme Implementation Agreement, ASG also has a right to match any such proposal.	
Can I sell my SMS Shares now?	You can sell your SMS Shares on market at any time before close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the value of the Scheme Consideration). If the Scheme becomes Effective, SMS intends to apply to the ASX for SMS Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date (which is currently expected to be Thursday 7 September 2017). You will not be able to sell your SMS Shares on market after this time.	Section 6.9
Will I receive any more dividends from SMS?	The SMS Board may, in its absolute discretion, declare a fully franked Special Dividend of up to a maximum of 10.2 cents per SMS Share, which, if declared, is expected to be paid to SMS Shareholders shortly before the Scheme Record Date. Those SMS Shareholders that are recorded on the SMS Share Register as at the Special Dividend Record Date will be entitled to receive any Special Dividend that is declared by SMS. Other than any Special Dividend (if declared), you will not receive any further dividends from SMS if the Scheme becomes Effective.	Section 6.2(b)
Will I have to pay brokerage or stamp duty?	No, you will not have to pay brokerage or stamp duty if your SMS Shares are acquired under the Scheme.	

5 FREQUENTLY ASKED QUESTIONS (cont)

Question	Answer	More information
What are the taxation implications of the Scheme?	The tax implications for Scheme Shareholders if the Scheme is approved and implemented will depend on the specific taxation circumstances of each Scheme Shareholder. General information about the likely Australian tax consequences of the Scheme is set out in Section 10 of this Scheme Booklet. You should not rely on those descriptions as advice for your own affairs. For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.	Section 10
What happened to the DWS scheme?	On 27 February 2017, SMS announced that it had entered into the DWS SIA under which DWS proposed to acquire all of the issued shares in SMS for $1.00 in cash plus 0.39 new DWS shares per SMS Share. However, on 14 June 2017, the SMS Board determined the ASG Scheme was superior which triggered DWS's matching right. Subsequent to DWS's matching right expiring on 19 June 2017 SMS terminated the DWS SIA, entered into the ASG SIA and cancelled the scheme meeting for SMS Shareholders to vote on the DWS scheme.	
Where can I get further information?	For further information, you can call the Shareholder Information Line on 1300 970 086 (within Australia) and +61 1300 970 086 (outside of Australia) between 8.30am and 5.30pm (Melbourne time).	

6. OVERVIEW OF THE TRANSACTION FOR SMS SHAREHOLDERS

6 OVERVIEW OF THE TRANSACTION FOR SMS SHAREHOLDERS

6.1 Background

There are a range of issues which form part of, or are related to, the Scheme. SMS Shareholders should consider the issues outlined below as part of their overall assessment of the Scheme.

6.2 What you will receive – overview of Scheme Consideration

(a) Scheme Consideration

If the Scheme becomes Effective, Scheme Shareholders (being SMS Shareholders as at the Scheme Record Date) will receive the Scheme Consideration of $1.80 cash per SMS Share (less the cash value of any Special Dividend paid).

(b) Special Dividend

Under the Scheme Implementation Agreement, the SMS Board reserved the right in its absolute discretion to declare a Special Dividend not exceeding $7 million in aggregate (being up to a maximum of 10.2 cents per SMS Share based on the number of SMS Shares on issue as at the Last Practicable Date).

If the Special Dividend is declared and the Scheme becomes Effective, the amount of the Special Dividend will, if paid, reduce the Scheme Consideration payable to Scheme Shareholders. SMS Shareholders should read Section 10 of this Scheme Booklet which contains details regarding the taxation treatment of the Special Dividend. In addition, the tax treatment of the Special Dividend and the ability for SMS Shareholders to claim any franking credits (see below) is also subject to an ATO Class Ruling which should provide SMS Shareholders with certainty around the tax treatment of the Special Dividend.

It is the SMS Board's intention that the Special Dividend will be fully franked. SMS Shareholders who are entitled to a refundable tax offset for franking credits attached to the Special Dividend are expected to receive, subject to their marginal tax rate, an additional benefit value of up to a maximum of 4.4 cents per SMS Share (based on a fully franked Special Dividend of 10.2 cents per SMS Share). Whether a SMS Shareholder will be in a position to derive the full benefit of the franking credits will depend on their particular tax circumstances. Any additional benefit will be less if the Special Dividend is less than the maximum or is not declared.

It is expected that the Special Dividend will be funded through SMS's existing cash reserves, from its working capital and/or banking facilities.

6.3 Provision of Scheme Consideration

If the Scheme becomes Effective:

+ ASG must, by no later than 8.00am on the Business Day immediately before the Implementation Date, deposit an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders in cleared funds into an Australian dollar denominated trust account, operated by SMS as trustee for the Scheme Shareholders, to be held on trust for the Scheme Shareholders for the purpose of paying the Scheme Consideration to each Scheme Shareholder (except that any interest on the amounts deposited, less bank fees and other charges, will be credited to ASG's account);
+ on the Implementation Date, subject to funds having been deposited as set out above, SMS must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder;
+ SMS may make such payment by:
  - dispatching, or procuring the dispatch, to each Scheme Shareholder of a pre-printed cheque in the name of that Scheme Shareholder for the relevant amount (denominated in Australian currency) with such dispatch to be made by pre-paid post to that Scheme Shareholder's registered address (as at the Scheme Record Date); or
  - making, or procuring the making of, a deposit for the relevant amount (denominated in Australian currency) in an account with any Australian authorised deposit-taking institution in Australia notified by the relevant Scheme Shareholder to SMS for the purposes of receiving dividends and recorded in or for the purposes of the SMS Share Register as at the Scheme Record Date.

6 OVERVIEW OF THE TRANSACTION FOR SMS SHAREHOLDERS (cont)

6.4 Your Directors' recommendation

Your Directors unanimously recommend that SMS Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.[1]

In making their recommendation, your Directors have considered the following:

+ the reasons for SMS Shareholders to vote in favour of the Scheme outlined in Section 4.2;
+ the reasons SMS Shareholders may vote against the Scheme, outlined in Section 4.3;
+ the risks related to SMS on a stand-alone basis, which are outlined in Section 9; and
+ the Independent Expert's Report which is included in Annexure A.

The SMS Directors concluded the reasons for SMS Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme.

In considering whether to vote in favour of the Scheme, your Directors encourage you to:

+ carefully read all of this Scheme Booklet (including the Independent Expert's Report);
+ consider the choices available to you as outlined in Section 6.9;
+ have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
+ obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

6.5 Voting intentions of your Directors

Each SMS Director intends to vote in favour of the Scheme at the Scheme Meeting to be held at 11:00am on Friday 1 September 2017 in relation to the SMS Shares held or controlled by them, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

Details of the Relevant Interests of each SMS Director are set out in Section 11.

6.6 Independent Expert's conclusion

The SMS Directors note that the Independent Expert has concluded that the Scheme is in the best interests of SMS Shareholders, in the absence of a Superior Proposal. The Independent Expert, in arriving at this opinion, concluded that the Scheme was both fair and reasonable to SMS Shareholders. The basis for this conclusion is that the Scheme Consideration of $1.80 is above the underlying value of SMS which the Independent Expert assessed to be in the range of $1.55 to $1.79 per SMS Share. The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A.

6.7 Conditions of the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent, including:

+ ASIC issue all consents, approvals, exemptions, waivers or other authorisations and do all such other acts which ASG and SMS reasonably agree are necessary or desirable to implement the Transaction (including ASIC providing the statement required under section 411(17)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either ASG or SMS) and these consents, approvals, exemptions, waivers or other authorisations are not withdrawn, cancelled or revoked;
+ no temporary restraining order, injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition is in effect at 8.00am on the Second Court Date which prevents or restrains the lawful consummation of any aspect of the Transaction;

1 With respect to Rick Rostolis' recommendation, SMS Shareholders are advised that Mr Rostolis will receive a $600,000 cash incentive conditional upon the Scheme becoming Effective. Despite this fact, Mr Rostolis considers that it is appropriate for him to make a recommendation on the Scheme. SMS has also agreed to tag the votes of Mr Rostolis at the Scheme Meeting at the request of ASIC. Further details of the incentive payment are set out in Section 7.10, and further details of the vote tagging are set out in Sections 3.1 and 6.10(a). As discussed in Section 11.3(b), no similar incentives, agreements or arrangements exist with any other SMS Director.

- no SMS Material Adverse Change occurs or becomes apparent between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
- no SMS Prescribed Occurrence occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
- the Independent Expert does not change its conclusion that the Scheme is in the best interests of Scheme Shareholders or qualify or withdraw the Independent Expert's Report before 8.00am on the Second Court Date;
- the Scheme is approved by SMS Shareholders by the Requisite Majorities at the Scheme Meeting; and
- the Court approves the Scheme and an office copy of the Court's order approving the Scheme is lodged with ASIC.

The Conditions Precedent are summarised in further detail in Section 12.1(b) and set out in full in Clause 3.1 of the Scheme Implementation Agreement.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Agreement.

As at the Last Practicable Date, none of the SMS Directors are aware of any circumstances which would cause any Condition Precedent not to be satisfied.

6.8 If the Scheme does not become Effective

If the Scheme is not implemented:

- Scheme Shareholders will not receive the Scheme Consideration;
- SMS will continue to be listed on the ASX and SMS Shareholders will continue to be exposed to movements in the SMS share price on ASX;
- SMS Shares will not be transferred to ASG and will be retained by SMS Shareholders; and
- SMS Shareholders will continue to be exposed to the benefits and risks associated with an investment in SMS as a stand-alone entity (see Section 9.2).

If the Scheme is not implemented, it is the SMS Directors' current intention to continue operating SMS in line with its previously stated objectives. If the Scheme is not implemented SMS expects to incur approximately $0.5 million of costs related to the Scheme.

SMS has incurred approximately $1.2 million of costs related to actions contemplated by the DWS SIA prior to its termination.

In the absence of an alternative proposal which is similar or superior to the Scheme, the price at which SMS Shares trade may fall.

6.9 Your choices as a SMS Shareholder

As a SMS Shareholder, you have three choices currently available to you, which are as follows:

Option 1 – Vote at the Scheme Meeting	You can vote at the Scheme Meeting in person or by proxy, attorney or (in the case of corporations who are SMS Shareholders) corporate representative, in respect of some or all of your SMS Shares. Details of how to vote at the Scheme Meeting are set out in Section 3.5. You may vote in favour of, or against, the Scheme Resolution. You may also abstain from voting on the Scheme Resolution. If you abstain from voting, your votes will not be counted in computing the required majority. If you vote against the Scheme Resolution or abstain from voting on the Scheme Resolution and the Scheme is approved and becomes Effective, then any SMS Shares you hold on the Scheme Record Date will be transferred to ASG and you will receive the Scheme Consideration for each of your SMS Shares.

Option 2 – Sell your SMS Shares on ASX	You can sell your SMS Shares on ASX at any time before close of trading on the Effective Date. If you sell your SMS Shares on ASX, you may incur brokerage costs. If you sell your SMS Shares before the Scheme Record Date, you will not receive the Scheme Consideration. If you sell your SMS Shares off-market after the Effective Date but before the Special Dividend Record Date, you will not receive the Scheme Consideration. SMS will not accept for registration any off-market transfers in respect of SMS Shares received after 5.00pm on the Special Dividend Record Date, other than a transfer to ASG in accordance with the Scheme and any subsequent transfer by ASG, or its successors in title. If the Scheme becomes Effective, it is expected that SMS Shares will be suspended from trading on ASX at the close of trading on the Effective Date.
Option 3 – Do nothing	If you do not wish to vote for or against the Scheme, or sell your SMS Shares on ASX, you may choose to do nothing. If you do nothing and the Scheme is approved by SMS Shareholders and becomes Effective, then your Scheme Shares will be transferred to ASG and you will be paid the Scheme Consideration. If you do nothing and the Scheme is not approved, SMS will continue to be listed on the ASX and SMS Shareholders will continue to be exposed to movements in the SMS share price on ASX.

6.10 Transaction procedure

(a) Scheme approval requirements

The Scheme will only become Effective and be implemented if:

+ it is approved by the Requisite Majorities of SMS Shareholders at the Scheme Meeting to be held at 11:00am on Friday 1 September 2017;
+ it is approved by the Court at the Second Court Hearing; and
+ the Conditions Precedent in relation to the Scheme outlined in Section 6.7 of this Scheme Booklet are satisfied or waived (as appropriate).

The Conditions Precedent (other than that relating to Court approval) must be satisfied by 8.00am on the Second Court Date.

The Requisite Majorities of SMS Shareholders to approve the Scheme are:

+ unless the Court orders otherwise, a majority in number (more than 50%) of SMS Shareholders present and voting at the Scheme Meeting (either in person or by proxy); and
+ at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SMS Shareholders present and voting at the Scheme Meeting (either in person or by proxy).

In respect of the entitlement of recipients of the incentive payments (as disclosed in Sections 7.10 and 11.3(b)) to vote their SMS Shares on the Scheme, at the request of ASIC, SMS has agreed to tag any votes cast at the Scheme Meeting by any recipients of the incentive payments so that these votes can be separately recorded.

This will enable ASIC, and if necessary the Court, at the Second Court Hearing to consider whether the Scheme Resolution, if approved by the Requisite Majorities, would have been approved even if these votes were to be disregarded.

(b) Scheme Meeting and how to vote

The Court has ordered SMS to convene the Scheme Meeting at which SMS Shareholders will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure D.

The fact that the Court has ordered that the Scheme Meeting be convened by SMS for SMS Shareholders to consider and vote on the Scheme and directed that an explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or has formed any view as to the merits of the Scheme or as to how SMS Shareholders should vote. On these matters SMS Shareholders must reach their own decision.

(c) Attendance at Scheme Meeting

The entitlement of SMS Shareholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure D.

Instructions on how to attend and vote at the Scheme Meeting to be held at 11:00am on Friday 1 September 2017 (in person, by proxy, or in person through an attorney or corporate representative) are set out in the Notice of Scheme Meeting.

Voting is not compulsory. However, the SMS Directors unanimously recommend that SMS Shareholders vote in favour of the Scheme in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

The results of the Scheme Meeting will be available during or shortly after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) once available.

(d) Court approval of the Scheme

In the event that:

+ the Scheme is approved by the Requisite Majorities of SMS Shareholders at the Scheme Meeting (see Section 6.10(a) of this Scheme Booklet for the Scheme approval requirements); and
+ all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived),

then SMS will apply to the Court for orders approving the Scheme.

You may appear at the Second Court Hearing.

If you wish to oppose the approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court, and serving on SMS, a notice of appearance in the form prescribed under the Supreme Court (Corporations) Rules 2013 (Vic), together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on SMS at its address for service at least one day before the Second Court Date.

The address for service is: SMS Management & Technology Limited, Level 41, 140 William Street, Melbourne VIC 3000, Attention: General Counsel.

(e) Effective Date

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. SMS will, on the Scheme becoming Effective, give notice of that event to the ASX.

SMS intends to apply to ASX for SMS Shares to be suspended from trading on the ASX from close of trading on the Effective Date.

(f) Scheme Record Date and entitlement to Scheme Consideration

Those SMS Shareholders on the SMS Share Register on the Scheme Record Date (currently proposed to be 7:00pm on Tuesday 19 September 2017) will be entitled to receive the Scheme Consideration in respect of the SMS Shares they hold at that time.

(g) Implementation Date

Scheme Shareholders will be sent or issued (as relevant) the Scheme Consideration on the Implementation Date (currently proposed to be Tuesday 26 September 2017). Subject to ASG providing the Scheme Consideration in accordance with the Scheme, the Scheme Shares will be transferred to ASG.

(h) Deed Poll

As at the date of this Scheme Booklet, a Deed Poll has been executed by ASG, under which ASG undertakes in favour of each Scheme Shareholder, to:

+ provide the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
+ undertake all other actions attributed to ASG under the Scheme.

A copy of the Deed Poll is contained in Annexure C.

(i) Parent Company Guarantee

Nomura Research Institute, Ltd (**NRI**) has provided a parent company guarantee to SMS dated 13 June 2017 under which NRI guarantees the obligations of ASG in respect of payment of the Scheme Consideration. Further detail is set out in Section 8.6(b).

6.11 Tax implications

A general guide to the taxation consequences for SMS Shareholders who dispose of their SMS Shares to ASG in accordance with the Scheme is set out in Section 10. This guide is expressed in general terms only and does not purport to be a complete analysis or to identify all the potential tax consequences of the Scheme. SMS Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

6.12 Warranty by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is deemed to have warranted to SMS, in its own right and for the benefit of ASG, that:

(a) all of the Scheme Shares held by that Scheme Shareholder (including any rights and entitlements attaching to those shares) which are to be transferred to ASG under the Scheme will be transferred to ASG fully paid and free from all mortgages, pledges, charges, liens, encumbrances, security interests (including any 'security interests' within the meaning of Section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration in accordance with the terms of such security interest); and

(b) they have full power and capacity to sell and transfer their Scheme Shares to ASG (including any rights and entitlements attaching to those shares).

The Scheme further provides that each Scheme Shareholder who is not an "Australian resident" within the meaning of the Tax Administration Act 1953 (Cth) is deemed to have declared to SMS, in its own right and for the benefit of ASG, that its Scheme Shares are "membership interests" in SMS but are not "indirect Australian real property interests" (as those terms are defined in section 995-1(1) of the Income Tax Assessment Act 1997 (Cth)). An "indirect Australian real property interest" will only exist if the market value of the company's assets that are taxable Australian real property accounts for more than 50% of the market value of all of its assets (often referred to as a "land-rich" entity). As SMS is not a land-rich entity, the Scheme Shares do not constitute indirect Australian real property interests.

6.13 Delisting of SMS

If the Court approves the Scheme, SMS will notify the ASX. It is expected that suspension of trading in SMS Shares on the ASX will occur at the close of trading on the ASX on the Effective Date.

If the Court approves the Scheme and the Scheme is implemented, SMS will apply for termination of the official quotation of SMS Shares on the ASX and the removal of SMS from the ASX's Official List after the Implementation Date.

7. PROFILE OF SMS

7 PROFILE OF SMS

7.1 Background

SMS is an ASX-listed Australian-based IT services company which provides a broad range of services across business and IT advisory, technology solutions, managed services and contract and permanent recruitment to organisations within the enterprise and corporate markets and to State and Federal Governments.

SMS was established in 1986 and was listed on the ASX as part of a reverse takeover in May 2000.

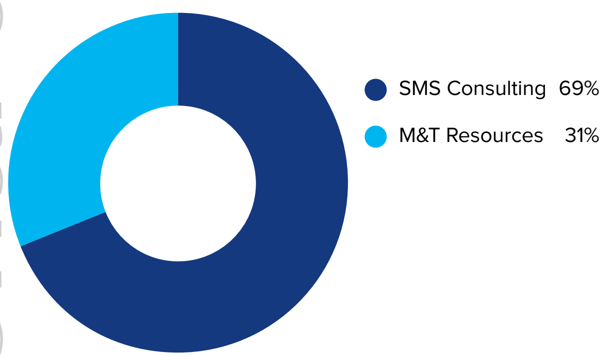
SMS is headquartered in Melbourne with Australian-based offices located in Sydney, Brisbane, Adelaide, Canberra and Perth and an Asia-based office in Hong Kong; with additional presence in both Singapore and the Philippines. As at 31 December 2016, SMS had approximately 1,500 full time equivalent staff.

SMS has an established customer base diversified across the sectors of telecommunications, media and technology, energy, resources and infrastructure, financial services, commercial and government.

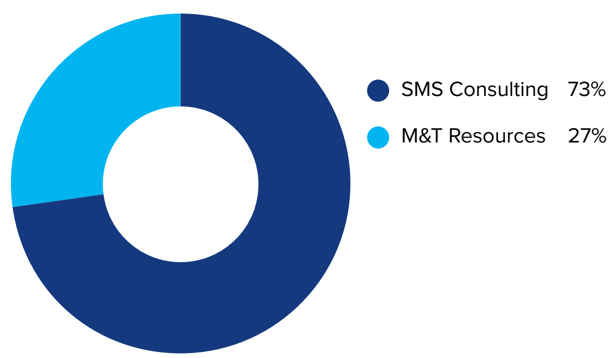
7.2 Overview of operations

SMS operates across two key segments: SMS Consulting and M&T Resources.

SMS revenue by segment (6 months to 31 Dec 2016)



SMS EBITDA by segment (6 months to 31 Dec 2016)[(1)(2)]



Notes: (1). Segmentation reflects EBITDA prior to significant items and adjustments.
(2). Segmentation excludes unallocated costs of $8.8m.

(a) SMS Consulting

SMS Consulting is the largest segment and accounted for 69% of SMS's revenue for the six months ended 31 December 2016. SMS Consulting derives revenue from providing a range of specialised business and IT advisory services, technology solutions and managed services primarily to enterprise and corporate businesses and State and Federal Government agencies.

SMS's advisory capabilities provide business solutions including digital business strategy, design thinking and customer experience, agile transformation, enterprise and technical architecture, change and program implementation and information strategy.

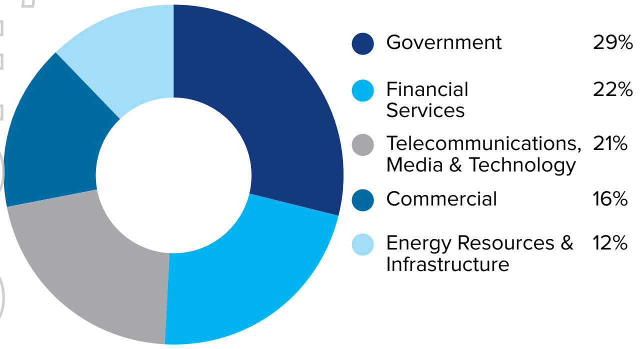
SMS's technology solutions capabilities in part leverage the Company's partnerships with technology vendors to deliver client engagements including web and mobile application solutions, data provisioning and business analytics, customer solutions, process and productivity improvements and cloud migration and enablement. Some of the technology vendors which SMS has partnerships with include Microsoft, Salesforce, Amazon Web Services and Pega.

SMS's managed services capabilities utilise service delivery frameworks to provide managed services including service desk through to management of cloud, application, infrastructure and network environments.

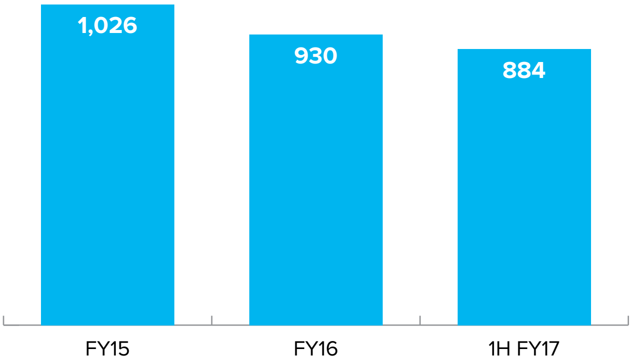
7 PROFILE OF SMS (cont)

SMS Consulting's service offerings are underpinned by project and change management and business analysis capabilities.

SMS Consulting revenue by industry (6 months to 31 Dec 2016)



SMS Consulting billable staff[1]

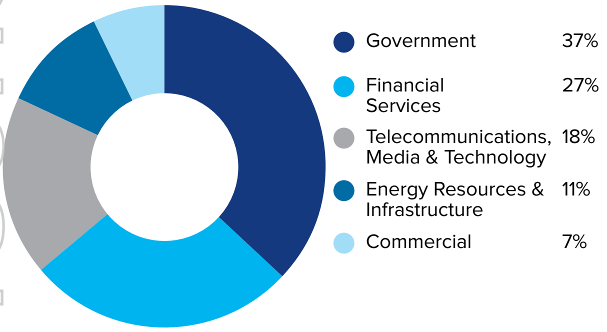


Note: (1) Consists of Advisory and Solutions and Managed Services billable staff at the end of the period.

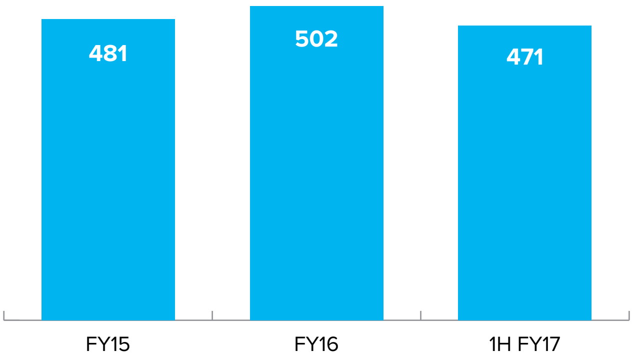
(b) M&T Resources

M&T Resources provides contract and permanent recruitment services to corporate and government entities and accounted for 31% of SMS's revenue for the six months ended 31 December 2016. M&T Resources' key capabilities consist of contract recruitment, permanent recruitment, talent acquisition, retained search and candidate services.

M&T Resources revenue by industry (6 months to 31 Dec 2016)



M&T Resources billable contractors[2]



Note: (2) Reflects average monthly FTE across the period.

7.3 Board and senior management

(a) SMS Board

The SMS Board comprises the following directors:

Name	Position
Derek Young, AM	Independent Non-Executive Chairman
Rick Rostolis	Chief Executive Officer and Managing Director
Nicole Birrell	Independent Non-Executive Director
Justin Milne	Independent Non-Executive Director
Bruce Thompson	Independent Non-Executive Director

(b) SMS senior management

The senior management comprises the following members:

Name	Position
Rick Rostolis	Chief Executive Officer and Managing Director
Peter Sherar	Chief Financial Officer
David Moodie	Managing Director, Capability Development
Manish Goklaney	Managing Director, Managed Services
Chris Sandham	Managing Director, M&T Resources and Director (Acting), People & Culture
Penny Grau	General Counsel & Company Secretary
Nick Smith	Chief Information Officer

7.4 Capital structure

As at the Last Practicable Date, the capital structure of SMS is as follows:

Type of security	Number on issue
SMS Shares	68,536,340

Other than the 1,331,592 performance rights on issue, as detailed in Section 12.2, at the Last Practicable Date, there are no other performance rights, options or other classes of securities on issue for SMS.

7.5 SMS's substantial shareholders

The following were substantial holders of SMS Shares, as extracted from substantial shareholding notices lodged with the ASX, in each case prior to the Last Practicable Date:

Substantial holder	Number of SMS Shares	Voting power[1]
National Nominees Ltd ACF Australian Ethical Investment Limited	7,380,025	10.8%
Wilson Asset Management Group	6,236,792	9.1%
Celeste Funds Management Limited	5,910,327	8.6%
Spheria Asset Management Pty Limited	5,676,486	8.3%
Commonwealth Bank of Australia and its related bodies corporate (as that term is used in section 50 of the Corporations Act)	4,320,388	6.3%
Highclere International Investors LLP	3,445,346	5.0%

(1) The percentage of issued capital specified in the relevant notice, which may not take into account subsequent cancellation of shares under the on-market share buy-back.

7.6 SMS share price

The chart below highlights the SMS share price since 1 July 2015. As the chart below shows, SMS's share price has decreased by 63% since 1 July 2015, up to 22 February 2017, being the date of the Last Undisturbed Share Price, which has resulted in a negative total shareholder return since 1 July 2015 to the Last Undisturbed Share Price of 57%[1] (including gross dividends of 21.0 cents). As at the Last Practicable Date, SMS's closing share price was $1.80.

Source: IRESS as at 25 July 2017.

7.7 Historical financial information

(a) Basis of preparation

This following Section 7.7 summarises certain historical financial information of SMS and does not contain all the disclosures that are usually provided in an annual report, prepared in accordance with the Corporations Act. The SMS Directors believe that the abbreviated historical financial information format presented in this section is useful to assist SMS Shareholders in their understanding of the historical financial performance and historical financial position of SMS.

The historical financial information has been extracted from SMS's financial accounts for the financial years ended 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) and the half-year ended 31 December 2016 (**1H FY17**). The historical financial information presented in this section relates to SMS on a stand-alone basis and accordingly does not reflect any impact of the Transaction.

SMS's financial accounts, including all notes to those accounts, can be found in:

+ the SMS 2015 Annual Report for the financial year ended 30 June 2015 (released to the ASX on 19 August 2015);
+ the SMS 2016 Annual Report for the financial year ended 30 June 2016 (released to the ASX on 23 August 2016); and
+ the SMS 1H FY17 Interim Financial Report for the half-year ended 31 December 2016 (released to the ASX on 27 February 2017).

Copies of these reports are available within the Investors section of the SMS website (http://www.smsmt.com/investor-information). Alternatively, SMS Shareholders may obtain copies of these documents free of charge by calling the SMS Shareholder Information line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

SMS's financial accounts for FY15, FY16 and 1H FY17 were prepared in accordance with Australian Accounting Standards. The audit opinions issued by KPMG and Deloitte Touche Tohmatsu in relation to the FY15 and FY16 financial accounts, respectively, were unmodified. Deloitte Touche Tohmatsu issued an unmodified review opinion relating to the 1H FY17 half-year financial accounts.

1. Source: IRESS as at the Last Practicable Date.

7 PROFILE OF SMS (cont)

(b) Non-IFRS financial measures

EBITDA is a financial measure which is not described by Australian Accounting Standards and represents earnings before net financing costs, tax and depreciation and amortisation. The SMS Directors believe that the EBITDA financial measure provides useful information to SMS Shareholders in measuring the financial performance of SMS. The EBITDA financial measure has been presented in this Scheme Booklet consistently with prior disclosures to SMS Shareholders released to the ASX. In 1H FY17 SMS reported EBITDA inclusive of a $46.7 million non-cash goodwill impairment charge.

(c) Historical consolidated statements of profit or loss

The historical consolidated statements of profit or loss for FY15, FY16 and 1H FY17 are presented in the table below:

SMS historical consolidated statements of profit or loss

$'000	FY15	FY16	1H FY17
Revenue from operating activities	356,243	328,683	151,920
Employee benefits expense	(288,601)	(274,139)	(127,728)
Project expenses	(16,157)	(17,897)	(10,917)
Administrative expenses	(8,635)	(9,075)	(3,745)
Occupancy expenses	(6,144)	(5,409)	(2,415)
Contingent consideration expense	(2,300)	(79)	-
Impairment charge	-	-	(46,700)
Other expenses	(5,718)	(6,426)	(3,002)
EBITDA	**28,688**	**15,658**	**(42,587)**
Depreciation and amortisation expenses	(2,826)	(1,373)	(753)
Finance income	242	178	103
Finance costs	(1,288)	(926)	(355)
Profit before tax	**24,816**	**13,537**	**(43,592)**
Income tax expense	(7,809)	(3,851)	(948)
Net profit after tax	**17,007**	**9,686**	**(44,540)**

Source: SMS Management & Technology Limited audited annual and reviewed half-year financial reports.

7 PROFILE OF SMS (cont)

(d) Historical consolidated statements of cash flows

The historical consolidated statements of cash flows for FY15, FY16 and 1H FY17 are presented in the table below:

SMS historical consolidated statements of cash flows

$'000	FY15	FY16	1H FY17
Net cash from operating activities	**24,374**	**18,267**	**127**
Cash flows from investing activities			
Payments of contingent consideration related to previous business combinations	(11,920)	(19,375)	-
Acquisition of plant and equipment	(763)	(1,519)	(103)
Net cash used in investing activities	**(12,683)**	**(20,894)**	**(103)**
Cash flows (used in)/from financing activities			
Dividends paid to shareholders	(10,057)	(11,364)	(2,056)
On-market share buy-back	(1,424)	(948)	-
Proceeds from borrowings	227	12,000	3,500
Repayment of borrowings	(5,492)	(4,307)	(537)
Borrowing costs paid	(796)	(854)	(364)
Net cash (used in)/from financing activities	**(17,542)**	**(5,473)**	**543**
Net cash flows	**(5,851)**	**(8,100)**	**567**

Source: SMS Management & Technology Limited audited annual and reviewed half-year financial reports.

(e) Historical consolidated statement of financial position

The historical consolidated statement of financial position as at 31 December 2016 is presented in the table below:

SMS consolidated statement of financial position

$'000	31 December 2016
Current assets	
Cash and cash equivalents	5,244
Trade and other receivables	45,461
Current tax assets	1,908
Other current assets	3,653
Total current assets	**56,266**
Non-current assets	
Plant and equipment	3,199
Intangible assets	65,052
Deferred tax assets	341
Other non-current assets	2,208
Total non-current assets	**70,800**
Total assets	**127,066**
Current liabilities	
Trade and other payables	12,508
Loans and borrowings	16,581
Provisions	9,393
Other current liabilities	1,923
Total current liabilities	**40,405**
Non-current liabilities	
Loans and borrowings	1,683
Provisions	1,441
Other non-current liabilities	1,059
Total non-current liabilities	**4,183**
Total liabilities	**44,588**
Net assets	**82,478**
Equity	
Issued capital	63,402
Reserves	10,384
Retained earnings	8,692
Total equity	**82,478**

Source: SMS Management & Technology Limited reviewed half-year financial report to 31 December 2016.

7 PROFILE OF SMS (cont)

(f) Material changes in SMS's financial position since 31 December 2016

To the knowledge of the SMS Directors as at the date of this Scheme Booklet, the financial position of SMS has not materially changed since 31 December 2016, as reported in its half-year financial report for the six months ended 31 December 2016 other than:

- the accumulation of profits in the ordinary course of trading since 31 December 2016;
- the payment of the Interim Dividend for the 6 months ended 31 December 2016 on 7 April 2017; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to the ASX by SMS.

Since the release of its half-year financial report on 27 February 2017, SMS has:

- maintained focus on restoring growth in the Advisory & Solutions part of its SMS Consulting business through focusing on enhancing its sales capabilities and improving the sales pipeline and contract conversions;
- improved operational efficiency through increased billable utilisation; and
- continued to seek out opportunities to reduce overheads and discretionary expenditure.

Based on unaudited results for the financial year ended 30 June 2017 (**FY17**), total revenue was $304.5 million and total EBITDA, prior to significant items, was $10.9 million. These results remain subject to completion of SMS's external audit. Significant items include a non-cash goodwill impairment charge of $46.7 million and termination costs of $0.9 million, both disclosed in the 1H FY17 half-year results presentation released on 27 February 2017, together with transaction costs incurred in relation to the now terminated DWS scheme of $1.2 million. SMS plans to release its FY17 audited financial results on 23 August 2017.

7.8 Risks relating to SMS's business

There are existing risks relating to SMS's business and investment in SMS which will continue to be relevant to SMS Shareholders if the Scheme does not become Effective. A summary of the key risks relating to SMS's business and investment in SMS is set out in Section 9.2.

7.9 Publicly available information about SMS

As an ASX-listed company and 'disclosing entity' under the Corporations Act, SMS is subject to regular reporting and continuous disclosure obligations. These obligations include the requirement for SMS to announce price-sensitive information to the ASX as soon as SMS becomes aware of such information, subject to certain exceptions (detailed in the Listing Rules).

Pursuant to the Corporations Act, SMS is required to prepare and lodge with both the ASX and ASIC annual and interim (i.e. half-yearly) financial statements, in addition to a directors' report, and an audit report prepared by SMS's auditors.

Copies of:

- SMS's annual financial report for the year ended 30 June 2016;
- SMS's half-year financial report for the year ended 31 December 2016; and
- all continuous disclosure notices given by SMS after the lodgement of its annual financial report for the year ended 30 June 2016 with ASIC and before the date of this Scheme Booklet,

can be accessed via the ASX website (www.asx.com.au) or SMS's website (www.smsmt.com) via the investors/asx-announcements page. Copies of SMS's constitution, corporate governance policies and charters, and other relevant documents, can be accessed via SMS's website (www.smsmt.com) via the investors/corporate-governance page.

Copies of documents lodged with ASIC in relation to SMS may be obtained from or inspected at an ASIC office or online at www.asic.gov.au. Please note that ASIC may charge a fee with respect to such services.

7.10 Payments in connection with the Scheme

If the Scheme becomes Effective, Rick Rostolis, SMS's Managing Director and Chief Executive Officer, will be paid a $600,000 cash incentive. Further incentive payments aggregating $873,500 will be paid to six other SMS employees. Mr Rostolis and certain of these employees also hold SMS Shares and will be entitled to receive the Scheme Consideration if the Scheme becomes Effective.

These incentive payments are intended to recognise the additional personal efforts required by these SMS employees to complete SMS's obligations under the Scheme Implementation Agreement and other activities required to implement the Scheme. No incentive payment will be made to an SMS employee unless they remain employed with the SMS Group on the Effective Date.

8. PROFILE OF ASG

8 PROFILE OF ASG

8.1 Background

ASG is an award winning Australian IT business solutions provider, offering IT management and consulting services, business intelligence and thought leadership to organisations within both the private and public sectors.

ASG was established in 1996 and listed on the ASX in 2003 through a merger with eSec Limited. Since then, ASG has grown through a combination of acquisitions and organic growth.

ASG is headquartered in Perth with offices also located in Sydney, Melbourne, Canberra and Brisbane. ASG has approximately 850 full-time equivalent staff.

ASG has a well-established customer base diversified across a broad range of industries including construction and engineering, health, energy and utilities, mining, oil and gas, telecommunications, banking and financial, education and transport. ASG also has a strong presence in both State and Federal government sectors.

In December 2016, ASG was acquired as a wholly owned subsidiary of Tokyo Stock Exchange listed Nomura Research Institute, Ltd (NRI), a leading multi-national provider of IT system solutions and consulting services. The transaction valued ASG at approximately $340 million and ASG is now a 100% wholly owned subsidiary of NRI. Further information on NRI is set out in Section 8.4.

8.2 Overview of ASG

ASG predominantly provides outsourced IT services, also known as managed services, under long-term agreements to commercial and government enterprises. ASG also provides non-managed services such as bespoke project work for data analytics / big data or consulting and implementation of SAP and Oracle. These services are described in more detail below.

(a) Managed services

Managed services comprise the largest proportion of ASG's business, accounting for over 85% of ASG's revenue. ASG's managed services are typically based on 3 to 5 year fixed-price contracts in the range of $10 million to $100 million (in aggregate), with client options to extend.

Managed services allow organisations to outsource their IT portfolios and realise cost savings by enabling pricing to be based on fees for services rendered rather than having to incur heavy capital spend or maintenance costs.

ASG's managed services division is comprised of functions and technologies including:

+ Application Managed Services covering application technology from Oracle and SAP;
+ Enterprise Resource Planning as a Service (ERPaaS) solutions leveraging technology from a variety of industry leading application providers;
+ Cloud Management covering Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) solutions; and
+ Infrastructure Managed Services covering End User Computing and Central Compute Services.

(b) Non-managed services

From its core of supporting infrastructure and managed services, ASG also provides non-managed services such as bespoke project work on data analytics/big data or consulting and implementation of SAP and Oracle.

ASG's core expertise in this area include:

+ Strategy and Architecture;
+ Transformation – Information and Communications Technology (ICT) and Process;
+ Service Management and Information Technology Infrastructure Library (ITIL) Consulting;
+ Project and Programme Management; and
+ Business Analyst services.

(c) "New World" services

ASG's "New World" service builds off its capabilities in managed and non-managed services and is unique in the Australian marketplace. Development of "New World" intellectual property first began in 2011 to strategically re-position ASG to capitalise on the trend of organisations moving away from IT asset ownership towards an operating utility consumption model.

ASG's "New World" services are directed at supporting business transformation in a SaaS / PaaS context utilising hybrid cloud models including Amazon Web Services and Microsoft Azure to provide a "whole of house" IT services solution. Many of ASG's new contracts are now "New World" which involve business and IT change for its clients.

More information about ASG's business can be sourced from its website at: https://www.asggroup.com.au/.

8.3 Directors and senior management

The current directors of ASG are:

Name	Position
Mr Ayumu Ueno	Chairman
Mr Ian Campbell	Deputy Chairman
Mr Geoffrey Lewis	Managing Director
Mr Hajime Ueda	Director
Mr Kenji Yokoyama	Director
Mr Hiroyuki Kawanami	Director

The current executive management of ASG comprises:

Name	Position
Mr Geoffrey Lewis	Chief Executive Officer
Mr Dean Langenbach	Chief Operating Officer and Chief Financial Officer
Mr Gerald Strautins	Executive, Strategy

Mr Peter Torre is the Company Secretary.

8.4 Overview of NRI

NRI is a leading Tokyo-based, multi-national provider of IT system solutions and consulting services, including IT management consulting, system development and integration and IT management and solutions for the banking, financial services, manufacturing, distribution and other service industries. NRI is listed on the Tokyo Stock Exchange.

After being established 50 years ago as a boutique management consulting and financial IT specialist with 130 employees, NRI has since grown to become a global IT Services leader, with over 10,000 employees in the NRI group which includes 54 consolidated subsidiaries and annual revenue of over US$3.7 billion. NRI in its current form was created in 1988 as a merged entity of Nomura Research Institute, Japan's first private think tank and Nomura Computer Systems, a pioneer in IT solutions and systems integration. As at 20 July 2017 NRI's market capitalisation was ¥1.114 trillion, which equates to approximately A$12.48 billion (based on an AUD/¥ exchange rate of 0.0112, as at 20 July 2017).

NRI's market offering is broad, with major services grouped into the following four categories:

(a) Consulting

NRI works with its clients to develop business strategies, re-engineer operations, support government/public agencies, and implement administrative reforms. NRI also provides a variety of services to improve the effective business use of IT, including IT strategic development, business reengineering planning and execution support, standardised architecture implementation and global cross-functional IT governance. NRI's services in this category range from policy recommendations, strategy consulting and operational consulting offering support for business reform to systems consulting for all phases of IT management.

(b) Financial IT Solutions

NRI's Financial IT Solutions comprises IT system solutions and systems consulting services including system development, system management and operation and shared online services for broker-dealers, asset managers, banks, insurance providers and other financial service providers. NRI has an understanding of the operational issues financial services firms face globally, and provides innovative and research driven solutions to ensure success.

(c) Industrial IT Solutions

NRI provides solutions to clients across a broad range of industries, including distribution, services, manufacturing and retail ranging from consulting services to systems integration. NRI's Industrial IT Solutions comprise integrated consulting, system development and system operation services for the distribution, manufacturing, retail and public sectors. Information systems applying NRI's know how in areas such as the building of supply chain management and client management is one of NRI's strengths.

(d) IT Platform Services

As business systems grow larger and more complex in connection with strategic business growth and IT utilisation, the size and complexity of the underlying system infrastructure takes on an even more important role. NRI looks ahead in order to forecast and create advanced technologies, and continually integrate strategic solutions into its services. NRI's IT Platform Services comprise the provision of services such as management and operation of data centres and IT platform/network development to the Financial IT Solutions and Industrial IT Solutions businesses. This business also provides IT platform solutions and information security services to clients in various industries. NRI also carries out research toward development of new IT solution businesses and products, and research of cutting edge information technology.

More information about NRI's business can be sourced from its 2016 Annual Report (English version) situated at: http://www.nri.com/global/ir/library/index.html.

8.5 ASG's intentions following implementation of the Scheme

This section sets out ASG's intentions in relation to:

+ the continuation of the business of SMS;
+ any major changes to the business of SMS, including any redeployment of the fixed assets of SMS; and
+ the future employment of the present employees of SMS,

assuming ASG acquires 100% of the shares in SMS as a result of implementation of the Scheme.

These intentions of ASG are based on the information concerning SMS, its business and the general business environment which is known to ASG at the time of preparation of the ASG Information for inclusion in this Scheme Booklet, which is limited to publicly available information and additional confirmatory due diligence information provided by SMS.

ASG does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by ASG in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 8.5 are statements of current intention only, which may change as new information becomes available to ASG or as circumstances change.

(a) Board of Directors and delisting

If the Scheme is implemented, it is intended that ASG would:

+ arrange for SMS to apply for termination of the official quotation of SMS Shares on the ASX and the removal of SMS from the ASX's Official List after the Implementation Date; and
+ replace some or all of the members of the SMS Board with nominees of ASG. The number and identities of the relevant nominees have not yet been identified. Final decisions on the replacement of directors and selection of nominees will be made in light of the circumstances at the relevant time.

(b) Strategy and operations

If the Scheme is implemented, ASG intends to conduct a general review of SMS's operations and organisation covering strategic, financial and operational matters. This review may identify opportunities to improve the performance of the SMS business generally and realise any synergies and future opportunities available to SMS and the larger combined group.

Based on its current understanding and evaluation of the SMS business, ASG intends to operate SMS in substantially the same manner in which it currently operates as part of the larger combined group. There is the opportunity to combine like business operations and leverage the managed services offering of ASG across the SMS client base.

(c) Head office and employees

For the immediate future, ASG intends to retain key executives in their current positions. Post-acquisition, and in the context of delisting SMS and its combination with ASG, ASG intends to undertake a detailed review of the corporate head office functions to assess the corporate support function required on an ongoing basis. This review will also involve specific considerations of staffing and organisational structure.

(d) Limitation on intentions

The intentions and statements of future conduct, and the ability of ASG to implement its intentions, set out in this Section 8.5 must be read as being subject to:

+ Australian law (including the Corporations Act);
+ the legal obligation of the ASG directors at the time to act in good faith in the best interests of ASG and for proper purposes and to have regard to the interests of ASG's shareholder; and
+ the outcome of the review processes referred to in this Section 8.5, which may alter or prevent the achievement of certain intentions set out above.

8.6 Funding arrangements for Scheme Consideration

(a) Introduction

The Scheme Consideration will be paid wholly in cash. If the Scheme is approved and implemented ASG will pay $1.80 in cash less the cash value of any Special Dividend paid for every SMS Share held as at the Record Date.

(b) Funding sources for aggregate Scheme Consideration

NRI will make available to ASG sufficient funding to ensure ASG is able to pay $1.80 cash for every SMS Share held as at the Record Date, representing total Scheme Consideration of approximately $123.4 million.

NRI has provided SMS with a parent company guarantee to support ASG's payment obligations in respect of the Scheme Consideration under the Scheme Implementation Agreement, the Scheme and the Deed Poll. As at 31 March 2017, NRI (on a consolidated basis) reported cash reserves of approximately ¥152.61 billion and short-term investment securities of ¥6.278 billion, or approximately A$1.79 billion and A$73.45 million respectively (based on an AUD/¥ exchange rate of 0.0117, as at 31 March 2017), which comfortably exceeds the maximum total consideration payable by ASG in respect of the Scheme.

8.7 Interests and dealings in SMS securities

As at the date of this Scheme Booklet:

+ neither ASG nor any of its associates (including NRI) has any Relevant Interest in any SMS Shares or any voting power in SMS; and
+ no director or senior manager of ASG has any Relevant Interest in any SMS Shares.

8.8 No dealing in SMS Shares in previous 4 months

Except for the consideration to be provided under the Scheme, during the period of 4 months before the date of this Scheme Booklet, neither ASG nor any of its associates (including NRI) have provided or agreed to provide consideration for any SMS Shares under a purchase arrangement or other type of agreement.

8.9 Benefits to holders of SMS Shares

Other than as set out in this Scheme Booklet, neither ASG nor any of its associates (including NRI) has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an associate of that person to:

+ vote in favour of the Scheme; or
+ dispose of SMS Shares,

during the period of 4 months ending on the date of this Scheme Booklet and which was not offered to all other SMS Shareholders.

8.10 No other material information

Except as set out in this Section 8, there is no other information regarding ASG, or its intentions regarding SMS, that is material to the making of a decision by a SMS Shareholder in relation to the Scheme, being information that is within the knowledge of any director of ASG as at the date of this Scheme Booklet, which has not been previously disclosed to SMS Shareholders.

9. RISK FACTORS

9 RISK FACTORS

9.1 Introduction

In considering the Scheme, you should be aware that there are a number of risk factors, both general and specific associated with the Scheme.

This section outlines:

+ specific risk factors relating to the business and operations of SMS (see Section 9.2 of this Scheme Booklet); and
+ specific risk factors relating to the Scheme (see Section 9.3 of this Scheme Booklet).

These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of SMS Shareholders or any other person. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding how to vote.

You should carefully consider the risk factors discussed in this Section 9, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

9.2 Risks relating to business and operations of SMS

In considering the Scheme, you should be aware that there are a number of general risk factors as well as risks specific to SMS and/or the industries in which it operates, which could materially and adversely affect the future operating and financial performance of SMS. The SMS Board and senior management team in the ordinary course of business assesses material risks associated with the operations of SMS and takes appropriate steps to manage and mitigate them. The SMS Board considers, however, that it is appropriate for SMS Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of SMS, the value of SMS Shares and future dividends. These risks will continue to be relevant to you if the Scheme does not proceed and you retain your existing investment in SMS.

These risks include, but are not limited to, the following risks:

(a) General risks

The market price of SMS Shares and future dividends paid to shareholders are influenced by a number of factors in each of the countries in which SMS operates, including:

+ changes in investor sentiment and overall performance of the Australian and international stock markets;
+ changes in general business, industry cycles (e.g. in IT services, consulting and recruitment) and economic conditions including inflation, interest rates, exchange rates, commodity rates, employment levels and consumer demand;
+ changes in government fiscal, monetary and regulatory policies, including foreign investment;
+ government or political intervention in export and import markets (including sanction controls) and the disruptions this causes to supply and demand dynamics; and
+ natural disasters and catastrophes, whether on a global, regional or local scale.

Risks that are specific to SMS's operations include the following:

(b) Reliance on key personnel

SMS is reliant on the expertise, knowledge and specialist skills of its employees and contractors. Failure to retain staff may impair client relationships and the ability to deliver specialised advice may be impacted by the loss of expert staff with unique skill sets. Additionally, SMS's growth and profitability may be limited if a significant number of its key personnel leave and SMS is unable to attract new suitably qualified personnel.

(c) Staff turnover

Staff turnover may occur due to a range of factors including salary pressure, the performance of SMS and the availability of career progression opportunities. Staff turnover may adversely affect SMS if SMS is unable to attract new suitably qualified personnel, or by increased recruitment and training costs or even increased compensation costs associated with attracting and retaining key personnel.

9 RISK FACTORS (cont)

(d) Loss of key clients and/or key projects

SMS operates in a competitive landscape alongside various other IT service providers. SMS's financial performance depends in part on its ability to grow its client base and/or its ability to generate revenue from its service offerings, including from its current clients renewing their existing contracts. Sales pipeline and contract wins may decline if SMS fails to move with the market or the SMS sales force fails to successfully identify and win new work.

The risk of poor project delivery against contract requirements could lead to the potential loss of a contract or client, financial penalties and associated reputational damage.

Certain contracts to which SMS is a party contain 'change of control' provisions, termination for convenience provisions, deemed assignment provisions or similar/equivalent provisions that could allow the counterparty to terminate the contract at short notice or seek to renegotiate the contract. If a counterparty to any such contract (or a material number of such counterparties) were to terminate or seek to renegotiate the contract, this could (depending on the materiality of the particular contract), have a material adverse effect on SMS.

The Master Services Agreements between SMS and its clients do not refer to specific projects to be completed by SMS for the client which are agreed in separate statements of work. The nature of such contracts precludes any guaranteed revenue for SMS.

If parties engage SMS under any such Master Services Agreement for less projects, smaller projects or no projects there is a risk that SMS could receive less or no revenue from those clients, under the relevant agreement.

(e) Competitive environment

SMS operates in a highly competitive and dynamic industry. Competition in the industry has intensified in recent years due to the entry of large offshore companies and the expansion of professional services firms into the IT services sector. The intensified competition exposes SMS to a number of risks related to maintaining its market position and pursuing its growth strategy, these risks include:

- there being a material adverse effect on SMS's business and financial performance as a result of certain pricing, service or marketing decisions made by SMS as a strategic response to structural changes in the competitive environment;
- other parties developing products or services that compete with SMS or supersede or replace products or services of SMS, or are more competitively priced than SMS's products or services; and
- there being unexpected changes in customer demands or expectations for SMS's products or services and SMS being unable to meet any changes to service requirements or value expectations.

(f) Contracted services

SMS's IT solutions capabilities partly rely on SMS's partnership agreements with third party software providers and providers of technology based infrastructure, including Microsoft, Salesforce, Amazon Web Services and Pega. There is no guarantee that these strategic partnership agreements will be renewed on terms which are commercially attractive to SMS, or that they will be renewed at all, or that clients will continue to purchase such contracted services through SMS. The loss, non-renewal or renewal on less favourable terms may adversely affect SMS's ability to conduct its business, or to maintain its profitability.

(g) Operations in foreign jurisdictions

SMS conducts business in a number of jurisdictions outside of Australia, including Singapore, Hong Kong and the Philippines. SMS previously conducted business in Vietnam and is currently in the process of winding up this subsidiary. As such, SMS is exposed to a number of multi-jurisdictional risks including those relating to bribery and corruption, labour practices, difficulty in enforcing contracts and uncertainty in the relevant legal and regulatory regimes (including in relation to taxation, foreign investment and the practices of government and regulatory authorities). SMS may suffer a loss resulting from fraud, bribery, corruption or other illegal acts by its personnel. SMS relies on its personnel to follow its policies as well as applicable laws in their activities, but cannot guarantee that conduct such as fraud, bribery and corruption does not occur and if it does, it can result in direct or indirect financial loss, reputational impact or regulatory consequences. Further, as a result of SMS operating in multiple jurisdictions, it is possible that fluctuations in exchange rates could have an impact on the financial position and performance of SMS.

(h) Cyber security

Any failure by SMS to adequately protect its own data or the data of its clients, or any breach of data privacy, could result in reputational damage to SMS, the loss of clients and/or potential regulatory investigation and penalties.

9 RISK FACTORS (cont)

(i) Intellectual property

Any failure by SMS to protect project artefacts, know-how, intellectual property and/or related processes could impact its ability to meet its existing contractual obligations or leverage the intellectual property to successfully bid for opportunities with new clients, which may adversely affect the ability of SMS to conduct its business or maintain its profitability.

(j) Cash flow

As part of SMS's strategic positioning to secure additional annuity revenue, there is a risk that SMS's cash flow may be impacted by reliance on the achievement of milestones or deferred timing of milestone payments on some client engagements. SMS's cash flow may also be impacted by project deferrals and delays by clients across industry sectors.

(k) Credit risk

Clients are typically invoiced after the provision of services. Credit risk arises to the extent that a client fails to meet its contractual obligations to pay for services.

(l) Changes in outsourcing practices

Clients may change their practices and perspectives in relation to outsourcing and spending on IT projects and may decrease their demand for services provided by SMS.

(m) Change in technology

SMS operates in an industry that is constantly evolving and being impacted by new technologies. There is a risk that technologies could be developed which could act as substitutes for the services offered by SMS. To remain competitive, SMS needs to recognise these developments and to constantly gain relevant knowledge and expertise regarding new emerging technologies. There is no guarantee that SMS will be able to effectively keep pace with technological developments. Failure to do so could result in SMS finding it increasingly difficult to compete.

(n) Regulatory risks

Companies operating within the information, communication and technology industries are subject to various laws and regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a material adverse impact on SMS and cause increases in expenses, capital expenditure or costs. Further, changes to relevant laws and regulations can give rise to periods of uncertainty which may negatively impact SMS's business.

(o) Litigation and disputes

Like any company, SMS may be exposed to potential legal claims, disputes and litigation in the future, with respect to its operations, suppliers or customers in the ordinary course of business. Proceedings may result in high legal costs, adverse monetary adjustments and/or damage to SMS's reputation, which could have an adverse effect on SMS and its financial performance. To the extent that such claims or litigation are not covered by insurance, an adverse outcome in litigation or the cost of initiating or responding to potential or actual claims or litigation may have a material adverse impact on SMS's financial performance. Moreover, even when such claims or litigation are covered by insurance, SMS may be adversely affected by the requirement to pay the initial excess or deductible under the policy and potential increases in its future insurance premiums or deductibles.

(p) Insurance risk

SMS has insurance policies in place with policy specifications and insured amounts that SMS considers appropriate for its business.

Potential losses arising from events such as floods, terrorism or other similar catastrophic events, which may also include other force majeure events, may be either uninsurable or, in the judgment of SMS, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to higher excesses/deductibles.

In the event that there are insufficient insurance arrangements in place in respect of a particular event, SMS may be exposed to material losses that impact its financial position or performance.

(q) Accounting risk

The Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside SMS's control. There is a risk that changes to the Australian Accounting Standards issued by the AASB or changes to the interpretation, implementation or enforcement of these standards could materially and adversely affect SMS and the financial position and performance reported in SMS's financial statements.

(r) Tax risk

Changes to income tax (including capital gains tax), goods and services tax, withholding tax, payroll tax, duty or other revenue legislation, case law, rulings or determinations issued by the Commissioner of Taxation or other practices of tax authorities may change or adversely affect SMS's profitability and cash flow.

(s) Dividends

The payment of dividends on SMS Shares depends on a range of factors including the profitability of SMS, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the SMS Directors having regard to its operating results and financial position at the relevant time. There is no guarantee that existing levels of dividends paid and the payout ratio will be maintained.

9.3 Specific risks relating to the Scheme

(a) Court delays

There is a risk that the Court may not approve the Scheme, or that the approval of the Court may be delayed.

In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, the Court will have regard to that change in deciding how it should proceed and, if that change is so important that it materially alters the Scheme, there is a risk that the Court may not approve the Scheme.

(b) Tax consequences for Scheme Shareholders

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them.

Further general information on the tax consequences of the Scheme is set out in Section 10.

10. TAX CONSIDERATIONS

10 TAX CONSIDERATIONS

10.1 Introduction

The following is a general outline of the Australian income tax, Goods and Services Tax ("GST") and stamp duty consequences of the Scheme for SMS Shareholders who participate in the Scheme. The comments set out below are relevant only to those SMS Shareholders who hold their SMS Shares on capital account and acquired, or have been deemed to acquire, their SMS Shares on or after 20 September 1985.

The outline does not address the Australian tax consequences for SMS Shareholders who:

- hold their SMS Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- acquired their SMS Shares pursuant to an employee share, option or rights plan; or
- are subject to the taxation of financial arrangements rules in Division 230 of *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their SMS Shares.

SMS Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

The information contained in this section is based on the tax law at the date of the Scheme Booklet. The tax consequences outlined in this section may alter if there is a change in the tax law after the date of the Scheme Booklet.

The information contained in this Section 10 is general in nature and should not be relied upon by SMS Shareholders as tax advice. This Section 10 is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every SMS Shareholder. SMS Shareholders should obtain their own independent professional advice on the tax consequences of receiving any Special Dividend and disposing of their SMS Shares under the Scheme.

10.2 ATO Class Ruling

SMS has applied to the ATO seeking the ATO's views on the key taxation implications of the Scheme and any Special Dividend for SMS Shareholders as noted below (**Class Ruling**).

The Class Ruling has not been finalised by the ATO as at the date of the Scheme Booklet. However, a draft Class Ruling is expected to be provided prior to the Scheme Meeting.

When the final Class Ruling is published by the ATO following implementation of the Scheme, it will be available on the ATO website at www.law.ato.gov.au. It is anticipated that the ATO's views in the Class Ruling should be generally consistent with the commentary in this Section 10. However, it is possible that the ATO may reach a different conclusion. Accordingly, it is important that this Section 10 be read in conjunction with the Class Ruling issued by the ATO.

10.3 Australian resident shareholders

(a) Taxation consequences of the Special Dividend

SMS Shareholders who are Australian tax residents and who receive any Special Dividend should include the amount of any Special Dividend in their assessable income for the income year in which the Special Dividend payments are received.

It is expected that any Special Dividend paid will be fully franked.

If certain requirements are met, the SMS Shareholders who receive any Special Dividend should be:

(1) required to include the amount of the attached franking credits in their assessable income; and

(2) entitled to a tax offset equal to the amount of the franking credits attached to the dividend payments.

These requirements include:

(1) the SMS Shareholder being a 'qualified person' in relation to the Special Dividend; and

(2) whether certain dividend franking integrity measures do not apply.

In order for a SMS Shareholder to be a 'qualified person' they must hold their SMS Shares 'at-risk' for a continuous period of not less than 45 days (not including the day of the share's acquisition or disposal) during a prescribed period. Any days where a SMS Shareholder has a materially diminished risk of loss and opportunities for gain are not included in calculating whether the 45 day period has been satisfied. SMS Shareholders should seek their own independent advice in respect of the effect of such arrangements.

The Class Ruling is expected to outline in further detail the ATO's views as to when a SMS Shareholder will satisfy the relevant holding period rule with respect to any Special Dividend.

However, the holding period rule does not apply to a SMS Shareholder in certain circumstances, including where the SMS Shareholder is an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year. However, this exemption should not apply to a dividend which is subject to the "related payment" rule.

Under the related payment rule, where certain requirements are satisfied, the prescribed period requires SMS Shareholders to hold their shares 'at-risk' for a continuous period of at least 45 days within the 90 day period that commences 45 days before the day on which the shares become ex-dividend for tax purposes and ending 45 days after that date.

It is considered that the related payment rule is likely to apply in respect of the Special Dividend, providing the prescribed period for the Special Dividend to be from 29 July 2017 to 18 September 2017 (inclusive). Accordingly, to ensure a SMS Shareholder satisfies this requirement, the SMS Shareholder must be on the SMS Share Register no later than 4 August 2017 in order to be entitled to a tax offset for the franking credits.

The Class Ruling request lodged by SMS seeks ATO confirmation that the other integrity provisions which may operate to prevent a SMS Shareholder from being entitled to a tax offset for the franking credits attached to the Special Dividend will not apply.

The extent to which the SMS Shareholders will be able to access the franking credit tax offset will depend on their status and specific circumstances, as outlined below. The discussion below assumes that the SMS Shareholders will satisfy the holding period and related payment rules outlined above.

Individuals and complying superannuation funds

SMS Shareholders that are individuals or complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend. SMS Shareholders that are individuals or complying superannuation funds that have franking credits in excess of their tax liability may be entitled to a refund for any franking credits in excess of their total tax liability.

Companies

SMS Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits. As a result, companies should not pay any additional tax on the Special Dividend.

SMS Shareholders that are companies should also receive a credit to their franking account equal to the amount of the franking credits.

Trusts

Where there are no beneficiaries that are presently entitled to the income of a trust, the trustee will bear the tax liability in respect of the Special Dividend and should be entitled to a tax offset equal to the franking credits attached to the Special Dividend subject to the integrity rules.

Where beneficiaries are presently entitled to the income of fixed trusts or a trust that has made a family trust election, the Special Dividend and attached franking credit benefits should flow through to those beneficiaries. The tax treatment of the Special Dividend and any franking credits to those beneficiaries will depend on the tax status of the beneficiaries.

(b) Taxation consequences of disposal

In the event that the Scheme is approved, ASG will acquire 100% of the issued shares in SMS. The income tax implications for Australian tax resident shareholders are outlined below.

Capital gains tax (CGT) event

Under the Scheme, SMS Shareholders will dispose of their SMS Shares to ASG. This disposal will constitute a CGT event A1 for Australian CGT purposes for SMS Shareholders.

The CGT event should happen on the Implementation Date, being the date on which ASG acquires the SMS Shares under the Scheme.

Calculation of capital gain or capital loss

SMS Shareholders will make a capital gain on the disposal of SMS Shares to the extent that the capital proceeds from the disposal of the SMS Shares are more than the cost base of those SMS Shares. Conversely, SMS Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those SMS Shares.

Cost base and indexation

The cost base of the SMS Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal (provided the costs have not previously been claimed as a tax deduction). The reduced cost base of the SMS Shares is usually determined in a similar, but not identical, manner.

If the SMS Shares were acquired at or before 11.45am on 21 September 1999, a SMS Shareholder who is an individual, a complying superannuation entity or the trustee of a trust may choose to adjust the cost base of their SMS Shares to include indexation by reference to changes in the consumer price index from the calendar quarter in which their SMS Shares were acquired until the quarter ended 30 September 1999. These SMS Shareholders can choose to apply either the cost base indexation or the CGT discount.

SMS Shareholders that are companies will include that indexation adjustment if their SMS Shares were acquired at or before 11.45am on 21 September 1999. Indexation adjustments are taken into account only for the purposes of calculating capital gains; they are ignored when calculating capital losses.

Where SMS Shares were acquired after 11.45am on 21 September 1999, it is not possible to index the cost base in SMS Shares.

Capital proceeds

The capital proceeds received in respect of the disposal of each SMS Share should be $1.80 cash consideration (less any Special Dividend amount received) per SMS Share, being the amount of the Scheme Consideration.

The Special Dividend should not form part of the capital proceeds received in respect of the disposal of each SMS Share under the Scheme. In particular, the Scheme is not conditional on payment of the Special Dividend and the Special Dividend will be funded from SMS's own resources without any participation of ASG. The Class Ruling issued by the ATO should confirm this position.

CGT discount

Individuals, complying superannuation entities or trustees that have held SMS Shares for at least 12 months but do not index the cost base of the SMS Shares (refer above) may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of SMS Shares by 50% in the case of individuals and trustees or by 33⅓% for complying superannuation entities.

For trustees, the ultimate availability of the CGT discount for beneficiaries of the trusts will depend on the tax profile of the beneficiaries.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

SMS Shareholders should seek tax advice in relation to the operation of these rules.

10.4 Non-resident shareholders

SMS Shareholders that are foreign residents for tax purposes should not be subject to tax in Australia in respect of the Special Dividend (provided they do not hold the SMS Shares through an Australian permanent establishment).

On the basis, and to the extent, that the Special Dividend will be fully franked, SMS Shareholders who are foreign residents for tax purposes should not be subject to any Australian dividend withholding tax.

To the extent no foreign SMS Shareholder (together with Associates) holds 10% or more of SMS Shares (at the time of disposal or throughout a 12 month period during the two years before disposal) and the SMS Shares are not considered to be indirect

Australian real property interests, SMS Shareholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their SMS Shares. The Class Ruling issued by the ATO should confirm this position.

A non-resident individual SMS Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident should be subject to Australian CGT consequences on disposal of the SMS Shares as set out in Section 10.3.

Foreign resident SMS Shareholders should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

10.5 Goods and services tax (GST)

SMS Shareholders should not be liable to GST in respect of a disposal of those SMS Shares, regardless of whether the SMS Shareholder is registered for GST.

In the event the SMS Shareholder is an Australian resident and is registered for GST, the disposal of the SMS Shares to ASG should be considered an input taxed financial supply.

In addition, no GST should be payable by SMS Shareholders in respect of the Special Dividend, as such transactions are considered outside the scope of GST.

SMS Shareholders may incur GST included in costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. SMS Shareholders that are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs. This will depend on each SMS Shareholder's individual circumstances.

SMS Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Transaction.

10.6 Stamp duty

No stamp duty is payable by SMS Shareholders in respect of the disposal of their SMS Shares pursuant to the Scheme.

11. INFORMATION RELATING TO SMS DIRECTORS

11 INFORMATION RELATING TO SMS DIRECTORS

11.1 Interests of SMS Directors in SMS securities

(a) Relevant Interests of SMS Directors in SMS securities

As at the Last Practicable Date, the SMS Directors had the following Relevant Interests in SMS securities:

SMS Director	Number of SMS Shares
Derek Young	50,000
Rick Rostolis	30,644
Nicole Birrell	9,681
Bruce Thompson	70,499
Justin Milne	Nil

Note: Rick Rostolis, Managing Director and Chief Executive Officer of SMS, holds 214,190 performance rights which will be forfeited if the Scheme becomes Effective. Please refer to Section 12.2 for further information.

All SMS Directors who hold SMS Shares intend to vote in favour of the Scheme, in each case in respect of all of their SMS Shares, in the absence of a Superior Proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

(b) Dealings of SMS Directors in SMS securities

No SMS Director acquired or disposed of a Relevant Interest in any SMS securities in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

11.2 Interests and dealings of SMS Directors in ASG securities

(a) Relevant Interests of SMS Directors in ASG securities

As at the Last Practicable Date, no SMS Director held any Relevant Interest in ASG securities.

(b) Dealings of SMS Directors in ASG securities

No SMS Director acquired or disposed of a Relevant Interest in any ASG securities in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

11 INFORMATION RELATING TO SMS DIRECTORS (cont)

11.3 Benefits and agreements

(a) Payments in connection with retirement from office

In accordance with the terms of the executive service agreement of SMS's Managing Director and Chief Executive Officer, Rick Rostolis, if, other than with the consent of Mr Rostolis:

+ Mr Rostolis ceases to be the most senior executive in the group comprising SMS and its Related Bodies Corporate; or
+ Mr Rostolis ceases to be the Chief Executive Officer of SMS; or
+ there is a substantial diminution in the responsibilities or authority of Mr Rostolis,

Mr Rostolis may, within 21 days of the occurrence of any of the above, give the SMS Board a written notice providing the SMS Board with 21 days to remedy the situation. If the SMS Board fails to rectify the situation within this period, Mr Rostolis may resign from SMS with immediate effect and will be entitled to payment of 6 months' salary in lieu of notice plus an additional 6 months' base salary (excluding superannuation) within 30 days of his last day of employment, totalling $583,000. ASG's current intentions with regard to the board and management of SMS are set out in Section 8.5. As at the date of this Scheme Booklet, ASG has not yet formed a view regarding the replacement of directors or management of SMS.

Except as set out in this Section 11.3(a), there is no payment or other benefit that is proposed to be made or given to any SMS Director or secretary or executive officer of SMS (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in SMS or any of its Related Bodies Corporate.

(b) Agreements connected with or conditional on the Scheme

As noted in Section 7.10, if the Scheme becomes Effective, Rick Rostolis, SMS's Managing Director and Chief Executive Officer, will be paid a $600,000 cash incentive. Further incentive payments to six other SMS employees are payable if the Scheme becomes Effective. Please refer to Section 7.10 for further information on incentives in connection with the Scheme.

Except as set out in this Section 11.3(b), there is no agreement or arrangement made between any SMS Director and any other person, including ASG, in connection with, or conditional upon, the outcome of the Scheme.

(c) Interests of SMS Directors in contracts with ASG

No SMS Director has any interest in any contract entered into by ASG.

(d) Benefits from ASG

No SMS Director, secretary or executive officer of SMS (or any of its Related Bodies Corporate) has agreed to receive, or is entitled to receive, any payment or benefit from ASG which is conditional on, or is related to, the Scheme, other than in their capacity as a SMS Shareholder.

12. ADDITIONAL INFORMATION

12 ADDITIONAL INFORMATION

12.1 Scheme Implementation Agreement

(a) Overview

On 20 June 2017, SMS and ASG entered into the Scheme Implementation Agreement. A copy of the Scheme Implementation Agreement was lodged with the ASX on 20 June 2017 by SMS. A copy of the Scheme Implementation Agreement is available on the SMS website and the ASX website. SMS Shareholders can also obtain a copy of the Scheme Implementation Agreement at no cost by contacting the SMS Shareholder Information Line.

The Scheme Implementation Agreement sets out obligations of both SMS and ASG in relation to the Scheme. It also includes the Conditions Precedent to which the Scheme is subject.

(b) Conditions Precedent

The Scheme is subject to the following Conditions Precedent:

+ (**ASIC**) before 8.00am on the Second Court Date, ASIC issues or provides all consents, approvals, exemptions, waivers or other authorisations and do all such other acts which ASG and SMS reasonably agree are necessary or desirable to implement the Transaction (including ASIC providing the statement required under section 411(17)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either ASG or SMS, judged by the affected party acting reasonably) and these consents, approvals, exemptions, waivers or other authorisations are not withdrawn, cancelled or revoked;
+ (**Court orders**) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition is in effect at 8.00am on the Second Court Date which prevents or restrains the lawful consummation of any aspect of the Transaction;
+ (**No SMS Material Adverse Change**) no SMS Material Adverse Change occurs or becomes apparent to ASG between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
+ (**No SMS Prescribed Occurrence**) no SMS Prescribed Occurrence occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
+ (**Independent Expert's Report**) the Independent Expert issues its report which concludes that the Scheme is in the best interests of Scheme Shareholders before this Scheme Booklet is registered by ASIC and the Independent Expert does not change its conclusions or qualify or withdraw its report before 8.00am on the Second Court Date;
+ (**SMS Shareholder approval**) SMS Shareholders (other than ASG or a Related Body Corporate of ASG) approve the Scheme by the necessary majorities at the Scheme Meeting; and
+ (**Court approval of Scheme**) the Court approves the Scheme under section 411(4)(b) of the Corporations Act and an office copy of the Court's order is lodged with ASIC as contemplated by section 411(10) of the Corporations Act.

The Conditions Precedent relating to "SMS Shareholder approval" and "Court approval of the Scheme" cannot be waived. The other Conditions Precedent may be waived by the party for whose benefit the Condition Precedent operates. SMS has the benefit of the Condition Precedent relating to "Independent Expert's Report". ASG has the benefit of the Conditions Precedent relating to "No SMS Material Adverse Change" and "No SMS Prescribed Occurrence". The Conditions Precedent relating to "ASIC" and "Court orders" operate for the benefit of both SMS and ASG, and can only be waived by written consent of both parties.

As at the Last Practicable Date, the SMS Directors are not aware of any reason why any Condition Precedent referred to above is not likely to be satisfied in the time required by the Scheme Implementation Agreement.

(c) Conduct of business prior to Implementation Date

SMS must, up to and including the Implementation Date, conduct its business in the ordinary and usual course generally consistent with the manner in which its respective business has been conducted immediately before the date of the Scheme Implementation Agreement.

SMS must use its best endeavours to:

+ comply in all material respects with all applicable laws and regulations;
+ maintain its businesses and assets;
+ ensure that the aggregate net debt of SMS Group's businesses remains consistent with the indicative debt forecast throughout the period 1 July 2017 to 30 September 2017, as disclosed by SMS to ASG prior to the date of the Scheme Implementation Agreement;

- keep available the services of its officers and employees; and
- preserve its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings.

The obligations outlined above are subject to certain exceptions, including actions expressly contemplated by the Scheme Implementation Agreement, Scheme or Deed Poll, fairly disclosed by one party to the other party before the date of the Scheme Implementation Agreement or expressly agreed by the parties in writing.

(d) Exclusivity arrangements

SMS has agreed to the following exclusivity arrangements:

- **No current discussions:** SMS represents and warrants to ASG that, as at the date of the Scheme Implementation Agreement and other than the DWS SIA and matters under it, neither it nor any of its representatives:
  - has received any offer, proposal or expression of interest from any person which remains current, or is otherwise participating in any discussions or negotiations with any persons that concern, or could reasonably be expected to lead to, a Third Party Proposal; or
  - is a party to any agreement, arrangement or understanding with any person which has not yet expired in relation to a Third Party Proposal or a possible Third Party Proposal that prevents it from entering into the Scheme Implementation Agreement, or may prevent it from complying with its obligations under the Scheme Implementation Agreement.
- **No shop:** Until the earlier of the date of termination of the Scheme Implementation Agreement or the End Date, SMS must ensure that neither it nor any of its representatives, directly or indirectly, solicits, initiates or invites any enquiries, negotiations or discussions in relation to, or with a view to obtaining, or which would reasonably be expected to encourage or lead to the making of, any expression of interest, offer or proposal from any person in relation to a Third Party Proposal, or communicate to any person an intention to do any of the foregoing.
- **No talk:** Until the earlier of the date of termination of the Scheme Implementation Agreement or the End Date, SMS must ensure that neither it nor any of its representatives directly or indirectly:
  - facilitates, enters into or otherwise participates in any negotiations or discussions with any person regarding a Third Party Proposal or communicates to any person an intention to do so; or
  - approves or recommends a Third Party Proposal, even if the Third Party Proposal was not directly or indirectly solicited, encouraged or initiated by SMS or any of its representatives, or if the Third Party Proposal has been publicly announced.
- **No due diligence:** Until the earlier of the date of termination of the Scheme Implementation Agreement or the End Date, except with the prior written consent of ASG, SMS must not and must ensure that its representatives do not, directly or indirectly:
  - solicit, initiate, invite, encourage, facilitate or permit any person other than ASG to undertake due diligence investigations in respect of SMS or any of its Related Bodies Corporate or any of their businesses or operations in connection with or for the purposes of an actual, proposed or potential Third Party Proposal; or
  - make available to any person other than ASG or its representatives or permit any such person to receive any non-public information relating to SMS or any of its Related Bodies Corporate or any of their businesses or operations in connection with or for the purposes of an actual, proposed or potential Third Party Proposal.
- **Notification of approaches:** Until the earlier of the date of termination of the Scheme Implementation Agreement or the End Date, SMS must promptly notify ASG of:
  - any approach, inquiry or proposal made by any person to SMS or any of its representatives, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Third Party Proposal; and
  - any request made by any person to SMS or any of its representatives, for any non-public information relating to SMS, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Third Party Proposal,

  whether oral or in writing. Such notice must be accompanied by the material terms and conditions (including price, conditions precedent, timetable and break fee, if any) of any Third Party Proposal or proposed Third Party Proposal (to the extent known to SMS), but need not identify the proponent of the Third Party Proposal.

12 ADDITIONAL INFORMATION (cont)

+ **Equal information:** SMS must promptly provide ASG with a copy (in the case of written materials) or written statement of any material non-public information relating to SMS, its Related Bodies Corporate, or any of their businesses and operations made available by SMS to any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Third Party Proposal and which has not previously been provided to ASG.
+ **Matching right:** If SMS gives notice to ASG that:
  – any SMS Director proposes to change, withdraw or modify his or her recommendation of the Transaction as a result of a Third Party Proposal; or
  – SMS proposes to enter into any arrangement, commitment, arrangement or understanding relating to a Third Party Proposal (other than a confidentiality agreement) where permitted by the terms of the Scheme Implementation Agreement,

  ASG will have the right, but not the obligation, within 3 Business Days after receiving such notice from SMS, to propose to amend the terms of the Transaction, including by increasing the amount of consideration offered under the Transaction or proposing any other form of transaction (**Counter Proposal**). SMS Directors must review any Counter Proposal received from ASG in good faith. If SMS Directors determine that the Counter Proposal would be more favourable, or at least no less favourable, to SMS and its shareholders than the Third Party Proposal, then SMS and ASG must use their best endeavours to agree the amendments to the Scheme Implementation Agreement that are reasonably necessary to reflect the Counter Proposal, to enter into an amended agreement to give effect to those amendments, and to implement the Counter Proposal, and SMS must recommend the Counter Proposal to its shareholders and not recommend the applicable Third Party Proposal.

SMS does not need to comply with the "no talk", "no due diligence", "equal information" or "notification" obligations to the extent that they restrict SMS or any SMS Director from taking or refusing to take any action with respect to a Third Party Proposal in relation to which there has been no breach of the "no current discussions" and "no shop" obligations of SMS, provided that the Third Party Proposal is bona fide and made by a person that the SMS Directors reasonably consider is of sufficient commercial standing to implement the Third Party Proposal, and the SMS Directors have determined in good faith (after consultation with external financial and legal advisers) that:

+ the Third Party Proposal is, or may reasonably be expected to lead to, a Superior Proposal; or
+ failing to take the relevant action would be likely to constitute a breach of their statutory or fiduciary obligations.

SMS is permitted to apply to the Court to delay or postpone the Scheme Meeting, First Court Hearing or Second Court Hearing if there has been a Third Party Proposal to which the fiduciary carve-out applies.

(e) Termination rights

Either SMS or ASG may terminate the Scheme Implementation Agreement if:

+ the Scheme is not approved by the Requisite Majorities of SMS Shareholders at the Scheme Meeting;
+ the Court refuses to make an order convening the Scheme Meeting or approving the Scheme and SMS and ASG agree (or an independent senior counsel indicates that) an appeal would have no reasonable prospect of success;
+ the Scheme does not become Effective on or before the End Date;
+ before the Court approves the Scheme, the Independent Expert concludes that the Scheme is not in the best interests of SMS Shareholders; or
+ before the Court approves the Scheme, any court, the Takeovers Panel or regulatory authority issues an order or ruling restraining or prohibiting the Scheme and such decision is incapable of appeal or the parties fail to agree on conducting an appeal.

SMS may terminate the Scheme Implementation Agreement if:

+ an Insolvency Event occurs in respect of ASG or any member of the ASG Group;
+ SMS receives a Third Party Proposal which a majority of SMS Directors considers to be a Superior Proposal (after ASG's matching rights have been exhausted);
+ ASG is in breach of any material obligations under the Scheme Implementation Agreement (other than a breach of warranty) and the breach is either incapable of remedy or is not remedied by ASG within 3 Business Days of written notice from SMS or by 5.00pm on the Business Day before the Second Court Date; or
+ a Condition Precedent for the benefit of SMS is not fulfilled and the parties cannot reach agreement on whether to proceed with the Transaction by way of alternative means or methods (and if so, the terms of such alternative means or methods), extend the time or date for satisfaction of that Condition Precedent, to change the date of, or adjourn, the Second Court Hearing or to extend the End Date within 7 Business Days or by 5.00pm on the Business Day before the Second Court Date.

ASG may terminate the Scheme Implementation Agreement if:

+ an SMS Prescribed Occurrence, SMS Material Adverse Change or Insolvency Event occurs in respect of SMS or any member of the SMS Group;
+ any SMS Director withdraws his or her recommendation that SMS Shareholders vote in favour of the Scheme or publicly recommends, promotes or otherwise endorses a Third Party Proposal;
+ SMS is in breach of any material obligations under the Scheme Implementation Agreement (other than a breach of warranty) and the breach is either incapable of remedy or is not remedied by SMS within 3 Business Days of written notice from ASG or by 5.00pm on the Business Day before the Second Court Date; or
+ a Condition Precedent for the benefit of ASG is not fulfilled and the parties cannot reach agreement on whether to proceed with the Transaction by way of alternative means or methods (and if so, the terms of such alternative means or methods), extend the time or date for satisfaction of that Condition Precedent, to change the date of, or adjourn, the Second Court Hearing or to extend the End Date within 7 Business Days or by 5.00pm on the Business Day before the Second Court Date.

(f) Break fee

A break fee of $1.2 million is payable by SMS to ASG on termination of the Scheme Implementation Agreement upon a change of recommendation or announcement of a Superior Proposal. The break fee is not payable if the Scheme becomes Effective.

(g) Reimbursement fee

A reimbursement fee of $1.2 million is payable by ASG if ASG does not pay the Scheme Consideration in accordance with the terms of the Scheme Implementation Agreement. Details of a parent company guarantee provided by NRI are outlined in Section 8.6(b).

12.2 Impact of the Scheme on the SMS incentive plans

SMS currently operates a long-term incentive scheme pursuant to which it has made annual grants to eligible SMS employees of rights over unissued shares under performance rights plans. Only the performance rights plans for 2014, 2015 and 2016 still remain current.

As at the Last Practicable Date, SMS has a total of 1,331,592 performance rights on issue, none of which have vested. Details of these performance rights are summarised below.

Plan	Issue date	Expiry date	Total performance rights on issue
2014	1 July 2014	1 July 2017[1]	305,250
2015	1 July 2015	1 July 2018	268,236
2016	1 July 2016	1 July 2019	758,106
			1,331,592

(1) The performance period expired on 1 July 2017. However, the final assessment to confirm the performance rights have not met the performance criteria (and therefore have not vested) is not able to be completed until after 31 August 2017 once all comparator group companies have released their FY17 results.

As at the date of this Scheme Booklet, Rick Rostolis, SMS's Managing Director and Chief Executive Officer, holds 214,190 performance rights. A number of the holders of performance rights also hold SMS Shares and will be entitled to receive the Scheme Consideration if the Scheme becomes Effective.

The criteria for vesting of performance rights under each of the 2014, 2015 and 2016 performance rights plans are based on an assessment of SMS's performance in two key criteria, being total shareholder return (TSR) and earnings per share (EPS), measured against relevant performance hurdles.

The terms of the performance rights are governed by the various documents comprising the offers made as part of each plan.

Paragraph 7 of the plan summary for 2014, 2015 and 2016 provides that a committee appointed by the SMS Board may exercise its discretion to forfeit, convert and vest, or partly convert and vest (with the remainder to be forfeited), any performance rights upon the occurrence of a "Control Event", being an event through which a person or company obtains control of more than 50% of SMS Shares through a takeover bid, scheme of arrangement or any other similar event determined by the committee.

Pursuant to rule 10 of the plan rules for each of the 2015 and 2016 plans, the committee appointed by the SMS Board may terminate at any time each of these plans in whole or in part in respect of some or all plan participants without any liability whatsoever on any company within the SMS Group. The relevant provision in respect of the 2014 plan is rule 13, which is to similar effect except that any action to terminate the 2014 plan must not prejudicially affect the existing rights of plan participants in respect of performance shares already vested under the plan rules. None of the performance rights issued under the 2014 plan have vested.

The SMS Board has exercised the discretion to forfeit all performance rights issued under SMS's 2014, 2015 and 2016 performance rights plans and terminate each of those plans, subject to and immediately upon the Scheme becoming Effective. The Board exercised its discretion after receiving external advice and having regard to SMS's current performance and the current and likely achievement of the TSR and EPS performance measures under each of the 2014, 2015 and 2016 performance rights plans within the vesting periods. All impacted holders of performance rights have been notified of this decision.

12.3 SMS Board and management changes

As soon as practicable after ASG provides the Scheme Consideration in accordance with the Deed Poll and SMS has complied in full with its obligations in respect of the Scheme Consideration under Clauses 5.2(b) and 5.2(c) of the Scheme:

+ SMS must cause the appointment of the necessary number of persons nominated by ASG as directors of SMS in order to constitute those nominees (acting together) as a majority of the directors on the SMS Board; and
+ SMS must use reasonable endeavours to ensure that such members of the SMS Board as nominated by ASG resign from the SMS Board, and that each such director provides written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against SMS.

As the SMS Board will be reconstituted after implementation of the Scheme, the existing SMS Directors do not make any statements of intentions regarding:

+ the continuation of the business of the SMS Group after the implementation of the Scheme or how the business will be conducted after the implementation of the Scheme;
+ any major changes to the business of the SMS Group, including any redeployment of the fixed assets of the SMS Group; or
+ the future employment of present employees of the SMS Group after the implementation of the Scheme.

12.4 Consents and disclaimers

The following parties have given and have not, before the date of this Scheme Booklet, withdrawn their written consent:

(a) to be named in this Scheme Booklet in the form and context in which they are named; and

(b) if applicable, to the inclusion of each statement made by them (and each statement based on statements made by them) (if any) in the form and content in which these statements appear in this Scheme Booklet.

Name	Role
KPMG Corporate Finance	Independent Expert
Macquarie Capital (Australia) Limited	Financial adviser to SMS
Australia and New Zealand Banking Group Limited Corporate Advisory	Financial adviser to ASG
Corrs Chambers Westgarth	Legal adviser to SMS
Herbert Smith Freehills	Legal adviser to SMS
Murcia Pestell Hillard	Legal adviser to ASG
Ernst & Young	Australian tax adviser to SMS
Deloitte Touche Tohmatsu	Auditor of SMS
KPMG	Former auditor of SMS
Link Market Services Limited	Share Registry to SMS

ASG has:

(a) accepted responsibility for the ASG Information; and

(b) given, and has not, before the date of this Scheme Booklet, withdrawn its written consent to the inclusion of the ASG Information in the form and context in which it appears in this Scheme Booklet.

KPMG Corporate Finance has given, and has not, before the date of this Scheme Booklet, withdrawn its written consent to the inclusion of the Independent Expert's Report in the form and context in which it appears in Annexure A and references to the Independent Expert's Report in the form and context in which they appear.

Ernst & Young has given, and has not, before the date of this Scheme Booklet, withdrawn its written consent to the inclusion of Section 10 of this Scheme Booklet and references to the information set out in that section in the form and context in which they appear.

Each person named in the previous table:

(a) does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than ASG in respect of the ASG Information and any information ASG has provided to the Independent Expert, KPMG Corporate Finance in respect of the Independent Expert's Report and Ernst & Young in respect of Section 10 of the Scheme Booklet;

(b) to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than (to the extent applicable) those statements included with the consent of KPMG Corporate Finance or Ernst & Young specified in this Section 12.4; and

(c) has not authorised or caused the issue of the Scheme Booklet.

None of SMS or any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the ASG Information or any information contained in the Independent Expert's Report or the "Tax Considerations" in Section 10 of this Scheme Booklet, except in relation to any information which SMS has provided to the Independent Expert.

12.5 Transaction costs

The persons performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet are named in Section 12.4, other than Deloitte Touche Tohmatsu as auditor of SMS and KPMG as former auditor of SMS. The total approximate fees payable by SMS in connection with the Scheme, preparation of this Scheme Booklet and actions contemplated by the DWS SIA prior to its termination are $5.2 million exclusive of any applicable GST.

12.6 Status of Conditions Precedent

As at the Last Practicable Date, none of the Conditions Precedent have been satisfied or waived.

12.7 Regulatory relief

Regulation 8302(h) of Schedule 8 of the *Corporations Regulations 2001* (Cth) requires this Scheme Booklet to disclose the extent to which, within the knowledge of the SMS Directors, the financial position of SMS has materially changed since the date of the last balance sheet laid before SMS's general meeting (being its financial statements for the financial year ended on 30 June 2016).

ASIC has given formal relief to SMS to confine its disclosure to all material changes to SMS's financial position between 31 December 2016 and the lodgement of this Scheme Booklet for registration by ASIC.

SMS will give a copy of the financial statements for the half-year ended 31 December 2016 free of charge to anyone who asks for them before the Scheme is approved by the Court. Copies can be requested by contacting the SMS Shareholder Information Line.

12.8 No unacceptable circumstances

The SMS Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any member of the SMS Group that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

12.9 Foreign jurisdictions

(a) Overview

This Section 12.9 is concerned with the basis on which this Scheme Booklet has been prepared, the purpose of this Scheme Booklet and the disclosure of this Scheme Booklet to persons other than Scheme Shareholders in Australia. For the avoidance of doubt, Scheme Shareholders registered in the SMS Share Register as at the Scheme Record Date will be eligible to receive the Scheme Consideration in full, if the Scheme becomes Effective.

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. ASG and SMS disclaim all liabilities to such persons.

No action has been taken to register or qualify this Scheme Booklet or the Scheme in any jurisdiction outside of Australia.

This Scheme Booklet is subject to Australian disclosure requirements. Financial information in this Scheme Booklet has been prepared in accordance with Australian Accounting Standards, is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in a financial report prepared in accordance with the Corporations Act. Australian disclosure requirements and Australian Accounting Standards may be different from those applicable in other jurisdictions.

This Scheme Booklet and the Scheme do not, either individually or in combination, constitute a solicitation of an offer to purchase from SMS Shareholders any securities in SMS in any jurisdiction where such a solicitation would be illegal. Scheme Shareholders who reside outside of Australia should note that this Scheme Booklet has been prepared in accordance with the requirements in Australia for the sole purpose of allowing you to consider the Scheme. It must not be distributed, reproduced or disclosed, in whole or part, to other persons or used for any purpose other than consideration of the Scheme.

This Scheme Booklet has not been filed with or considered or approved by any regulatory body in any country other than Australia.

12.10 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any SMS Director, as at the Last Practicable Date, which has not been previously disclosed to SMS Shareholders.

12.11 Supplementary disclosure

SMS will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

+ a material statement in this Scheme Booklet is misleading in a material respect;
+ a material omission from this Scheme Booklet; or
+ a new circumstance has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to compliance with any relevant laws and/or obtaining any relevant approvals, SMS may circulate and publish any supplementary document by:

+ making an announcement to the ASX;
+ placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
+ posting the supplementary document to SMS Shareholders at their address shown on the SMS Share Register; and/or
+ posting a statement on SMS's website at http://www.smsmt.com/investor-information,

as SMS, in its absolute discretion, considers appropriate.

13. GLOSSARY AND INTERPRETATION

13 GLOSSARY AND INTERPRETATION

13.1 Glossary

In this Scheme Booklet, unless the context otherwise indicates, the following terms have the meanings shown below:

Term	Meaning
1H FY17	the six months ended 31 December 2016.
AAS	the Australian Accounting Standards.
AASB	the Australian Accounting Standards Board.
AGM	SMS's Annual General Meeting on 14 November 2016.
ASG	ASG Group Limited ACN 070 045 117.
ASG Board	the board of directors of ASG.
ASG Director	a director of ASG.
ASG Group	ASG and each of its Related Entities.
ASG Information	all information regarding ASG and/or NRI provided by or on behalf of ASG for inclusion in this Scheme Booklet (and any information derived from, or prepared in reliance on, such information) and any updates to that information prepared by or on behalf of ASG, and all other statements of intention or belief of ASG that relate to the Transaction, and includes all of the information contained in Section 8 of this Scheme Booklet.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in sections 11, 12 and 16 of the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ASX Settlement Operating Rules	the rules of the ASX Settlement and Transfer Corporation Pty Limited.
ATO	Australian Taxation Office.
Business Day	a business day as defined in the Listing Rules.
CGT	Capital Gains Tax.
Class Ruling	the class ruling to be obtained by SMS on behalf of SMS Shareholders in relation to the Australian income tax consequences of the Scheme and any Special Dividend for SMS Shareholders.
Conditions Precedent	each of the conditions set out at Clause 3.1 of the Scheme Implementation Agreement.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Court	the Supreme Court of Victoria.
Deed Poll	a deed poll provided by ASG attached as Annexure C.
DWS	DWS Limited ACN 085 656 088.
DWS SIA	the scheme implementation agreement dated 27 February 2017 between DWS and SMS, which was terminated on 20 June 2017.
EBITDA	earnings before net financing costs, tax, depreciation and amortisation.
Effective	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
End Date	31 December 2017.

13 GLOSSARY AND INTERPRETATION (cont)

Term	Meaning
Excluded Share	a SMS Share held by ASG or a Related Body Corporate of ASG.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
First Court Hearing	the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened.
FTE	full time equivalent.
FY14	the 12 months ended 30 June 2014.
FY15	the 12 months ended 30 June 2015.
FY16	the 12 months ended 30 June 2016.
FY17	the 12 months ended 30 June 2017.
Government Agency	any government, whether Federal, State or Territory, municipal or local, and any agency, authority, commission, department, instrumentality, regulator or tribunal thereof, including the Commissioner of Taxation, Australian Taxation Office and Australian Competition and Consumer Commission.
GST	Goods and Services Tax.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date ordered by the Court or as the parties agree in writing.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division).
Independent Expert's Report	the report issued by the Independent Expert in connection with the Scheme as attached at Annexure A, and including any subsequent, updated or supplementary report, setting out the Independent Expert's opinion whether or not the Transaction is in the best interests of SMS Shareholders and the reasons for holding that opinion.
Interim Dividend	a dividend of 1.5 cents per SMS Share which was determined to be paid as part of the release of the financial results for the 6 months to 31 December 2016 and with a payment date of 7 April 2017.
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division).
Last Practicable Date	Tuesday 25 July 2017, being the last practicable date before finalising the information in this Scheme Booklet to which this definition relates.
Last Undisturbed Share Price	the SMS share price at the close of trade on 22 February 2017 of $1.28, the last full trading day prior to the announcement of the DWS SIA.
Listing Rules	the official listing rules of ASX.
Notice of Scheme Meeting	the notice of meeting relating to the Scheme Meeting attached as Annexure D.
NRI	Nomura Research Institute, Ltd (TSE:4307).
Official List	the official list of entities that ASX has admitted and not removed.
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Related Entity	in respect of a party, means another entity which: (1) is a Related Body Corporate of the first entity; (2) is in any consolidated entity (as defined in Section 9 of the Corporations Act) which contains the party; or (3) the party Controls.

13 GLOSSARY AND INTERPRETATION (cont)

Term	Meaning
Relevant Interests	has the meaning given in sections 608 and 609 of the Corporations Act.
Requisite Majorities	the threshold for approval of the Scheme Resolution set out in Section 3.1, being votes in favour of the resolution are received from: (1) unless the Court orders otherwise, a majority in number (more than 50%) of SMS Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate SMS Shareholders, by a corporate representative); and (2) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.
Scheme or **ASG Scheme**	the scheme of arrangement under Part 5.1 of the Corporations Act between SMS and the Scheme Shareholders, the form of which is attached as Annexure B, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by ASG and SMS.
Scheme Booklet	this scheme booklet in relation to the Scheme.
Scheme Consideration	the cash consideration to be provided by ASG to each Scheme Shareholder for the transfer to ASG of each Scheme Share, being for each SMS Share held by a Scheme Shareholder as at the Scheme Record Date, $1.80 less the cash value of any Special Dividend paid.
Scheme Implementation Agreement or **ASG SIA**	the scheme implementation agreement dated 20 June 2017 between ASG and SMS relating to the implementation of the Scheme.
Scheme Meeting	the meeting of SMS Shareholders (other than holders of Excluded Shares) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm on the fourth Business Day after the Effective Date or such other time and date as the parties agree in writing.
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting in Annexure D to agree to the terms of the Scheme.
Scheme Shareholder	a holder of Scheme Shares as at the Scheme Record Date.
Scheme Shares	the SMS Shares other than the Excluded Shares.
Second Court Date	the first day of the Second Court Hearing or, if the Second Court Hearing is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	the hearing of the application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
SMS	SMS Management & Technology Limited ACN 009 558 865.
SMS Board	the board of directors of SMS.
SMS Director	a director of SMS.
SMS Group	SMS and each of its Related Entities.
SMS Information	all information in this Scheme Booklet and any updates to that information prepared by or on behalf of SMS, other than the ASG Information (and any information derived from, or prepared in reliance on, any such information), the Independent Expert's Report, the "Tax Considerations" in Section 10 and any other report or opinion prepared by an external adviser to SMS.

Term	Meaning
SMS Material Adverse Change	(1) Any matter, event, change or circumstance that occurs after the date of the Scheme Implementation Agreement (a **Relevant Event**) whether or not it becomes public, where that Relevant Event has, has had, or could reasonably be expected to have, individually or when aggregated with all other such matters, events, changes or circumstances that have occurred or are reasonably likely to occur: (a) the effect of diminishing the value of the net tangible assets of the SMS Group taken as a whole by $5 million or more, as compared to the value of the net tangible assets of the SMS Group taken as a whole set out in its consolidated balance sheet as at 30 April 2017, other than as a result of payment of any dividends on SMS Shares permitted under the Scheme Implementation Agreement; or (b) the effect of reducing on a recurring basis, the annualised earnings before interest, tax, depreciation and amortisation of the SMS Group (before taking into account any significant or extraordinary items, including the impact of any non-cash impairment of intangible assets) taken as a whole as at the end of a financial year, by $3 million or more, as compared to what those earnings would reasonably have been expected to have been, but for the Relevant Event, other than a matter, change, event or circumstance: (c) expressly required or expressly permitted to be done or procured by SMS or its Related Entities pursuant to the Scheme Implementation Agreement, Scheme or Deed Poll; (d) fairly disclosed by SMS to ASG prior to the date of the Scheme Implementation Agreement; (e) undertaken or occurring with the prior written approval of ASG; (f) resulting from changes in law or in general economic, political or business conditions occurring after the date of the Scheme Implementation Agreement that impact SMS and its Australian competitors in a similar manner; (g) resulting from changes in generally accepted accounting principles or the interpretation of them; (h) resulting from an act of God, act of war declared or undeclared, public disorder, riot, civil disturbance, insurrection, rebellion, sabotage, cyber-attack or act of terrorists, technical failure, cable transmission and/or satellite failure or degradation, accident, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide or adverse weather conditions occurring on or after the date of the Scheme Implementation Agreement; or (i) resulting from any deterioration in equity markets, interest rates, exchange rates or credit spreads that impact SMS and its Australian competitors in a similar manner; or (2) a breach of any warranty given by SMS under the Scheme Implementation Agreement (other than those in paragraph (j) of Schedule 2) which arises or is discovered before 8.00am on the Second Court Date which is not remedied within 5 Business Days after such breach arises or is discovered or is not remedied by 8.00am on the Second Court Date (whichever is earlier), and has, has had, or could reasonably be expected to have, individually or when aggregated with all other breaches of warranties given by SMS under the Scheme Implementation Agreement, the financial effect on the SMS Group described in paragraph 1(a) or 1(b) of this definition.

13 GLOSSARY AND INTERPRETATION (cont)

Term	Meaning
SMS Prescribed Occurrence	Other than: (a) as expressly required or expressly contemplated by the Scheme Implementation Agreement; or (b) as expressly required or expressly contemplated under the Scheme or Deed Poll; or (c) with the express written consent of ASG; or (d) as fairly disclosed by SMS to ASG prior to ASG entering into the Scheme Implementation Agreement; or (e) in relation to paragraphs (g), (h) and (k) only, where the relevant action is undertaken by a wholly owned direct or indirect subsidiary of SMS; the occurrence of any of the following: (f) SMS converting all or any of its shares into a larger or smaller number of shares; (g) any member of the SMS Group resolving to reduce, or reducing, its share capital in any way, or reclassifying, redeeming, combining, splitting or repurchasing directly or indirectly any of its shares; (h) any member of the SMS Group resolving to buy back, or buying back, any of its shares, including by: (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; (i) any member of the SMS Group issuing shares, or granting an option over its shares, or agreeing to make such an issue, other than an issue of ordinary shares following the valid exercise of any options or performance rights on issue at the date of the Scheme Implementation Agreement or any other security convertible into ordinary shares in SMS on issue at the date of the Scheme Implementation Agreement, in all cases, the existence of which has been fairly disclosed to ASG; (j) any member of the SMS Group issuing, or agreeing to issue, securities convertible into shares or debt securities (including any performance rights or options) other than in accordance with any of SMS's existing employee incentive plans, the terms of which have been fairly disclosed to ASG; (k) any member of the SMS Group making or declaring any distribution whether by way of dividend or capital reduction or otherwise and whether in cash or in specie other than by way of a dividend permitted under the Scheme Implementation Agreement; (l) other than in the ordinary course of business and consistent with past practice or under SMS's existing ANZ facility or any special purpose debt facility entered into by SMS for the purpose of funding the Special Dividend, any member of the SMS Group creating or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property; (m) any member of the SMS Group becoming subject to an Insolvency Event; (n) any member of the SMS Group: (i) acquiring, leasing or disposing of; (ii) agreeing to acquire, lease or dispose of; or (iii) offering or proposing to acquire, lease or dispose of,

Term	Meaning
SMS Prescribed Occurrence (cont)	any material business, assets (other than trading inventories and consumables acquired, leased or disposed of in the ordinary and usual course of business, or pursuant to any contract or commitment to provide goods or services to a customer of a nature ordinarily provided by that member of the SMS Group, or pursuant to any non-cash impairment of intangible assets) or entity, in each case with a value greater than $1 million, or entering into any joint venture, partnership or similar arrangement; (o) any member of the SMS Group adopting a new constitution or modifying or repealing its constitution or a provision of it or a similar constituent document; (p) any member of the SMS Group incurring any additional indebtedness or issuing any additional indebtedness by way of borrowings, loans or advances for amounts in aggregate in excess of $1 million other than in accordance with SMS's existing ANZ facility or any special purpose debt facility entered into by SMS for the purpose of funding the Special Dividend; (q) any member of the SMS Group making, or committing to, in aggregate, capital expenditure in excess of $1 million on projects not commenced or approved prior to the date of the Scheme Implementation Agreement; (r) any member of the SMS Group entering into any contract or commitment (or a series of related contracts or commitments) involving expenditure of more than $1 million over the term of the contract or commitment, other than: (i) in the ordinary course of business and consistent with past practice; or (ii) any contract or commitment to provide goods or services to a customer of a nature ordinarily provided by that member of the SMS Group; or (iii) any contract or commitment in respect of an adviser engaged by a member of the SMS Group in relation to the Transaction or in respect of any professional engaged to produce the Independent Expert's Report or the "Tax Considerations" in Section 10 of this Scheme Booklet; (s) any member of the SMS Group: (i) waiving any material third party default where the financial impact on the SMS Group of that waiver will be in excess of $2 million (individually or in aggregate); or (ii) accepting as a compromise of a matter less than the full compensation due to a member of the SMS Group where the financial impact of the compromise on the SMS Group is more than $1 million (individually or in aggregate); (t) other than in the ordinary course of business and consistent with past practice: (i) paying any bonus to, or increasing the compensation of, any officer or employee of any member of the SMS Group, except to the extent provided for in an existing employment contract entered into in the ordinary course of business; (ii) accelerating the rights of any officer or employee of any member of the SMS Group to compensation or benefits of any kind or making a payment in lieu of any such rights (including under any SMS executive or employee share plan or equity or other incentive scheme); (iii) passing any resolution or otherwise acting in a manner that is contrary to any resolution passed by the SMS Board prior to the date of the Scheme Implementation Agreement in relation to any employee equity or other incentive scheme;

13 GLOSSARY AND INTERPRETATION (cont)

Term	Meaning
SMS Prescribed Occurrence (cont)	(iv) granting to any officer or employee of any member of the SMS Group any increase in severance or termination pay or superannuation entitlements or by issuing any SMS Shares or securities convertible to SMS Shares to any of those persons; or (v) establishing, adopting, entering into or amending in any material respect (including by taking any action to accelerate any rights or benefits due under) any enterprise bargaining agreement, Australian workplace agreement, employee benefit plan or superannuation scheme of SMS or relating to the officers or employees of any member of the SMS Group; or (u) any member of the SMS Group making any change in its accounting methods, principles or practices which would materially affect the reported consolidated assets, liabilities or results of operations of any member of the SMS Group, other than as required to comply with any changes to generally accepted accounting principles, standards, guidelines or practices in the jurisdiction of the relevant entity's incorporation; or (v) a breach of the warranties given by SMS in paragraph (j) of Schedule 2 of the Scheme Implementation Agreement arises or is discovered before 8.00am on the Second Court Date and is not remedied within 5 Business Days after such breach arises or is discovered or is not remedied by 8.00am on the Second Court Date (whichever is earlier).
SMS Share	a fully paid ordinary share in the capital of SMS.
SMS Share Register	the register of shareholders of SMS maintained in accordance with the Corporations Act.
SMS Share Registry	Link Market Services Limited ABN 54 083 214 537.
SMS Shareholder	each person who is registered as the holder of a SMS Share in the SMS Share Register.
Special Dividend	a dividend which may be paid on SMS Shares as a special dividend at the SMS Board's discretion.
Special Dividend Payment Date	a date to be determined by the SMS Board at its sole discretion but in any event no later than the Implementation Date.
Special Dividend Record Date	a date to be determined by the SMS Board at its sole discretion but in any event no later than the Scheme Record Date.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	a publicly announced bona fide Third Party Proposal (but does not include any proposal made by DWS prior to the date of the Scheme Implementation Agreement, including any proposal arising under the DWS SIA) received or arising after the date of the Scheme Implementation Agreement which the SMS Board acting in good faith and reasonably (after consultation with its external legal and financial advisers) determines: (1) is reasonably capable of being completed on a timely basis taking into account all aspects of the Third Party Proposal; and (2) would, if completed substantially in accordance with the offered terms, be more favourable to SMS Shareholders (as a whole) than the Scheme, taking into account, among other things, all legal, financial, regulatory and other aspects of the Third Party Proposal and the identity of the offeror.
Third Party	a person other than SMS, ASG and each of their Associates.

Term	Meaning
Third Party Proposal	(1) a transaction which, if completed, would result in any Third Party (alone or together with its Associates) directly or indirectly: (a) acquiring all or a substantial part of the assets or business of the SMS Group; (b) acquiring a Relevant Interest in or having a right to acquire a legal, beneficial or economic interest in 20% or more of SMS's voting shares or of the share capital of any Related Body Corporate of SMS; or (c) entering into any cash settled equity swap or other derivative contract arrangement in respect of 20% or more of the share capital of SMS or of any Related Body Corporate of SMS; or (d) acquiring Control of SMS or of any material Subsidiary of SMS; (2) a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving SMS and/or its Related Bodies Corporate; (3) a transaction involving the formation of a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement in respect of, SMS and/or its Related Bodies Corporate; or (4) any agreement, arrangement or understanding requiring SMS to abandon, or otherwise fail to proceed with, the Transaction.
Transaction	the acquisition of the Scheme Shares by ASG through implementation of the Scheme in accordance with the terms of the Scheme Implementation Agreement.
VWAP	volume weighted average price.

13.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

(a) words and phrases have the same meaning (if any) given to them in the Corporations Act;

(b) words importing a gender include any gender;

(c) words importing the singular include the plural and vice versa;

(d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;

(f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;

(h) a reference to time is a reference to time in Melbourne, Australia;

(i) a reference to writing includes facsimile transmissions; and

(j) a reference to dollars, $, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

A. ANNEXURE A - INDEPENDENT EXPERT'S REPORT

ANNEXURE A - INDEPENDENT EXPERT'S REPORT

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The Directors
SMS Management & Technology Limited
Level 41, 140 William Street
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26 July 2017

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE –INDEPENDENT EXPERT'S REPORT

1 Introduction

On 20 June 2017, SMS Management & Technology Limited (SMS) announced that it had entered into a Scheme Implementation Agreement (SIA) with ASG Group Limited (ASG, a 100% owned subsidiary of Nomura Research Institute, Ltd (NRI)) under which it is proposed that ASG will acquire 100% of the issued share capital of SMS by way of a scheme of arrangement (ASG Scheme).

Under the terms of the ASG Scheme, SMS shareholders (Scheme Shareholders or Shareholders) will be entitled to receive consideration of $1.80 in cash per SMS share (Scheme Consideration) if the ASG Scheme is approved and implemented.

The SMS Board has retained the discretion to pay a special dividend of up to a maximum of 10.2 cents per SMS share shortly before the record date of the ASG Scheme (Special Dividend). The Scheme Consideration will be reduced by the cash value of any Special Dividend paid by SMS.

The ASG Scheme follows the previous proposal by DWS Limited (DWS) to acquire 100% of the issued share capital in SMS. On 27 February 2017, SMS announced that it had entered into a scheme implementation agreement with DWS under which DWS proposed to acquire all of the issued shares in SMS for $1.00 in cash plus 0.39 new DWS shares per SMS share (DWS SIA). At the time of the announcement of the DWS SIA, the implied value of the DWS consideration was $1.66 per SMS share, based on the 5-day volume weighted average price (VWAP) of DWS shares to 24 February 2017. On 26 May 2017, SMS received a non-binding expression of interest from ASG, following which a binding offer was received on 14 June 2017, which has ultimately led to the proposed ASG Scheme.

DWS had the opportunity to put forward a counter proposal pursuant to "matching rights", however on 19 June 2017, DWS announced it did not wish to submit a counter proposal. SMS subsequently terminated the DWS SIA, entered into a binding agreement with ASG in relation to the proposed ASG Scheme and cancelled the scheme meeting in respect of the DWS SIA.

The Directors of SMS have requested that KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an independent expert's report setting out whether the ASG Scheme is in the best interests of Shareholders.

This report outlines KPMG Corporate Finance's opinion as to the merits or otherwise of the ASG Scheme. This report should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Statement (Scheme Booklet).

The ASG Scheme is subject to the satisfaction of a number of conditions which are outlined in Section 6.1 of this Report and Section 6.7 of the Scheme Booklet.

Further information regarding the scope of this report is set out in Section 7 of this report.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

1.1 SMS

SMS is an information technology (IT) services company listed on the Australian Securities Exchange (ASX). It provides business and IT advisory, technology solutions, managed services and recruitment to a range of large corporations and Government bodies. SMS employs over 1,300 professional staff (including contractors) predominantly in Australia, but also has a presence in Hong Kong, Singapore and the Philippines.

SMS consists of two businesses, SMS Consulting and M&T Resources. The core business, SMS Consulting, provides IT advisory, technology solutions and managed services. M&T Resources is a complementary IT recruitment company providing temporary and permanent IT staff.

Prior to the announcement of SMS entering into the DWS SIA, the SMS market capitalisation was $88 million.[1]

1.2 ASG

ASG is an Australian IT business solutions provider, offering IT management and consulting services, business intelligence and thought leadership to organisations within both the private and public sectors.

ASG is headquartered in Perth with offices also located in Sydney, Melbourne, Canberra and Brisbane. ASG has approximately 850 full-time equivalent staff.

ASG predominantly provides outsourced IT services, also known as managed services, under long-term agreements to commercial and government enterprises. ASG also provides non-managed services such as bespoke project work for data analytics / big data or consulting and implementation of SAP and Oracle.

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[1] *Based on 22 February 2017 closing price of $1.28 and 68,536,340 ordinary shares on issue*

In December 2016, ASG was acquired as a wholly owned subsidiary of Tokyo Stock Exchange listed Nomura Research Institute, Ltd (NRI), a multi-national provider of IT system solutions and consulting services. The transaction valued ASG at approximately $349 million. At the announcement of the ASG Scheme, the NRI market capitalisation was $12.9 billion.[2]

2 Requirements of our report

The Directors of SMS have requested that KPMG Corporate Finance prepare a report in accordance with Section 411 of the Corporations Act 2001 (Cth) (Act) and the guidance provided by the Australian Securities and Investments Commission (ASIC). Although there is no technical requirement for an independent expert's report to be prepared in relation to the ASG Scheme, it is a condition of the SIA that the independent expert issues its report opining on whether the ASG Scheme is in the best interests of the Scheme Shareholders.

Further, ASIC Regulatory Guide 60 (RG 60) notes that even if an expert report is not required under the Corporations Regulations, it is common for a scheme company to commission a report voluntarily for a transaction that is complex or effects a takeover. The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

Further details regarding the basis of our assessment are set out in Section 7.2 of this report.

3 Summary of opinion

In our opinion, we consider the ASG Scheme **to be in the best interests of Shareholders**, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the ASG Scheme is:

- *fair*, by comparing the Scheme Consideration to our assessed value of an SMS share, on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111 'Content of Expert Reports' (RG111)
- *reasonable*, by assessing the implications of the ASG Scheme for Shareholders, the alternatives to the ASG Scheme which are available to SMS and Shareholders, and the consequences for Shareholders of not approving the ASG Scheme.

Based on our assessment we have formed the view that the ASG Scheme is fair and reasonable. As such, consistent with RG 111, we have concluded that the ASG Scheme is in the best interests of Shareholders, in the absence of a superior proposal.

In forming our view as to the value of SMS we have considered a series of factors including SMS's earnings profile, size and market position, growth prospects as well as the previous proposal from DWS to acquire SMS.

[2] *Based on 20 June 2017 closing price of ¥4385, ordinary shares on issue of 248 million and an AUD/¥ exchange rate of 84.5*

Since recording adjusted EBITDA of $43.9 million in FY12, SMS has experienced a steady decline in revenues and in particular profit margins as a result of structural changes in the IT services industry reflected in intensified competition, emerging technology trends and changing buying patterns and the re-emergence of professional services firms into the sector. Revenues have decreased from $335.5 million in FY12 to $312.5 million in the last twelve months (LTM) to 31 December 2016. Similarly, adjusted EBITDA has declined from $43.9 million in FY12 to $10.4 million in the LTM.

Against this backdrop of structural change within the industry, SMS has undertaken a series of senior leadership changes and acquisitions attempting to halt the decline and provide growth and new service offerings.

However, a transformation plan to restructure the SMS Consulting business and shift its strategic focus away from the core Advisory & Solutions business towards Managed Services, significantly disrupted the business internally in FY16. Financial results have been weak and profit margin has continued to decline, which has contributed to a decline in the company's share price from a high of $5.41 in late 2015[3], to a closing price of $1.28, prior to the announcement on 27 February 2017 of SMS entering into the DWS SIA.

Since the appointment of CEO Mr Rick Rostolis in May 2016, SMS has realigned the structure of the business and shifted the strategic focus back towards the core Advisory & Solutions business. However, the sales pipeline and utilisation rates have not recovered to historical levels and earnings have continued to decline and margins have remained weak.

SMS's priorities are to restore growth through a focus on enhancing its sales capabilities and improving the sales pipeline, while also focusing on improving operational efficiency and seeking opportunities to reduce costs.

The ASG all cash Scheme Consideration of $1.80 per share is higher than the KPMG assessed value of the consideration contemplated under the DWS SIA of $1.57 to $1.64, which was considered to be in the best interests of SMS Shareholders in the absence of a superior proposal, prior to the DWS SIA being terminated.

It is in this context that KPMG Corporate Finance has assessed the offer by ASG.

The decision of whether or not to approve the ASG Scheme is a matter for individual Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. Shareholders should consult their own professional adviser, if in doubt, regarding the action they should take in relation to the ASG Scheme.

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[3] *http://www.afr.com/technology/could-428-million-csc-offer-start-a-bidding-war-for-aussie-tech-group-uxc-20151006-gk2cbx - 6 October 2015*

3.1 The ASG Scheme is fair

We have assessed the value of an SMS share to be in the range $1.55 to $1.79. As the Scheme Consideration of $1.80 per SMS share exceeds our assessed value range for an SMS share, we consider the ASG Scheme to be fair. Our valuation is set out in Section 9 of this report and the assessment of fairness is summarised below.

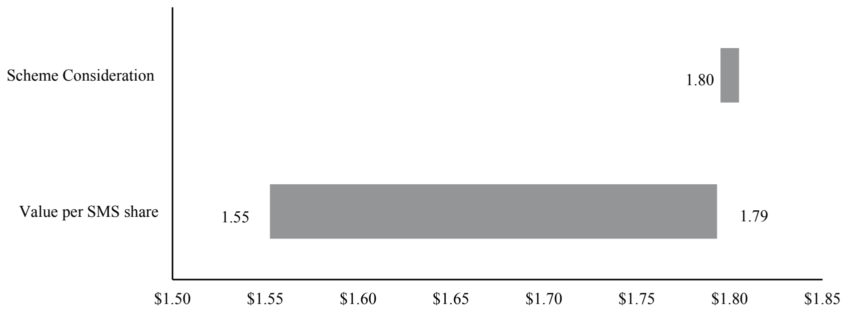
Table 1: Valuation Summary

$m (unless otherwise stated)	Section reference	Value Low	Value High
Assessed value of SMS			
Value of SMS operations	9.3	115.5	132.0
Less: net debt	9.5	(9.1)	(9.1)
Value of equity	**9.1**	106.4	122.9
Number of shares on issue (millions)		68.5	68.5
Value per SMS share ($ rounded)	**9.1**	**1.55**	**1.79**

Source: KPMG Corporate Finance analysis
Note: Table may not sum due to rounding

A comparison of our assessed value per SMS share on a control basis to the Scheme Consideration is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis

As the Scheme Consideration of $1.80 exceeds our assessed range of $1.55 to $1.79 per SMS share, we consider the ASG Scheme to be fair.

Assessment of the value of SMS

Our valuation reflects 100% ownership of SMS and incorporates a control premium. Therefore, we would expect the valuation to exceed the price at which SMS shares would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have only considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of SMS. As such, we have not included the value of special benefits that may be unique to ASG.

We have adopted a Capitalisation of Earnings approach as our primary methodology to value the shares in SMS, taking into consideration:

- the expected maintainable earnings of SMS, acknowledging the impact of one-off costs and significant items incurred during FY17
- our assessment of an appropriate earnings multiple to be applied to the selected maintainable earnings taking into consideration the nature of the business, growth expectations, risks and exposure to the IT sector and economic environment and outlook
- a control premium to reflect opportunities for cost savings and synergies available to a number of acquirers that have existing IT services operations in Australia
- net debt of the business.

We have cross-checked our valuation of SMS by comparing it to share trading analysis and implied multiples of NPAT. In this regard:

- the range derived from our primary capitalised earnings methodology implies a control premium of 21% to 40% over the undisturbed trading price of SMS shares prior to the announcement of SMS entering into the DWS SIA
- the implied NPAT multiples appear reasonable when compared to comparable companies.

The key factors considered in our assessment of the value of SMS are set out below:

- recent genuine offer received by SMS from DWS for the entire business
- financial results in FY16 and H1 FY17 have been weak and profit margins have continued to decline
- the H1 FY17 results do not indicate a turnaround, despite the new CEO's decision to realign the structure of the business and shift the strategic focus back towards the core Advisory & Solutions business
- unaudited revenue and earnings results for FY17 as described in Section 7.7(f) of the Scheme Booklet
- the transformation plan to restructure SMS Consulting business and shift in focus from the core Advisory & Solutions business to Managed Services severely disrupted the business internally in FY16
- structural change in the industry and intensified competition from large offshore entrants and the expansion of professional services firms into the sector

- prior to the announcement of SMS entering into the DWS SIA, the implied EBITDA multiples based on the SMS share price were at the high end of the range observed amongst comparable companies
- consideration of potential upside has been reflected in the selection of the EBITDA multiple. The multiple has been selected after consideration of trading multiples observed amongst comparable companies (with an adjustment for control) and recent control transactions in Australia
- SMS continues to focus on restoring growth through a focus on enhancing its sales capabilities and improving the sales pipeline, while also focusing on improving operational efficiency and seeking opportunities to reduce costs. However, a recovery and consequential improvement in earnings may take time and has associated execution risk.

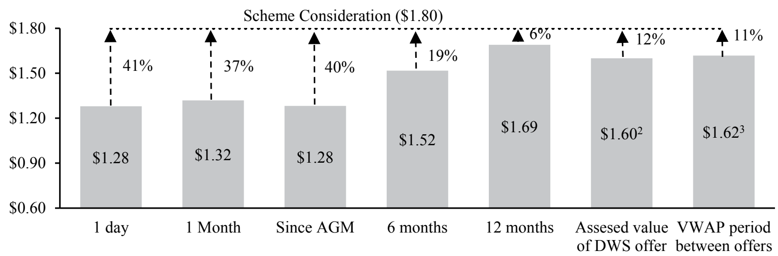
3.2 The ASG Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the ASG Scheme to be fair, this means that the ASG Scheme is reasonable. However, we have also considered a range of other factors that are relevant to assessing the reasonableness of the ASG Scheme as follows:

The Scheme Consideration represents a substantial premium to the undisturbed trading price of SMS

The Scheme Consideration of $1.80 represents a 41% premium to the last undisturbed closing price (on 22 February 2017) prior to the announcement of SMS entering into the DWS SIA. The premium is broadly consistent when calculated over the 1 month VWAP to the undisturbed trading price. The offer price implies a 40% premium to the VWAP between the undisturbed closing price and the SMS AGM on 14 November 2016, when H1 FY17 earnings guidance was provided.

Figure 2: Premium of Scheme Consideration over the SMS share price



Source: IRESS, KPMG Corporate Finance analysis, numbers subject to rounding
Note 1: VWAPs are to the last undisturbed closing price on 22 February 2017 unless stated otherwise
Note 2: Assessed value of DWS offer represents premium to the mid-point of the assessed DWS SIA consideration of $1.60 estimated by KPMG Corporate Finance.
Note 3: Period between offers represents the premium to the VWAP of SMS shares from 27 February 2017 (when the DWS SIA was announced) to 26 May 2017 (when the ASG expression of interest was announced).

With regard to our assessment of the premium implied by the Scheme Consideration, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading prices of a share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums generally range from 20% to 35%[4] for completed takeovers depending on the individual circumstances. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater
- the premium offered by ASG over SMS's trading price likely reflects a combination of the synergies available from control and cost savings available as a result of ASG having overlapping Australian operations and other operational benefits.

The ASG Scheme Consideration represents a premium to the value of the consideration under the scheme contemplated by the DWS SIA

The ASG Scheme Consideration of $1.80 represents a 10% to 15% premium to the assessed range of the scheme consideration under the DWS SIA of $1.57 to $1.64 per SMS share (mid-point $1.60), estimated by KPMG Corporate Finance, within the independent expert report in relation to the DWS SIA.

The ASG Scheme Consideration represents an 11% premium to the VWAP of SMS shares from 27 February 2017 (announcement of SMS entering into the DWS SIA) to 26 May 2017 (when the ASG expression of interest was announced).

The Scheme Consideration is an all cash offer and provides certainty of value

The ASG Scheme offers Shareholders an opportunity to exit their investment in SMS at a price that is certain and which incorporates a value for control as noted above. This is likely to be attractive to those investors that are looking for immediate consideration for their shareholding in SMS and who believe that such value cannot be derived in the absence of the transaction.

The ASG Scheme is the only proposal being presented to the Shareholders

At the date of the report the ASG Scheme represents the only proposal for Shareholders to monetise their investment at a premium to the trading price before the announcement of SMS entering into the DWS SIA. The previous proposal contemplated under the DWS SIA has been terminated.

Under the ASG SIA, SMS is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. SMS is also required to notify ASG should it become aware of any possible alternative proposal and ASG has matching rights. In addition, the SIA contains a break fee of $1.2 million to be paid by either SMS or ASG in certain circumstances.

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[4] *KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.*

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. SMS has confirmed that the company has not received an alternative offer.

SMS's share price may fall in the absence of the ASG Scheme

The current share price of SMS reflects the terms of the ASG Scheme and therefore includes a control element. As such, in the absence of the ASG Scheme, an alternative proposal from DWS or speculation concerning an alternative proposal, the SMS share price may fall to levels consistent with trading prices prior to the announcement of SMS entering into the DWS SIA. The resultant share price may also be impacted by an allowance for any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing, and the impact of trends in broader equity markets. Should the ASG Scheme not be executed and implemented, there is no guarantee that another party would make an alternative proposal.

The potential benefit of franking credits associated with Special Dividend for Australian resident Shareholders

If the ASG Scheme is approved, implemented and subject to a favourable Australian Taxation Office (ATO) class ruling, and the Special Dividend of up to 10.2 cents is declared by the SMS Board, Shareholders will receive a fully franked Special Dividend. If the Special Dividend is declared, the cash component of the Scheme Consideration will reduce accordingly. The Special Dividend will give an additional potential benefit to Shareholders who are Australian tax residents who can utilise the benefit of the franking credits associated with the Special Dividend. SMS has estimated that those Shareholders who are entitled to a refundable tax offset for franking credits attached to the Special Dividend (if declared) are expected to receive, subject to their marginal tax rate, additional benefit valued at up to 4.4 cents per share.[5]

Shareholders will not participate in potential SMS upside

Prior to the announcement of SMS entering into the DWS SIA, SMS's share price has been influenced by structural changes in the industry and intensified competition and the unsuccessful implementation of a series of internal initiatives to halt the decline in sales and margins. While our valuation of SMS reflects assumptions in relation to the potential upside in financial performance, it is possible that SMS could achieve higher growth rates and improved margins than anticipated. If the ASG Scheme is approved and implemented, SMS Shareholders will not participate in the potential upside. Refer to Sections 8.7 for additional commentary on SMS's strategy and outlook.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Although we do not necessarily consider these will impact our assessment of the reasonableness of the ASG Scheme, we consider it necessary to address these considerations in arriving at our opinion.

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[5] *SMS ASX announcement 20 June 2017*

Taxation implications for Shareholders

Section 10 of the Scheme Booklet sets out a general description of the tax consequences for Shareholders who hold their shares on capital account and acquired those shares on or after 20 September 1985. If the ASG Scheme is implemented, those Shareholders will be deemed to have disposed of their SMS shares and the disposal will constitute a capital gains tax event. Shareholders will make a capital gain or loss depending on the cost base of their shares. Shareholders who are not Australian residents and who hold portfolio interests are generally not subject to Australian capital gains tax.

SMS has applied to the ATO seeking the ATO's views on the key taxation implications of the Special Dividend.

Shareholders should consider their individual circumstances, review the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

The ASG Scheme is subject to a number of conditions

There are a number of conditions, including various representations and warranties and break fees set out in Section 12 of the Scheme Booklet, which if not satisfied will result in the ASG Scheme not being implemented. In this case, Shareholders would continue to hold their existing SMS shares.

One-off transaction costs

The total transaction and implementation costs for SMS in relation to the ASG Scheme are estimated to be approximately $4.0 million (which includes $1.5 million of deal incentives payable to key SMS staff) on the basis that the ASG Scheme is implemented. In the event the ASG Scheme does not proceed, SMS will incur costs of approximately $0.5 million.

Transaction costs incurred in relation to the now terminated DWS SIA are $1.2 million, exclusive of any applicable GST.

3.4 Consequences if the ASG Scheme does not proceed

In the event that the ASG Scheme is not approved or any conditions precedent prevent the ASG Scheme from being implemented, SMS will continue to operate in its current form and remain listed on the ASX. As a consequence:

- SMS will continue to operate as a standalone entity and execute on its strategy as set out in Section 8.7 of this report
- Shareholders will not receive the Scheme Consideration and the implications of the ASG Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting
- Shareholders will continue to be exposed to the benefits and risks associated with an investment in SMS
- SMS's share price may fall, for the reasons set out previously.

4 Previous Independent Expert Report in relation to scheme contemplated under the DWS SIA

On 4 May 2017, SMS registered with ASIC a scheme booklet in relation to the scheme contemplated under the DWS SIA. The scheme booklet included an independent expert report by KPMG Corporate Finance.

KPMG Corporate Finance assessed the underlying value of SMS to be in the range of $1.52 to $1.76 per SMS share. KPMG Corporate Finance assessed the scheme consideration offered by DWS (being $1.00 in cash less the cash value of any special dividend paid, and 0.39 DWS shares) to be in the range of $1.57 to $1.64 per SMS share. Based on these assessments, it was concluded that the scheme contemplated by the DWS SIA was in the best interests of SMS shareholders, in the absence of a superior proposal. As discussed above, the ASG offer of $1.80 was not matched by DWS, the DWS SIA was terminated and SMS entered into the ASG SIA in relation to the ASG Scheme.

Our assessment of the value of SMS for the purpose of the ASG Scheme reflects the following updates since the preparation of the DWS independent expert report:

- market information
- operational and financial performance of SMS in the intervening period and unaudited FY17 results provided by SMS as stated in Section 7.7(f) of the Scheme Booklet
- fees incurred in relation to the scheme contemplated under the DWS SIA.

The assessed valuation range has increased from $1.52 to $1.76 per SMS share to $1.55 to $1.79 per SMS share. The small change is due to a reduction in net debt between the two valuation dates as a result of cash generated in the intervening period, offset to some extent by fluctuations in working capital.

5 Other matters

In forming our opinion, we have considered the interests of Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical or possible to assess the implications of the ASG Scheme on individual Shareholders as their financial circumstances are not known. The decision of Shareholders as to whether or not to approve the ASG Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolution may be influenced by his or her particular circumstances, we recommend that individual Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Shareholders in considering the ASG Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to Shareholders in relation to the ASG Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Adele Thomas
Authorised Representative

Sean Collins
Authorised Representative

KPMG

SMS Management & Technology Limited
Independent Expert Report
26 July 2017

Contents

6 The Proposal

On 20 June 2017, SMS announced that it had entered into a SIA with ASG, a 100% owned subsidiary of NRI, under which it is proposed that ASG will acquire 100% of the issued share capital of SMS by way of a scheme of arrangement.

Under the terms of the ASG Scheme, SMS shareholders will be entitled to receive consideration of $1.80 in cash per SMS share if the ASG Scheme is approved and implemented.

The SMS Board has retained the discretion to pay a Special Dividend of up to 10.2 cents per SMS share shortly before the record date of the ASG Scheme. The Scheme Consideration will be reduced by the cash value of any Special Dividend paid by SMS.

The SMS Board has indicated that it unanimously recommends that Shareholders vote in favour of the ASG Scheme in the absence of a superior proposal and subject to the independent expert concluding that the ASG Scheme is in the best interests of Shareholders.

6.1 Conditions of the ASG Scheme

The ASG Scheme is subject to a number of conditions which are set out in Section 6.7 of the Scheme Booklet. The key conditions are:

- relevant ASIC approvals
- the approval of SMS Shareholders and the Court
- no Material Adverse Change or Prescribed Occurrence as defined in the SIA occurring in relation to SMS
- the Independent Expert concluding that the ASG Scheme is in the best interests of Shareholders.

The SIA also contains customary exclusivity provisions including a no shop provision and matching right. It also includes no talk restrictions, a no due diligence restriction and a notification obligation, each of which are subject to the SMS Directors' fiduciary obligations. The SIA contains a break fee of $1.2 million to be paid by SMS in the event that the transaction does not proceed should SMS terminate the SIA upon a change of recommendation by SMS Directors or the announcement of a superior proposal. Under the ASG SIA, SMS is entitled to a reimbursement fee of $1.2 million if ASG does not pay the Scheme Consideration as required by the ASG SIA. It is noted that NRI has provided parent company guarantees to SMS, under which NRI guarantees the obligations of ASG in respect of payment of the Scheme Consideration.

If the SIA is terminated or the conditions are not satisfied, the ASG Scheme will not proceed.

7 Scope of the report

7.1 Purpose

The Directors of SMS have requested that KPMG Corporate Finance prepare a report in accordance with Section 411 of the Corporations Act (Act) and the guidance provided by ASIC. Although there is no technical requirement for an independent expert's report to be prepared in relation to the ASG Scheme, it is a condition of the SIA that the independent expert issues its report opining on whether the ASG Scheme is in the best interests of the Scheme Shareholders.

Further, RG 60 notes that even if an expert report is not required under the Corporations Regulations, it is common for a scheme company to commission a report voluntarily for a transaction that is complex or effects a takeover. The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

7.2 Basis of assessment

RG 111 "Content of expert reports", issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement has the effect of a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for shareholders to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of SMS we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of SMS. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of SMS has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of Shareholders as a whole. As an individual Shareholder's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend they each consult their own financial advisor.

7.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of SMS for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with SMS management in relation to the nature of the company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

SMS has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of SMS. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, SMS remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors of SMS, together with the company's legal advisers, are responsible for conducting due diligence in relation to the ASG Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. SMS has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to SMS and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising SMS. As such, the information in this report has been limited to the type of information that is regularly placed into the public domain by SMS.

8 Profile of SMS

8.1 Background

SMS is an IT services company which provides a broad range of services across business and IT advisory, technology solutions, managed services and recruitment to a range of large corporations and Government bodies. SMS employs over 1,300 professional staff (including contractors) predominantly in Australia, but also with a presence in Hong Kong, Singapore and the Philippines.

SMS consists of two businesses, SMS Consulting and M&T Resources. The core business, SMS Consulting, provides business and IT advisory, technology solutions and managed services. SMS Consulting's advisory capabilities provide business solutions including digital business strategy, agile transformation, and change and program implementation. The solutions capabilities primarily leverage vendor partnerships to deliver solutions such as mobile application solutions, customer solutions and cloud migration. The managed services capabilities utilise service delivery frameworks to provide service desk support through to management of cloud, application, infrastructure and network environments.

M&T Resources is a complementary IT recruitment business providing temporary and permanent IT staff.

The figures below detail the half year FY17 (H1 FY17) revenue and EBITDA contribution.

Figure 3a: H1 FY17 segment revenue

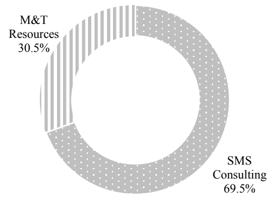
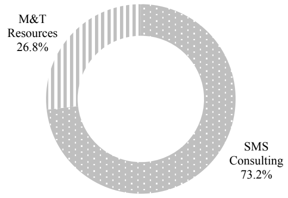


Figure 3b: H1 FY17 segment EBITDA



Source: SMS FY17 Half Year Results Presentation
Note: EBITDA contribution calculated prior to allocation of corporate costs and significant items

SMS was formed in Melbourne in 1986 and listed on the ASX as part of a reverse takeover in May 2000. Between 1986 and 1991, the company expanded and also established an office in Sydney.

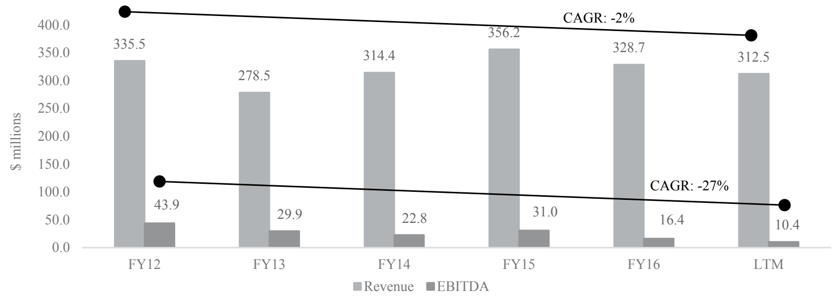
In 1993, the company established SMS Contracting, which would eventually be rebranded as M&T Resources. Over the following years, SMS continued to grow and expanded its footprint to Canberra and Brisbane.[6]

[6] *Various Annual Reports and SMS website*

In 2000, SMS established its first overseas office in Singapore and the business grew both organically and through a number of acquisitions, adding expertise and capabilities to an increasing customer base. By 2012, SMS employed over 1,700 professional staff (including contractors) and had established offices domestically in Adelaide and Perth and expanded further in Asia Pacific, setting up regional offices in Vietnam and Hong Kong. In 2015, SMS established an offshore delivery centre in the Philippines.

However, in recent years, SMS has experienced a steady decline in profitability. SMS's revenues declined in FY13, FY14 (excluding acquisitions), FY16 and over the last twelve months (LTM) period. FY14 benefited from incremental revenue of $39.8 million generated from two acquisitions, while FY15 benefited from winning a large non-recurring client transformation program and incremental contributions of FY14 acquisitions, which offset the broader negative profit impact of increased competition and margin pressure across the SMS Consulting business.

Figure 4 – Historic revenue and adjusted EBITDA since FY12



Source: KPMG Corporate Finance analysis, Various SMS Annual and Interim Reports
Notes: CAGR calculated over 4.5 year period
EBITDA is on an adjusted basis prior to non-recurring items
LTM – last twelve months to 31 December 2016

With the exception of FY15, adjusted EBITDA[7] has been declining year on year since FY12 at a compound annual growth rate (CAGR) of -27%. EBITDA margins have declined from 13% in FY12, to 3% in the LTM to 31 December 2016 as competition within the IT services industry has intensified.[8] Increasingly, local customers are using the services of large IT firms or niche specialist firms which has resulted in SMS experiencing a steady decline in profit margins. Low cost global firms have increased their market share, challenging SMS's cost structure. We are of the view that these changes in the competitive landscape represent a structural rather than cyclical shift in the industry. Firms who are not readily able to compete through benefits of scale, breadth and expertise of market offerings and changing workforce profile are likely to continue to face margin pressures.

[7] *Adjusted for one-off, non recurring items*
[8] *Various SMS Annual and Half-Yearly Reports*

Following weak financial results in FY13 and FY14, Mr Tom Stianos (then long serving CEO) resigned. Ms Jacqueline Korhonen was appointed CEO in February 2015 and implemented a transformation plan to restructure the SMS Consulting business on a national rather than state and regional basis. In addition, SMS pursued large contracts and targeted growth within the managed services rather than the traditional Advisory and Solutions consulting business. The restructure and focus on large scale managed services opportunities significantly disrupted SMS Consulting. Financial results in the six months to 31 December 2015 were weaker than the prior corresponding period (pcp).

In May 2016, Ms Korhonen resigned and Mr Rostolis, the then CFO, was appointed CEO. He subsequently realigned the sales and delivery teams back to a state and regional basis and returned the business focus to the core Advisory & Solutions business. However, the impact of competition and a deterioration of the sales pipeline and contract wins over the preceding period led to low utilisation rates which has not enabled a turnaround in financial performance and earnings have continued to decline and margins have continued to erode.

M&T Resources, which operates in a low margin industry, has grown revenue and improved margins year-on-year since FY14[9] benefiting from increased demand for IT contractors in Government and financial services sectors.

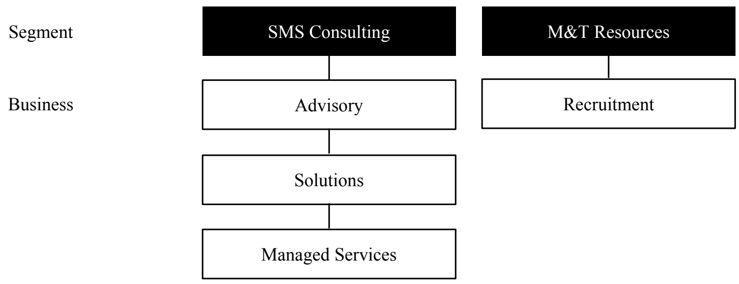
8.2 Business Operations

8.2.1 Overview

SMS operates within two segments, SMS Consulting and M&T Resources. The company's Australian offices include Brisbane, Sydney, Canberra, Melbourne, Adelaide and Perth, while its international operations are based in Singapore and Hong Kong with an offshore delivery centre in the Philippines.

SMS's organisational structure is illustrated below:

Figure 5: SMS's organisational structure



Source: SMS 31 December 2016 Interim Results Presentation

[9] *Based on FY14, FY15 and FY16 annual results, before allocation of corporate costs*

8.2.2 *SMS Consulting Division*

SMS Consulting consists of Advisory, Solutions and Managed Services, providing integrated services across the IT value chain, from design (Advisory), to implementation and enhancement (Solutions), to operation and management of IT systems (Managed Services). SMS Consulting employs over 800 billing consultants.[10]

The services offered by SMS Consulting is outlined below.

Figure 6: SMS Consulting business operations

Business unit	Services offered
Advisory	Digital Business Strategy
	Technology Strategy and Planning
	Design Thinking and Customer Experience
	Agile Transformation
	Information Management Strategy
Solutions	Web, Mobile & IoT Apps
	Data Provisioning, Reporting & Analytics
	Process and Productivity Solutions
	Customer Solutions
	Cloud Migration & Enablement
Managed Services	Application Managed Services
	Infrastructure Managed Services
	Cloud Orchestration
	Support Services

Source: SMS 31 December 2016 Interim Results Presentation

SMS's service offerings are underpinned by core competencies in project and change management and business analysis. SMS Consulting provides its services to various industries, as outlined on the following page.

[10] *at 31 December 2016, Interim Results presentation*

Figure 7a: H1 FY15 Revenue by industry

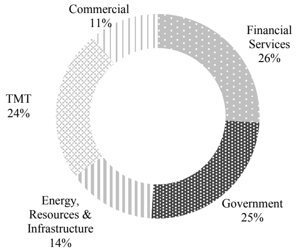
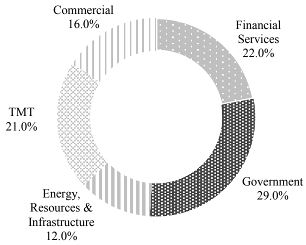


Figure 7b: H1 FY17 Revenue by industry



Source: FY16 and FY17 Interim Results Presentation
Note H1 FY15 industries have been grouped for comparison

The SMS Consulting industry mix has remained relatively consistent over the last two years. Government, Financial Services and TMT industries remain the largest industries served.

8.2.3 *M&T Resources*

M&T Resources provides recruitment capabilities for temporary IT contractor labour needs and permanent IT staff, and employs approximately 471 contractors.[11] M&T Resources provides the following service offerings to its clients:

- Permanent Recruitment
- Contract Recruitment
- Talent Acquisition
- Retained Search

M&T Resources provides recruitment services to various industries, as outlined on the following page.

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[11] *six month average FTE basis, 31 December 2016, Interim Results presentation*

Figure 8a: H1 FY15 Revenue by industry

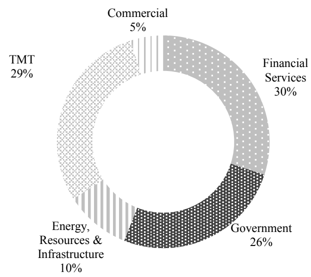
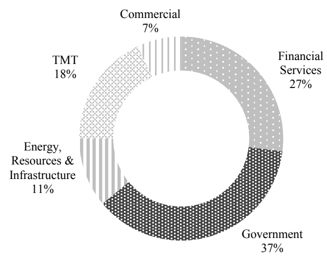


Figure 8b: H1 FY17 Revenue by industry



Source: FY15 and FY17 Interim Results Presentation
Note H1 FY15 industries have been grouped for comparison

Over the last two years, revenue generated by Government has increasingly reduced the relative revenue contribution of TMT industry.

8.3 Acquisitions

SMS has made two significant acquisitions since 2013 to expand its service offerings.

Indicium

In July 2013, SMS acquired Indicium Technology Group Pty Ltd and Access Networks and Communications Pty Ltd (together Indicium) for a total of $27.8 million in cash and equity. The consideration included an upfront payment and two deferred payments conditional on profit performance of Indicium over a two year period.

The acquisition of Indicium was expected to support SMS's growing managed services and infrastructure consulting capabilities.

Birchman

In October 2013, SMS acquired The Birchman Group Asia Pacific Pty Ltd (Birchman) for $28 million. The consideration included an upfront payment of $12.5 million in cash, to be funded by debt, followed by two further payments conditional on profit performance over a two year period.

Based in Perth, Birchman was an established IT solutions provider, offering a full range of services across Business Consulting, Integration and Managed Services to enterprise and Government clients.

The acquisition of Birchman was expected to enhance SMS's systems integration and managed services capability and add to SMS's Microsoft competencies.

Other acquisitions

SMS has made several other acquisitions since 2007, summarised in the table below:

Table 2: SMS key acquisitions since 2007

Acquisition date	Acquisition target	Specialisation	IT Services
March 2007	Forward Media	Enterprise Solutions	ERP implementation and maintenance
April 2007	AVOGA	Enterprise architecture	Enterprise and IT infrastructure, including Java J2EE platforms and IT project Management
October 2007	Total Learn	Operational learning and change management	Business critical applications and ERP implementations
May 2009	Pelion Group	Business Performance Improvement	Data Management and Business Intelligence tools (for e.g. Cognos) and Climate Change performance reporting solutions
October 2009	AIPEX	Systems Integration	Systems Integration
February 2010	Bright Blue Solutions	CRM	Oracle Customer Relationship Management and Business Intelligence Consulting
September 2010	Renewtek	Enterprise architecture	IBM Filenet
November 2010	Microgenix	Business Process Management and Enterprise Content Management	Microsoft.Net and SharePoint
July 2013	Indicium	Managed Services	Business Cloud and Infrastructure Management
October 2013	Birchman	Managed services, Technology solutions	Business Consulting and Integration

Source: SMS ASX announcements, S&P Capital IQ, KPMG analysis

8.4 Financial Performance

The financial performance of SMS for four and a half years ended 31 December 2016 is summarised below:

Table 3: Financial Performance of SMS

For the period ended $ million unless otherwise stated	12 months to 30-Jun-13	12 months to 30-Jun-14	12 months to 30-Jun-15	12 months to 30-Jun-16	6 months to 31-Dec-16
Revenue - SMS Consulting	214.6	237.5	271.1	234.4	105.5
Revenue - M&T Resources (1)	63.9	76.9	85.2	94.3	46.4
Total external revenue	**278.5**	**314.4**	**356.2**	**328.7**	**151.9**
Adjusted EBITDA - SMS Consulting	37.3	30.4	45.2	27.1	10.1
Adjusted EBITDA - M&T Resources	2.7	3.6	5.8	7.7	3.7
Corporate Costs/Unallocated	(10.1)	(11.2)	(20.0)	(18.4)	(8.8)
Adjusted EBITDA	29.9	22.8	31.0	16.4	5.0
Contingent Consideration Expense	-	-	(2.3)	(0.1)	-
Other adjustments (2)	(0.4)	(1.9)	-	(0.7)	(47.6)
Reported EBITDA	**29.5**	**20.9**	**28.7**	**15.7**	**(42.6)**
Depreciation and amortisation	(0.8)	(1.7)	(2.8)	(1.4)	(0.8)
EBIT	**28.7**	**19.2**	**25.9**	**14.3**	**(43.3)**
Net interest expense	0.7	(0.5)	(1.0)	(0.7)	(0.3)
PBT	**29.4**	**18.7**	**24.8**	**13.5**	**(43.6)**
Tax expense	(8.3)	(6.0)	(7.8)	(3.9)	(0.9)
NPAT	**21.1**	**12.7**	**17.0**	**9.7**	**(44.5)**
Statistics v pcp					
Revenue growth (SMS Consulting)	*(18.2%)*	*10.7%*	*14.1%*	*(13.5%)*	*(12.6%)*
Revenue growth (M&T Resources)	*(12.5%)*	*20.3%*	*10.8%*	*10.7%*	*(2.2%)*
Revenue growth	*(17.0%)*	*12.9%*	*13.3%*	*(7.7%)*	*(9.6%)*
Adjusted EBITDA growth (SMS Consulting)(3)	*(28.5%)*	*(18.5%)*	*48.6%*	*(40.1%)*	*(40.7%)*
Adjusted EBITDA growth (M&T Resources)(3)	*(37.2%)*	*33.3%*	*60.8%*	*33.6%*	*(6.3%)*
Adjusted EBITDA growth	*(31.9%)*	*(19.1%)*	*35.9%*	*(47.0%)*	*(54.6%)*
Adjusted EBITDA margin	*10.7%*	*7.3%*	*8.7%*	*5.0%*	*3.3%*

Source: SMS 2013, 2014, 2015 and 2016 Annual report, Investor Presentations and 31 December 2016 Interim Report
Note 1: Excludes intersegment revenues
Note 2: FY13, Other adjustments included $0.9 million gain on re-measurement of deferred consideration provided for in previous financial years and $0.4 million gain on sale of other assets
FY14, Other adjustments included due diligence and acquisition related costs of $0.4 million, termination costs of $0.4 million, a write off of accrued revenue and debtors on a terminated contract of $1.1 million.
FY16, Other adjustments include termination costs in relation to senior management changes of $0.7 million.
H1 FY17, Other adjustments relate to impairment charge associated with goodwill for SMS Consulting of $46.7 million and termination costs of $0.9 million
Note 3: Calculated prior to allocation of corporate costs or other unallocated items
Note 4: Numbers may not add due to rounding

As shown in the table above, SMS results have been mixed since FY13, with revenue and operating profit declining other than in FY15.

The key drivers and factors in the historical financial performance include:

- in FY13, SMS reported a revenue decline of 17.0% and adjusted EBITDA declined 35.8%. The decline reflected weak market conditions and pull-back in IT spend, with the majority of states and regions impacted in both SMS Consulting and M&T Resources. SMS experienced pressure on project margins with the weakened client demand
- in FY14, SMS reported revenue growth of 12.9%. Notably, this included incremental revenue of $39.8 million earned from the Indicium and Birchman acquisitions, while organic revenues declined by 1.4%. Reported EBITDA declined by 29.2%, reflecting weak market conditions, particularly in Victoria and Australian Capital Territory. However, once adjusted for incremental $7.9 million EBITDA contributed by the Indicium and Birchman acquisitions (prior to allocation of corporate costs), actual EBITDA decreased by 55.9% [12]
- in contrast, revenue for FY15 increased by 13.3% and adjusted EBITDA increased by 39.6%. The results reflected strong revenue growth within the financial services and TMT industries, resulting in contract wins increasing 18% (in $ figures). However, a significant reason for the improvement was the result of a single non-recurring large scale client transformation program and incremental contributions of FY14 acquisitions that offset the broader negative profit impact of the increased competition and margin pressure across the SMS Consulting business
- in FY16, revenue and EBITDA declined 7.7% and 47.0%, respectively. The poor results were driven by SMS Consulting (revenues down 14%), offset by a strong performance by M&T Resources (revenues up 11%). SMS Consulting was impacted by the following:
  - the organisational restructure implemented by CEO Ms Korhonen at the start of FY16 resulted in a reduction in contract wins and revenue within the Advisory & Solutions business
  - the unexpected cancellation of a large client transformation project led to under-utilisation of staff
  - significant investment in the Managed Services business development that did not deliver contract wins
  - continued pressure on margins from competition (see Section 8.1).
- in contrast, M&T Resources, which generates lower margins than the SMS Consulting business, recorded revenue and margin improvement in FY16 with strong growth in contractor demand in Victoria, ACT and Queensland, and within the Government, Financial Services and Energy, Resources and Infrastructure sectors
- the downward trend continued in the six months to 31 December 2016, with revenue and EBITDA declining 9.6% and 54.6% respectively, compared with pcp. The internal disruption caused by the organisation restructure to the business in FY16, which deteriorated sales pipeline, continued to have a flowthrough effect.

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[12] *SMS Investor Presentation, 20 August 2014*

Significant and non-recurring items reported by SMS are summarised below:

Table 4: Significant non-recurring items

$ million	12 months to 30-Jun-13	12 months to 30-Jun-14	12 months to 30-Jun-15	12 months to 30-Jun-16	6 months to 31-Dec-16
Write-off of accrued revenue	-	(1.1)	-	-	-
Due diligence and acquisition related costs	-	(0.4)	-	-	-
Termination costs	(1.7)	(0.4)	-	(0.7)	(0.9)
Gain on re-measurement of deferred consideration	0.9	-	-	-	-
Gain on sale of asset	0.4	-	-	-	-
Impairment of goodwill - SMS Consulting	-	-	-	-	(46.7)
Total significant items	**(0.4)**	**(1.9)**	**-**	**(0.7)**	**(47.6)**

Source: SMS FY14, FY15 and FY16, Annual Reports, FY17 Half Year Accounts, Full and Half Year Results presentations

The most material one-off item during the six months to December 2016, related to impairment of goodwill in the SMS Consulting division of $46.7 million. The impairment was largely due to the decline in revenue because of a weak sales pipeline and contract conversions in the SMS Consulting division.

FY16 and H1 FY17, include termination costs which have been a consequence of the lower revenue and a focus on cost management to offset margin pressure. We have included these as non-recurring items however, we note that termination costs have been incurred for four of the past five years and Management expect further termination costs in future periods, as SMS manage staff levels in line with the sales pipeline.

Audited financial results for FY17 were not available at the time of preparing this report. However, SMS has disclosed that the financial position of SMS has not materially changed since 31 December 2016, as reported in the half year results, which is discussed further within Section 7.7 (f) of the Scheme Booklet.

SMS has stated in Section 7.7(f) of the Scheme Booklet that for the year ended 30 June 2017, based on unaudited results, total revenue was $304.5 million and EBITDA, prior to significant items, was $10.9 million. Significant items include the impairment charge and terminations costs discussed above, as well as scheme transaction costs.

8.4.1 Distributions

The following table outlines distribution metrics of SMS for the four and half years ended 31 December 2016.

Table 5: Dividend metrics

For the period ended	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31 Dec 16
Weighted basic average number of shares (m)	68.9	70.0	69.4	68.9	68.5
Basic earnings per share (cents)	30.6	18.1	24.5	14.1	(65.0)
Dividends per share - Ordinary (cents)	25.5	12.5	17.0	9.5	1.5
Dividend payout ratio - total (%) [1]	83%	69%	69%	67%	47%[1]
Proportion of dividend franked (%)	100%	100%	100%	100%	100%

Source: SMS Annual Reports, ASX Announcements
Note 1: Calculated based on NPAT prior to non-cash goodwill impairment charge

The number of shares on issue has decreased due to share buy-backs undertaken by SMS since June 2014.

The Board of SMS has a target dividend payout ratio of 65% to 70% of net profit. As shown in the table above, the actual dividend payout ratio has been within this range from FY14 to FY16.

8.4.2 Broker consensus forecasts

In order to provide an indication of the expected future financial performance of SMS, we have considered brokers' forecasts for SMS. Summarised below are the median consensus forecasts for SMS for FY17 and FY18.

Table 6: SMS broker consensus forecasts

Period $ million unless otherwise stated	12 months to 30-Jun-17	12 months to 30-Jun-18
Revenue	300.0	307.6
EBITDA	10.3	11.7
EBIT	9.4	10.8
NPAT	6.2	7.0
Revenue growth %	*(8.7%)*	*2.5%*
EBITDA growth %	*(34.2%)*	*13.6%*
EBIT growth %	*(34.2%)*	*14.9%*
NPAT growth %	*(36.0%)*	*12.9%*

Source: Various broker reports, KPMG Corporate Finance analysis
Note: Based on median of broker forecasts

In relation to the table above, we note:

- SMS is followed by three brokers
- the consensus forecasts represent the latest available broker forecasts for SMS and were published after the announcement of the half yearly results
- the Brokers forecasts differ as to whether they include or exclude termination costs in their guidance. We have illustrated the impact of including or excluding the termination costs in Appendix 4.

Details of broker estimates are contained in Appendix 4.

8.5 Financial Position Analysis

The financial position of SMS as at 30 June 2015, 30 June 2016 and 31 December 2016 is provided below:

Table 7: Financial position of SMS

As at $ million unless otherwise stated	30-Jun-15	30-Jun-16	31-Dec-16
Trade and other receivables	65.0	51.1	45.5
Trade and other payables	(20.9)	(16.2)	(12.5)
Working capital	**44.2**	**34.9**	**33.0**
Other current assets	3.2	2.4	5.6
Property, plant and equipment	3.1	3.7	3.2
Deferred tax assets	1.1	1.9	0.3
Intangible assets	112.4	112.0	65.1
Other non-current assets	1.2	0.6	2.2
Deferred consideration	(19.2)	-	-
Current employee benefits	(12.5)	(10.4)	(9.4)
Other current liabilities	(4.3)	(5.0)	(1.9)
Non-current employee benefits	(1.0)	(1.3)	(1.4)
Other non-current liabilities	(3.5)	(1.0)	(1.1)
Secured finance lease liabilities	(1.6)	(1.1)	(2.8)
Total funds employed	**123.0**	**136.6**	**92.7**
Cash and cash equivalents	12.9	4.7	5.2
Borrowings	(3.7)	(12.0)	(15.5)
Net cash / (borrowings)	**9.2**	**(7.3)**	**(10.3)**
Net assets attributable to SMS shareholders	**132.2**	**129.4**	**82.5**
Statistics			
Share on issue at period end (m)	*69.0*	*68.5*	*68.5*
Net assets per share ($)	*1.92*	*1.89*	*1.20*
Gearing	*(6.9%)*	*5.6%*	*12.4%*

Source: SMS 2014, 2015 and 2016 Annual report and 31 December 2016 Interim Report
Note: Numbers may not add due to rounding

Net assets have declined from $129.4 million at 30 June 2016 to $82.5 million at 31 December 2016. The decrease is largely due to the impairment of goodwill associated with acquisitions made by SMS Consulting.

Net working capital has reduced from $44.2 million at 30 June 2015 to $33.0 million at 31 December 2016, largely as a result of lower revenue and continued focus on debtor management. Net working capital for SMS is seasonal with peak periods being in the fourth quarter of the financial year traditionally due to increased demand from Government based organisations in the lead up to financial year-end.

Other current assets of $5.6 million as at 31 December 2016 comprise of prepayments of $2.2 million, finance lease receivables of $1.2 million, current tax assets of $1.9 million and other current assets of $0.2 million. The other non-current assets are made up solely of finance lease receivables.

The current employee benefits as at FY16 (latest available data) includes a $6.8 million provision for annual leave and $3.6 million provision for long service leave.

Secured finance lease liabilities are related to a back-to-back lease arrangement for equipment associated with certain Managed Services contracts.

8.5.1 Net debt

At 31 December 2016, SMS had net debt of $10.3 million (excluding finance lease liabilities and bank guarantees) comprising cash at bank of $5.2 million and interest bearing liabilities of $15.5 million.

Table 8: Debt facilities as at 31 December 2016

($ million unless stated otherwise)	Total facilities	Amount drawn	Available facility
Unsecured working capital facility	30.0	15.5	14.5
Bank Indemnity/Guarantee facility	4.7	2.6	2.1
Total	**34.7**	**18.1**	**16.6**

Source: SMS 31 December 2016 Interim Report

The working capital facility is a three year multi-option facility that is unsecured and non-amortising. Similar to the secured finance liabilities, the bank facility is not included for the purposes of the net debt calculation.

An audited financial position at 30 June 2017 was not available at the time of preparing this report. However, SMS has estimated net debt at 30 June 2017 to be approximately $9.1 million, comprising $4.4 million cash at bank and interest bearing liabilities of $13.5 million. This is a reduction from $10.3 million at 31 December 2016 and reflects the following:

- payment of $1.0 million interim dividend on 7 April 2017
- operating cash flows generated since 31 December 2016
- payment of certain fees in relation to the scheme contemplated under the DWS SIA
- fluctuations in working capital.

8.6 Cash Flow

The cash flow statement of SMS for two and a half years ended 31 December 2016 is summarised below:

Table 9: Cash flow of SMS

Period $ million unless otherwise stated	12 months to 30-Jun-15	12 months to 30-Jun-16	6 months to 31-Dec-16
Reported EBITDA	28.7	15.7	(42.6)
Change in working capital	(2.4)	9.2	0.5
Non cash and other items	3.7	(0.4)	46.1
Tax paid	(5.6)	(6.2)	(3.9)
Operating cash flow	**24.4**	**18.3**	**0.1**
Borrowing costs	(0.8)	(0.9)	(0.4)
Capital expenditure	(0.8)	(1.5)	(0.1)
Dividends paid	(10.1)	(11.4)	(2.1)
Share buy-back	(1.4)	(0.9)	-
Proceeds from borrowings	0.2	12.0	3.5
Repayment of borrowings	(5.5)	(4.3)	(0.5)
Acquisition/Contingent Consideration payments	(11.9)	(19.4)	-
Net cash generated/(used)	**(5.9)**	**(8.1)**	**0.5**
Opening cash	*18.1*	*12.9*	*4.7*
FX fluctuations on cash held	*0.7*	*(0.1)*	-
Closing cash	*12.9*	*4.7*	*5.2*
Movement	(5.9)	(8.1)	0.5

Source: SMS 2014, 2015 and 2016 Annual report and 31 December 2016 Interim Report

Since FY15, SMS's operating cash flow has declined in line with profits and EBITDA.

In FY15 and FY16, operating cash flows along with debt funding were used to meet the contingent consideration requirements from the Indicium and Birchman acquisitions.

For the 6 months period ended 31 December 2016, SMS recorded a net cash balance of $5.2 million, which included $0.5 million being generated over the period.

8.7 Strategy & Outlook

Mr Rostolis was appointed CEO in May 2016 and undertook a review of all areas of the business. As a result, SMS has set a number of operational priorities:

- focus on the Advisory & Solution business by realignment of the sales and delivery teams at a state and regional level to deliver greater responsiveness to clients and deeper engagement by staff
- separate management focus for the Managed Services business, including a reassessment of the nature and size of opportunities to be pursued
- expand national capability development

- SMS aims to accelerate growth in the Microsoft and Salesforce business
- continue to expand Advisory & Solutions service offerings
- increase sales capability and broaden the client base to ASX300 and other Government agencies
- improve operational efficiency through reducing corporate and other costs and improving utilisation levels of billable staff employed.

The focus of the M&T resources business will be on winning and retaining key panel agreements in order to become a recruitment brand of choice for key clients.

Management has a strong focus on these priorities to turn around the business and to restore growth.

8.8 Equity capital

SMS has 68,536,340 ordinary shares on issue, listed and traded on the ASX.

The top six registered shareholders accounted for approximately 48.1% of shares on issue and are principally investment managers.

The following table outlines the substantial shareholders in SMS.

Table 10: Substantial SMS shareholders

Substantial Shareholder	Number of shares	Percentage of issued capital
Australian Ethical Investment Ltd	7,380,025	10.8%
Wilson Asset Management Group	6,236,792	9.1%
Celeste Funds Management Ltd	5,910,327	8.6%
Spheria Asset Management Pty	5,676,486	8.3%
Colonial First State Asset Management (Australia) Limited	4,320,388	6.3%
Highclere International Investors LLP	3,445,346	5.0%
Total shares held by substantial shareholders	**32,969,364**	**48.1%**
Other shareholders	35,566,976	51.9%
Total shares on issue	**68,536,340**	**100.0%**

Source: Substantial shareholder notices

As at 31 December 2016, SMS had 1,795,310 performance rights on issue under the SMS Group Executive Performance Rights Plan. However, as per Section 12.2 of the Scheme Booklet, none of the performance rights will vest.

8.9 Trading performance

In analysing SMS's share price performance, we have:

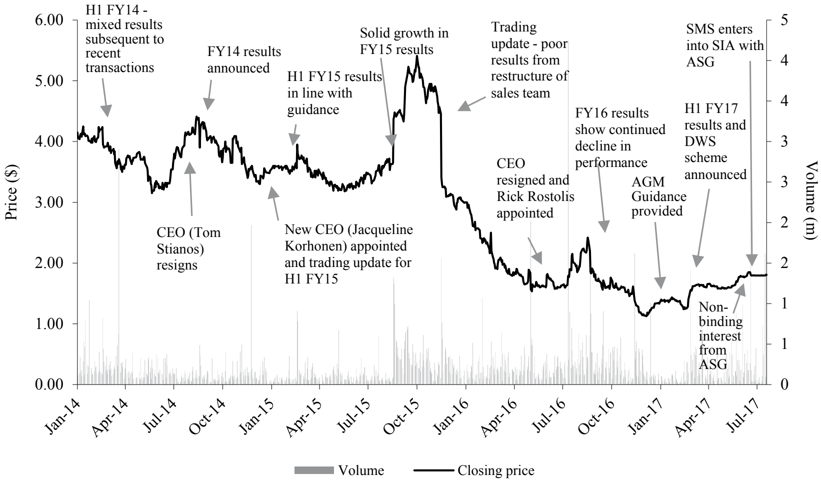
- considered price and volume performance since 1 January 2014
- compared SMS's share price movement to the S&P/ASX 300 Index and other broadly comparable companies since 1 January 2014

- considered the volume weighted average price (VWAP) and trading liquidity of SMS shares for the period pre and post the announcement of the ASG Scheme.

8.9.1 *Share price and volume performance*

SMS's share price performance and the volume of shares traded since 1 January 2014 are illustrated below.

Figure 9: Share price performance and volume of securities



Source: Capital IQ; KPMG Corporate Finance analysis

Following the announcement of mixed results for the 6 months period ended 31 December 2013, SMS's share price declined to a low of $3.15 in late May 2014. There was a partial recovery over the following months which included support from a share buyback. Mr Stianos announced his intention to resign as CEO in August 2014. In August 2014, FY14 results showed a decline in profitability as a result of tougher market conditions, and the shares traded downwards over the following months.

In February 2015, following the appointment of Ms Korhonen as new CEO, the share price stabilised, trading broadly in the range of $3 to $4. Following the release of FY15 results and speculation of further consolidation within the Australian IT services industry[13], the share price rose approximately 48% over the following months to reach its highest point since 2013 of $5.41 in October 2015.

However, the November 2015 trading update outlined that the restructuring of the sales and delivery teams had negatively impacted sales and consequently, the share price declined 23% in one day and

[13] *http://www.afr.com/technology/could-428-million-csc-offer-start-a-bidding-war-for-aussie-tech-group-uxc-20151006-gk2cbx - 6 October 2015*

continued to fall over the following months. Ms Korhonen resigned and Mr Rostolis was appointed CEO in May 2016.

Despite efforts to stabilise the business through realignment of the sales and delivery team structure and focus to revitalise the core Advisory & Solutions business, the share price has continued its downward trend reaching a low of $1.13 in December 2016, after a slight recovery in August 2016.

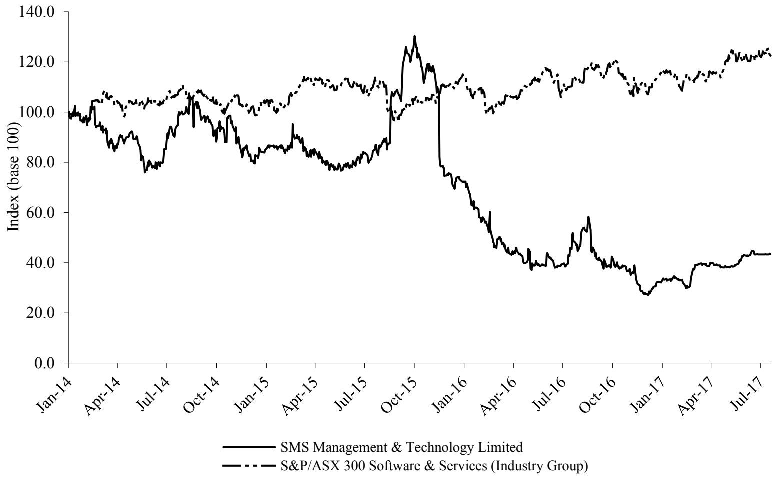
Since the announcement of the SMS entering into the DWS SIA in February 2017, the SMS share price has reflected the implied scheme consideration of the DWS SIA. Subsequently, following the announcement of the receipt of the non-binding expression of interest from ASG on 29 May 2017, the SMS share price increased accordingly.

8.9.2 *Relative Performance*

SMS is a member of the S&P/ASX Emerging Companies Index. However, for the purpose of our relative performance analysis we have compared it to the S&P/ASX 300 Software & Services Index as this provides a better basis for which to compare SMS to the IT services industry. The S&P/ASX 300 Software and Services Index is dominated by large software companies.

The SMS share price has consistently underperformed against the S&P/ASX 300 Software and Services Index, with the exception being a period from August 2015 to November 2015. This is illustrated in the graph below.

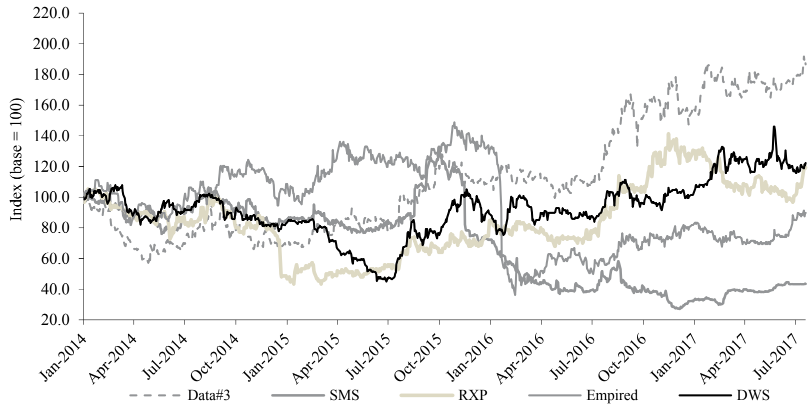
Figure 10: SMS's relative share price performance



Source: Capital IQ; KPMG Corporate Finance analysis

Further, the underperformance of the SMS's share price against other Australian listed IT services companies is illustrated below:

Figure 11: Share prices of SMS and other Australian IT services companies



Source: Capital IQ; KPMG Corporate Finance analysis

8.9.3 *Liquidity*

The table below summarises the liquidity of SMS shares pre and post the announcement of the DWS SIA and post the announcement of the ASG Scheme.

Table 11: VWAP and liquidity analysis

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
Period ended 22 February 2017 (pre-announcement)						
1 day	1.28	1.28	1.28	0.4	0.3	0.4%
5 day	1.25	1.28	1.26	0.9	0.7	1.0%
10 day	1.24	1.32	1.27	1.7	1.3	1.9%
1 Month	1.24	1.44	1.32	2.9	2.2	3.2%
AGM to 22 Feb 17	1.13	1.44	1.28	14.8	11.6	16.9%
6 months	1.13	1.91	1.52	41.9	27.6	40.3%
12 months	1.13	2.42	1.69	113.8	67.3	98.1%
Period 22 February 2017 to 26 May 2017						
Period between offers	1.40	1.70	1.62	24.2	15.0	21.9%
Period 29 May to 20 July 2017						
Since ASG announcement	1.77	1.85	1.79	22.2	12.4	18.0%

Source: IRESS; KPMG Corporate Finance analysis

Trading in SMS shares has been moderate over the last twelve months, reflecting the small cap nature of the stock.

9 Valuation of SMS

9.1 Valuation summary

We have valued 100% of the equity in SMS in the range of $106.4 million to $122.9 million, which corresponds to a value of $1.55 to $1.79 per SMS share. Our valuation assumes 100% ownership of SMS and therefore incorporates a control premium. Given the inclusion of a control premium, we would expect our valuation to exceed the value of SMS implied by its trading price in the absence of a takeover offer.

The assessed value of equity reflects the estimated market value for SMS's business operations less net borrowings. Our valuation of SMS is summarised below and detailed in the remainder of this section.

Table 12: Valuation summary

$m (unless otherwise stated)	Section reference	Value Low	Value High
Value of SMS operations	**9.3**	115.5	132.0
Less: net debt	**9.5**	(9.1)	(9.1)
Value of equity		106.4	122.9
Number of shares on issue (millions)	**8.8**	68.5	68.5
Value per SMS share ($ rounded)		**1.55**	**1.79**

Source: KPMG Corporate Finance analysis
Note: Estimated net debt at 30 June 2017
Table may not sum due to rounding

9.2 Valuation methodology

9.2.1 Overview

Our valuation of SMS has been prepared on the basis of market value. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings and synergies that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to ASG. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of a sustainable level of earnings (Capitalised Earnings)
- the discounting of expected future cash flows to present value (DCF)
- the estimation of the net proceeds from an orderly realisation of assets (Net Assets)

- trading prices for the company's shares on the ASX
- recent genuine offers received by SMS for the entire business.

These methodologies are discussed in greater detail in Appendix 5. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is typically adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, a net assets approach is typically adopted as there tends to be minimal goodwill, if any.

9.2.2 Selection of methodology

For the valuation of SMS's business operations, we adopted Capitalised Earnings as our primary methodology. This was based on the following considerations:

- a Capitalised Earnings methodology is a commonly used method for the valuation of businesses and business operations that have a long operating history and profitable earnings which is the case for SMS. Further, there is sufficient market evidence available from which a meaningful earnings multiple can be derived
- SMS had received a recent genuine offer for the entire business from DWS, by way of the DWS SIA. The amount that an alternative bidder is willing to offer provides a useful framework for the selection of the earnings multiples and to underpin the overall reasonableness of the value
- a DCF methodology is also widely used in the valuation of established businesses, where long term, detailed cash flows are available. We have not been provided with a detailed financial model from which an in-depth DCF analysis could be undertaken as the company does not typically forecast beyond a one year budget. Further, the inherent uncertainty associated with the short term project-driven nature of SMS's operations, means that preparing reliable cash flow projections beyond the current sales pipeline is particularly challenging. This may reduce the robustness of any results derived from a discounted cash flow analysis. Accordingly, DCF cannot be used as a primary methodology
- a Net Assets approach is not considered appropriate in SMS's case as this method would not capture the growth potential and goodwill associated with the business
- the trading price of SMS shares is likely to have been impacted by the announcement of the half year results and the scheme contemplated by the DWS SIA. Accordingly, considerable judgement is required in deriving conclusions on the fundamental value of a SMS share in the absence of a takeover offer on the basis of SMS's recent share price performance. Nevertheless, we have also had regard to trading prices for SMS shares prior to the announcement of the DWS SIA as a high-level cross-check to support the robustness of the value derived from our primary Capitalised Earnings methodology

- we have also cross-checked our primary Capitalised Earnings methodology with implied multiples of net profit after tax (NPAT)
- we have valued SMS in aggregate rather than on a sum-of-the-parts approach given SMS Consulting and M&T Resources businesses both provide support services to the Australian IT services industry and are impacted by similar industry dynamics.

The value of the business operations of SMS has been determined through an iterative process, ensuring the value derived from our primary Capitalised Earnings methodology is consistent with the alternative offer from DWS and outcomes of our cross-checks.

9.2.3 *Selection of earnings metric*

Application of the Capitalised Earnings methodology involves the capitalisation of the earnings or cash flows of a business at a multiple that reflects the risks of the business and the future growth prospects of the income it generates. Application of this methodology requires professional judgement as to:

- a level of earnings or cash flows expected to be maintainable that takes into account historical and forecast operating results, adjusted for non-recurring items and other known factors likely to impact on future operating performance
- an appropriate capitalisation multiple that is supported by market evidence derived from comparable transactions and sharemarket prices for comparable companies, while also considering the specific characteristics of the business being valued.

A Capitalised Earnings methodology can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and NPAT. All are commonly used in the valuation of businesses and should provide a similar result.

IT services businesses are not capital intensive and have relatively low depreciation and amortisation requirements and, therefore, the earnings base is not impacted by depreciation or asset rental charges to the same extent as more capital intensive businesses. Accordingly, we have selected EBITDA as the appropriate earnings metric for SMS.

9.2.4 *Control premium considerations*

Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Consistent with the requirements of RG 111, in valuing SMS we have assumed 100% ownership, and therefore included a premium for control when assessing the multiples implied by the trading prices for listed comparable companies.

Observations from transaction evidence indicate that takeover premiums generally range from 20% to 35%[14] for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater. Takeover premiums can vary significantly between individual transactions as the final price paid will reflect to varying degrees:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive
- the extent the target company's share price already reflects a degree of takeover speculation.

9.3 Value of business operations

9.3.1 Summary

KPMG Corporate Finance has valued the operating business of SMS to be in the range of \$115.5 million to \$132.0 million.

[14] *KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.*

Table 13: Valuation of business operations

$ million (unless otherwise stated)	Section reference	Value range Low	High
Selected maintainable earnings	9.3.2	10.5	11.0
Capitalisation multiples	9.3.3	11.0x	12.0x
Value of business operations (rounded)		**115.5**	**132.0**

Source: KPMG Corporate Finance analysis
Note: Table may not sum due to rounding

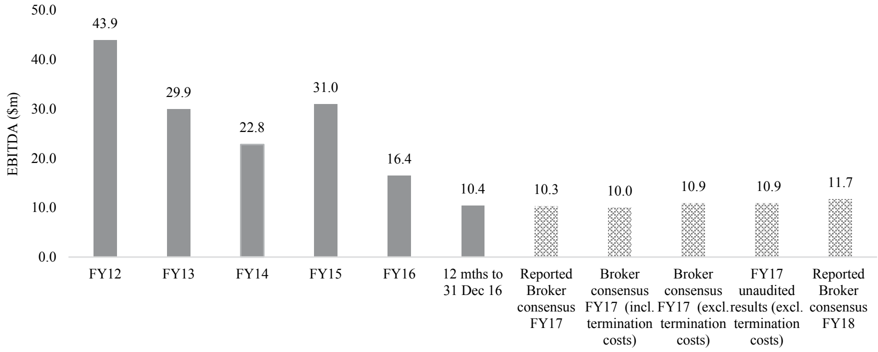
The valuation of SMS's business operations was determined using a Capitalised Earnings methodology, based on future maintainable EBITDA of $10.5 million to $11.0 million and a forward capitalisation multiple of 11 to 12 times. The basis for each of these assumptions is discussed in the sections below.

9.3.2 *Maintainable earnings*

Maintainable earnings represents the level of earnings that the business can sustainably generate in the future. We have selected future maintainable EBITDA for SMS to be in the range of $10.5 million to $11.0 million. In making this assessment, we have had regard to the following:

- illustrated in the figure below, is SMS's adjusted EBITDA from FY12 to FY16, twelve months to 31 December 2016, SMS's unaudited FY17 results and reported and adjusted FY17 and FY18 broker consensus

Figure 12: Historic and forecast EBITDA



Source: FY12, FY13, FY14, FY15, FY16 Annual Reports, H1 FY17 Results, Broker reports
Notes: Historic EBITDA has been adjusted for non-recurring items as shown in Section 8.4

- the historical results above illustrate a trend of declining EBITDA, apart from in FY15 which is not representative of the general trend (for reasons discussed in Section 8.4). Whilst we have had regard to historical financial performance prior to the last twelve months, we do not consider those as appropriate benchmarks for future maintainable earnings given the recent financial performance of the company, the challenging competitive environment, the investment required and related performance risks and management's outlook of the company in the short to medium term

- the IT services industry is influenced by both cyclical and structural factors. From our analysis and discussions held with management, it is evident that the decline in revenues and profit margins is structural rather than cyclical/seasonal in nature. Therefore we have not adjusted future maintainable earnings to reflect a particular point in the cycle
- underlying EBITDA excludes the impact of one-off and significant items such as impairment charges of $46.7 million and termination costs. The exclusion of termination costs is subjective given the historical charges and potential for further termination costs in the future. Notwithstanding, a stabilised business anticipating growth would anticipate a lower level of ongoing termination costs
- FY17 performance and SMS unaudited results with total revenue of $304.5 million and EBITDA, prior to significant items, of $10.9 million
- discussions with SMS management regarding FY18 expectations
- the median reported broker consensus forecast for SMS's FY17 EBITDA is $10.3 million, with a range from $10.0 million to $10.5 million. We have also considered:
  - broker consensus has not been updated to reflect the latest guidance provided by SMS within the Scheme Booklet
  - considering broker estimates including and excluding FY17 termination costs (refer to Appendix 4 for further details), resulting in median broker consensus FY17 EBITDA of $10.9 million before non-recurring items and $10.0 million after non-recurring items
- reported broker consensus forecast for SMS's FY18 EBITDA is $11.7 million, with a range from $8.0 million to $12.8 million
- we have also considered factors that indicate the potential for upside, including contract wins in Managed Services that are expected to commence from FY18 and recent steps undertaken by management to restructure the business. We have not adjusted maintainable earnings to reflect the potential upside but have instead captured these factors in our selection of the appropriate multiple.

We note that we have not adjusted maintainable earnings for cost savings available to any acquirer of 100% of a company that has operations in Australia, as these types of general synergies are commonly subsumed within a premium for control that is reflected in our selection of the appropriate multiple.

9.3.3 *EBITDA multiple*

The multiple applied in a Capitalised Earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from listed comparable companies and recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

Sharemarket evidence

There are a number of listed IT services companies in Australia. Due to the unique nature of SMS's business model, there are no listed, pure-play companies with the same characteristics as SMS. SMS is the only listed IT consulting firm on the ASX, which also offers recruitment and contract labour. Additionally, whilst all of the selected comparable companies offer IT consulting services or implementation of software or hardware solutions, the service offering of a number of peers differs from SMS.

Size is typically a substantial advantage for IT services businesses for a number of reasons. Larger companies are likely to have a broader range of services and a stronger market presence, both of which assist in competing for large tenders. Larger companies are better able to benefit from efficiencies that can be gained from achieving economies of scale and advantageous financing terms. Larger companies also have greater capacity to absorb losses on specific projects. They typically achieve greater diversity of services and clients, which reduces earnings volatility.

The implied EBITDA multiples of the identified listed comparable companies are summarised in the table below.

Table 14: Sharemarket evidence

Company name	Market Cap	Enterprise Value	EBITDA growth (Historic)	EBITDA growth (Forecast)	EBITDA margin	EBITDA multiple	EBITDA multiple
	$m	$m	FY	FY+1	FY+1	FY	FY+1
Data#3 Limited	283	268	21.3%	18.8%	2.4%	10.2	8.6
DWS Limited	204	216	65.9%	5.5%	17.7%	8.3	8.2
Empired Limited	90	112	-46.1%	103.2%	9.1%	7.1	5.8
RXP Services Limited	125	128	77.3%	20.3%	13.6%	6.5	6.0
Melbourne IT Limited	357	377	27.4%	42.8%	20.3%	9.5	8.8
The Citadel Group Limited	263	259	105.5%	34.9%	29.1%	9.1	7.9
Mean			41.9%	37.6%	15.4%	8.5	7.6
Median			46.7%	27.6%	15.7%	8.7	8.1

Source: S&P Capital IQ (data as at 19 July 2017); Company announcements; KPMG Corporate Finance analysis
Notes: EBITDA multiples defined as Enterprise Value (the gross capitalisation comprising the sum of the market capitalisation adjusted for outside equity interests, preferred equity, plus borrowings less cash) divided by EBITDA. Net borrowings is as at 31 December 2016
FY represents FY17 estimates and FY+1 equates to FY18 forecasts. FY17 earnings were estimates at the time of preparing this report
Melbourne IT FY17 EBITDA based on mid-point of company guidance provided on 14 June 2017

A detailed description of these comparable companies is set out in Appendix 6. In assessing the comparability of the companies detailed above, we note the following:

- the multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing

- the multiples for the comparable companies are in a range of 6.5 to 10.2 times historical EBITDA and 5.8 to 8.8 times forecast EBITDA
- in FY16, Data#3 recorded strong EBITDA growth supported by increased focus in the rapidly growing cloud services market, whilst DWS, Melbourne IT and Citadel have recently made acquisitions and therefore, their historical multiples appear high (as only partial earnings included from acquisitions)
- Melbourne IT forecast EBITDA multiple reflects an increase in its share price of over 50% year-to-date following several acquisitions and strong expected earnings growth
- the forecast EBITDA multiples for Empired and RXP are toward the lower end of the observed range. One broker highlighted Empired faces possible customer and key contract concentration risks, and integration risks following recent acquisitions[15].While RXP has recorded significant growth in earnings, market commentators note that a lack of headcount growth following a reduction in its contractor base in December 2016 might have discouraged some investors
- the comparable companies at the high end of the range are dominated by companies that are either larger than SMS such as Data#3 or are forecast to experience higher EBITDA growth in FY17 (DWS, Melbourne IT and Citadel). Furthermore, with the exception of Data#3, all of these companies are expected to record substantially higher EBITDA margin, relative to SMS
- notably, most of the comparable companies (other than Empired) recorded EBITDA growth in FY16. In contrast, SMS's adjusted EBITDA declined by 47% in FY16. As outlined previously, we have captured the potential upside from this low base of earnings in the selection of the multiple, in order to reflect a value that reflects the future potential operations of SMS.

Transaction evidence

The price paid in transactions is widely considered to represent the market value of a controlling interest in the target company. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control. The quantum of this premium will vary dependent on the specific circumstances of each transaction, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

The IT services industry globally is mature and highly fragmented and there have been a number of acquisitions between substantial participants. The motivation for these acquisitions has included gaining a wider breadth of services, acquiring capability in key technologies or vendor relationships and gaining access to cheaper overseas labour markets. There have also been a number of acquisitions of relatively small businesses. Our analysis has focused on large acquisitions where the target is of broadly similar scale to SMS.

[15] *Broker report, 24 February 2017*

The table below sets out the historical and forecast EBITDA multiples implied by recent transactions involving companies operating in the international IT services industry for which sufficient financial data is available.

Table 15: Transaction evidence

Announcement Date	Target	Target Country	Percentage Acquired	Transaction Value (AUDm)	EBITDA multiple (LTM)	EBITDA multiple (NTM)
1-May-17	WME Group	Australia	100%	39.0	6.4	5.6
30-Sep-16	ASG Group Limited	Australia	100%	358.7	14.6	11.9
21-Jun-16	Trustmarque Solutions Limited	United Kingdom	100%	112.0	7.8	n/a
05-Oct-15	UXC Limited	Australia	100%	470.1	10.4	9.9
05-Aug-15	Phoenix IT & T Consulting Pty Ltd	Australia	75%	19.5	n/a	5.2
21-May-15	Phoenix IT Group Ltd. (nka:Daisy IT Group Limited)	United Kingdom	72%	330.5	7.0	6.6
24-Mar-15	Accumuli plc	United Kingdom	100%	113.5	17.0	12.0
12-Aug-14	EVRY ASA (nka:EVRY AS)	Norway	100%	1298.8	5.7	5.4
28-Nov-14	nSynergy Pty Ltd	Australia	100%	25.5	7.3	n/a
11-Aug-14	Oakton Limited	Australia	100%	171.0	10.7	10.2
23-May-14	Bull Société Anonyme	France	100%	903.3	6.8	5.7
08-Apr-14	Groupe Steria SCA	France	91%	1472.3	6.6	4.6
20-Dec-13	Dynamics Research Corporation	United States	100%	228.5	8.4	8.8
20-Feb-13	Sigma AB	Sweden	51%	60.5	8.4	6.5
17-Dec-12	Datacom Group Limited	New Zealand	35%	113.7	7.2	n/a
31-May-12	Logica PLC	United Kingdom	100%	3506.0	18.7	7.1
30-May-12	CSG Solutions Pty Ltd. and CSG Services Pty Ltd.	Australia	100%	260.0	7.8	n/a
16-Aug-11	Vangent, Inc.	United States	100%	1303.0	14.9	n/a
31-Mar-11	SRA International, Inc. (nka:SRA Companies, Inc.)	United States	100%	1815.8	10.9	9.6

Source: Company financial statements and announcements; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: the implied enterprise value used to estimate the EBITDA multiples has not been adjusted for the seasonality of cash flows and only reflects the target's net debt position at the transaction announcement date
Note 2: Oakton's LTM EBITDA reflects normalised EBITDA of $15.8 million from the independent expert report
Note 3: Daisy Intermediate Holdings acquired 100% Phoenix IT Group through two separate transactions of 72% and 28% interests
Note 4: acquisition of Sigma AB involved the acquisition of the remaining 51% interest not already held
Note 5: the EBITDA multiple NTM was calculated based on the broker consensus NTM EBITDA as at the transaction announcement date
Note 6: when the transaction is announced shortly before the target's financial year end, the broker consensus forecast EBITDA for that financial year is used as the proxy for the LTM EBITDA
Note 7: LTM and NTM is based on earnings at the time the comparable transaction occurred

Each of the above transactions is described in Appendix 6.

Whilst the services provided by the target companies are broadly comparable to SMS's business operations, in assessing the comparability of the implied multiples it is necessary to consider the particular attributes of the target companies and the specific circumstances surrounding each transaction, including:

- Melbourne IT acquired WME Group Ltd (WME) which operate in digital marketing solutions and mobile software design and app development, for 5.6 times forecast EBITDA. The relatively low multiples potentially reflects the relative size of WME and specialised digital service offering

- the more comparable recent transactions in Australia include ASG's acquisition by NRI and UXC Limited's acquisition by CSC Computer Sciences Australia Holdings Pty Ltd (CSC). The implied forward EBITDA multiples from these transactions were 11.9 times and 9.9 times respectively
- the relatively high ASG forecast multiple of 11.9 times EBITDA reflected the growth and relative certainty associated with ASG's earnings being derived from recurring work, underpinned by its multi-year contracts with several corporates and government clients. Similar to SMS, a large proportion of ASG's revenue was sourced from government clients
- at the time of the UXC transaction in 2015, UXC had recorded strong consistent earnings growth since FY11
- Dimension Data's acquisition of Oakton occurred at a multiple of 10.2 times forecast EBITDA. When the transaction was announced in August 2014, brokers expected Oakton's earnings in FY15 to be constrained, followed by strong growth in FY16. Oakton recorded FY14 revenue growth of 1% and its EBITDA had decreased by 3% pcp
- a number of target companies are substantially larger and more geographically diversified than SMS (Logica PLC, Vangent, Inc, SRA International, Inc.)
- large acquisitions of EVRY ASA, Groupe Steria SCA and Bull Societe Anonyme occurred at relatively low multiples (5.4, 4.6 and 5.7 times forecast EBITDA, respectively). This likely reflects that one third of sales for EVRY ASA are sourced from financial services and online banking, Groupe Steria SCA has substantial business process outsourcing activities and Bull Societe Anonyme offers a large number of low cost products and services
- other target companies are substantially smaller than SMS (nSynergy Pty Ltd, Sigma AB) and their multiples are low (acquisition of the remaining 51% in Sigma AB has a forward multiple of 6.5 times)
- although relatively small, the acquisition of Accumuli plc occurred at a multiple of 12 times forecast EBITDA, reflecting the value ascribed to its proprietary software and ability for NCC Group plc to cross sell its software and services to its client base
- the acquisition of a 35% interest in Datacom Group Limited is not a control transaction. All other transactions resulted in the acquirer holding 100% of the target companies.

Control premium considerations

When valuing SMS on a controlling basis using market information, it is necessary to consider an appropriate control premium to apply. We consider an appropriate control premium to be around the upper end of the 20% to 35% range (on an equity value basis) typically observed in successful takeovers in Australia. This level of control premium is justified having regard to the cost savings that could likely be achieved by a pool of acquirers of SMS, having regard to:

- the level of pure control premium considered to be appropriate in respect of the acquirer's ability to utilise full control over the strategy and cash flows of SMS

- the level of general synergies available to all likely acquirers, particularly in relation to listing and overhead cost savings
- for acquirers with existing complementary operations in Australia, there could be potential overhead cost savings associated with co-locations and corporate costs
- there are a number of domestic and international corporations that have operations in Australia and are of sufficient scale to fund an acquisition of SMS (e.g. IBM, Fujitsu, NEC Networks & System Integration Corporation, CGI Group, Infosys, Wipro, Accenture, CSC/UXC, Oakton/Dimension Data, DWS).

There are risks associated with fully realising the benefits outlined above, the timing thereof and implementation costs (e.g. redundancy). Furthermore, achieving substantial cost savings may have a negative impact on sales (e.g. loss of customers if relationships and level of service are impacted). In addition, it is common practice not to ascribe the full value of estimated synergies in the valuation as, in a competitive bidding situation, a potential acquirer may not pay away the full benefit of synergies due to the risks associated with fully realising such benefits. Accordingly, we have reflected the risk adjusted potential future benefit of these cost savings and synergies available to a typical acquirer in the control premium when selecting the multiple.

Selected multiple range

Based on our analysis of the implied multiples of comparable companies and transactions as outlined above, we have selected a multiple range of 11 to 12 times maintainable EBITDA having regard to the following considerations:

- the selected forecast EBITDA multiple of 11 to 12 times is towards the high end of the multiples based on the control transactions discussed above. This captures:
  - SMS earnings are at a historical low point and although half yearly results and Company guidance do not indicate a return to growth, we have reflected some potential for upside (including standalone cost savings) within the multiple
  - the market guidance for FY17, which is broadly in line with broker estimates, provides some comfort that the downward trend in earnings has stabilised
  - the opportunities for cost savings arising from overlapping activities with potential acquirers that have operations in Australia
- the most recent comparable transaction in Australia (ASG) reflected a historical EBITDA multiple of 14.6 times and forward EBITDA multiple of 11.9 times
- UXC transacted at a slightly lower historical and forward EBITDA multiples of 10.4 and 9.9 times, respectively. This transaction was announced on the back of strong, consistent historical earnings growth

- the implied trading multiple of SMS immediately prior to the announcement of the DWS SIA of 9.4 times adjusted EBITDA for the 12 months to 31 December 2016[16]
- the implied (control) multiple of the (terminated) DWS offer based on the mid-point of the assessed value of the DWS SIA consideration of 11.6 times EBITDA for the 12 months to 31 December 2016[17]
- on a revenue basis, SMS is the second largest (after Data#3) listed Australian IT services company
- comparable companies are trading on FY17 EBITDA multiples with a mean and median of 8.5 times and 8.7 times, respectively
- comparable companies are trading on FY18 EBITDA multiples with a mean and median of 7.6 times and 8.1 times, respectively
- assuming a control premium of 30% (given range of 20% to 35%) and gearing of 10%, the selected EBITDA multiple of 11 to 12 times is equivalent to an EBITDA multiple of approximately 8.7 to 9.5 times on a minority basis. This is towards the high end of the range of EBITDA multiples observed amongst comparable companies. It is also broadly similar to SMS's implied trading multiple of 9.4 times (EBITDA for the 12 months to 31 December 16) prior to the announcement of the DWS SIA
- the synergies available to potential acquirers particularly in relation to regulatory costs and overlapping activities, support the case for a control premium at the higher end of the 20% to 35% range.

9.4 Non-operating assets or liabilities

Surplus assets and liabilities are those assets and liabilities not required to sustain the adopted level of maintainable earnings. We are not aware of either non-operating assets or liabilities for SMS.

9.5 Net debt

SMS's estimated net debt at 30 June 2017 is approximately $9.1 million as discussed in section 8.5.1.

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[16] *Based on a closing share price of $1.28 on 22 February 2017, 68.5 million shares outstanding, net debt of $10.3 million (at 31 December 2016), $10.4 million EBITDA for the 12 months to 31 December 2016*

[17] *Based on assessed value of DWS SIA consideration of $1.57 to $1.64, 68.5 million shares outstanding, net debt of $11.3 million (within the DWS SIA independent expert report), $10.4 million EBITDA for the 12 months to 31 December 2016*

9.6 Valuation cross checks

Analysis of trading price of SMS shares

We have cross-checked the primary valuation methodology by analysing recent trading prices of SMS shares. When compared with a single external observer, the consensus view of a well traded, fully informed market is likely to be a more reliable estimate of the value of a portfolio interest in the underlying company that is assumed to exclude a premium for control. Trading prices usually incorporate the influence of all publicly available information on an entity's prospects, future earnings potential and risks. This is particularly true for shares that experience high levels of liquidity and are closely followed by a range of market analysts.

Therefore, on the premise that the trading price is reflective of market value, we have considered the appropriateness of the control premium implied by the outcome to our valuation, to the SMS share price on a minority basis.

Firstly, we have considered if there is any reason why the trading price may not be an indicator of the market value of a SMS share on a minority basis.

To address this, we have:

- considered the frequency of release of material information from SMS to the market
- analysed the historic trading volumes in SMS shares to, *inter alia*, consider the liquidity of the SMS shares.

Non-public information

Under ASX Listing Rules (LR 3.1 and 3.1A), SMS is required to keep the market informed of events and developments in a timely manner as they occur. If SMS becomes aware of any information that a reasonable person would expect to have a material effect on the price or value of its shares, it must inform the market of that information.

Public information

SMS has informed the market of such events and has provided regular earnings updates in a timely manner. Most recently, SMS has announced at the AGM on 14 November 2016, H1 FY17 outlook, which included H1 FY17 EBITDA guidance of $4.5 million to $5.0 million, prior to significant items.

However, given that the announcement of SMS's most recent financial result was provided with the announcement of the DWS SIA on 27 February 2017, it is uncertain how the market would have reacted had it had reasonable time to interpret the earnings result in isolation. However, the actual result was in line with earlier guidance provided on 14 November 2016 and is therefore considered unlikely to have had a significant impact.

Subsequently SMS announced:

- the scheme contemplated by the DWS SIA, confirmation of interim dividend and earnings results for H1 FY17 on 27 February 2017
- the ASG expressions of interest and subsequent ASG Scheme.

Liquidity analysis

SMS is a sufficiently liquid stock, as illustrated in the table below. In approximately 3 months prior to the DWS SIA announcement, 16.9% of the issued share capital was traded in the market. In the 6 months prior to the DWS SIA announcement, 40.3% of the issued share capital was traded while over the 12 months prior to the DWS SIA, almost all of the issued share capital was traded at 98.1%. Between 27 February 2017 (when the DWS SIA was announced) to 26 May 2017 (when the ASG expression of interest was announced) 21.9% of the issued share capital has traded.

Table 16: Liquidity analysis

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
Period ended 22 February 2017 (pre-announcement)						
1 day	1.28	1.28	1.28	0.4	0.3	0.4%
5 day	1.25	1.28	1.26	0.9	0.7	1.0%
10 day	1.24	1.32	1.27	1.7	1.3	1.9%
1 Month	1.24	1.44	1.32	2.9	2.2	3.2%
AGM to 22 Feb 17	1.13	1.44	1.28	14.8	11.6	16.9%
6 months	1.13	1.91	1.52	41.9	27.6	40.3%
12 months	1.13	2.42	1.69	113.8	67.3	98.1%
Period 22 February 2017 to 26 May 2017						
Period between offers	1.40	1.70	1.62	24.2	15.0	21.9%
Period 29 May to 20 July 2017						
Since ASG announcement	1.77	1.85	1.79	22.2	12.4	18.0%

Source: S&P Capital IQ

The VWAPs of an SMS share calculated over a period of 1 days, 5 days, 10 days, 1 month and since the last Annual General meeting on 14 November 2016 (date CEO announced the company's immediate strategy and outlook following disappointing 2016 results) are in the range of $1.26 to $1.32. The VWAPs during these periods were similar to the last undisturbed share price of $1.28 leading up to the announcement of the DWS SIA.

Table 17: VWAP

Period (trading days)	Value ($ per share)
5 day VWAP	1.26
10 day VWAP	1.27
1 Month VWAP	1.32
VWAP since AGM	1.28

Source: IRESS; KPMG Corporate Finance analysis

Additionally, as noted in Section 8.9.2, the broader S&P ASX300 Software & Services index has been trading at levels broadly similar since June 2016 (end of the previous financial year), suggesting that the fundamental value of IT services companies have broadly remained the same during the current financial year.

Overall, analysis of undisturbed trading in SMS shares indicate that a price of $1.28, consistent with both the undisturbed closing share price on the day prior to the announcement of the DWS SIA and the VWAP since the AGM (when guidance was provided) is appropriate.

Our value range based on the primary earnings approach of $1.55 to $1.79 per SMS share implies a control premium over the SMS share price of $1.28, of 21% to 40%.

Table 18: High level valuation cross check based on share price analysis

Implied SMS share price control premium	Low	High
Assessed value of SMS shares	1.55	1.79
SMS share price	1.28	1.28
Implied control premium (%)	**21%**	**40%**

Source: S&P Capital IQ, KPMG Corporate Finance analysis

The implied control premium of 21% to 40% is broadly consistent with the observations from transaction evidence that indicate that takeover premiums generally range from 20% to 35%[18] for completed takeovers depending on the individual circumstances.

On this basis, our analysis supports our valuation of SMS as being appropriate.

9.6.1 NPAT multiple

We have cross checked the primary valuation methodology of Capitalisation Earnings by comparing the NPAT multiple from our valuation range to the forecast NPAT multiples of comparable companies.

The average and median forecast NPAT multiple of comparable companies are 15.2 times and 16.2 times, respectively:

Table 19: NPAT Multiples of comparable companies

Company	NPAT Multiple FY17
Data#3	17.2x
DWS	12.1x
Empired	20.1x
RXP	9.7x
Melbourne IT	16.5x
Citadel Group	23.5x
Average	16.5x
Median	16.9x

Source: S&P Capital IQ (as at 25 June 2017)
Melbourne IT FY17 earnings per share based on mid-point of company guidance provided on 14 June 2017

[18] *KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.*

Based on median FY17 broker consensus NPAT of $6.2 million, the forecast NPAT multiple implied by our SMS valuation range is 14.3 times to 14.7 times, respectively.

Table 20: NPAT multiples of comparable companies Implied NPAT multiple for SMS

($ millions)	Low	High
Equity Value (controlling basis)	106.4	122.9
Minority discount (based on a control premium range of 20% to 35%)	17%	26%
Equity Value (marketable minority basis)	88.7	91.0
NPAT	6.2	6.2
Implied NPAT multiple for SMS on a minority basis	14.3x	14.7x

Source: KPMG Corporate Finance analysis, Capital IQ

We note that our implied NPAT multiple for SMS is below the median and mean FY17 NPAT multiple of 16.5 times and 16.9 times observed amongst comparable companies but within the range of 9.7 times to 23.5 times.

Accordingly, the resultant high level NPAT multiple cross check supports our assessed valuation of SMS as appropriate.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Adele Thomas and Sean Collins. Adele is a member of the Institute of Chartered Accountants in Australia and holds Bachelor of Commerce and Bachelor of Accounting degrees. Sean is a fellow of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce degree. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the ASG Scheme is in the best interests of SMS Shareholders. KPMG Corporate Finance expressly disclaims any liability to any SMS Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the ASG Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the ASG Scheme.

We note that the forward-looking financial information prepared by the company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of SMS for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the shareholders of SMS. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- The Scheme Booklet and Notice of Scheme Meeting
- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd and Gartner
- financial information from Bloomberg, IRESS, Thomson Financial Securities and Connect 4.

Non-public information

- management accounts for SMS for the year ended 30 June 2016 and half year ended 31 December 2016
- projected information for the year ended 30 June 2017
- Business plans
- other confidential documents, board papers, presentations and working papers.

In addition, we have held discussions with, and obtained information from, senior management of SMS and its advisors.

Appendix 3 - Industry overview

Overview

The IT industry in Australia is expected to reach approximately $85 billion in 2017.[19] It comprises:

- **infrastructure**, such as data centres, servers, storage, networking, cables, phone systems, local area networks and wireless networks
- **software**, including system software such as operating systems (e.g. Windows and Mac OS), application software that perform special functions separate from the computer itself and other software
- **IT services**, including consulting, implementation of hardware and software, IT outsourcing, infrastructure support and managed services.

Both SMS and ASG predominantly provide IT services, focusing on consulting technology and systems implementation, to improve operational performance and IT delivery for large corporates and enterprises.

The evolution of internet based computing ('cloud computing') is fundamentally changing the IT industry. Traditionally, infrastructure and software have been distributed as a product, where the client pays upfront for the hardware and software licence as capital expenditure. Products are delivered 'on premise' and clients customise and maintain the infrastructure or software and upgrade software systems over time.

Greater bandwidth and broadband internet availability, faster and cheaper memory and low cost computers and storage devices have resulted in the evolution of cloud computing. Cloud computing, or 'on demand' computing, provides shared resources and information to computers and other devices as required via the internet. It involves three main services: Infrastructure as a Service (IaaS), where just the hardware and tools are rented; Platform as a Service (PaaS), where the hardware and middleware are rented (popular with software developers); and Software as a Service (SaaS), where just the application is rented. In each case, the client pays an ongoing fee as an operating expense.

Cloud computing is growing rapidly as it provides higher computing power, lower costs, scalability and greater efficiency and accessibility than the alternative. The underlying cloud services market in Australia is forecast to reach $6.5 billion in 2017, up 15% from the prior year.[20]

IT expenditure

IT expenditure is influenced by cyclical and structural factors. Businesses tend to implement new IT systems during periods of strong economic performance (and business confidence) and defer or cancel technology upgrades during a downturn. Likewise, in periods of structural change such as technological advancement (e.g. cloud computing), IT expenditure will be greater as expenditure is brought forward. IT expenditure in the Asia Pacific region is the fasting growing region in the world growing at 5.9%.[21]

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[19] *Gartner October 2016 – as reported in http://www.gartner.com/newsroom/id/3490317*
[20] *Gartner – as reported in https://channellife.com.au/story/gartner-2017-public-cloud-services-market-surge-18-percent/*
[21] *January 2017 – Gartner Report – Forecast Alert: IT Spending, Worldwide, 4Q16 Update*

Until mid-2014, IT budgets of Australian Government entities and corporations were constrained by reduced Government expenditure, weak business confidence and lower gross domestic product forecasts. In addition, new cloud based technologies resulted in a number of entities choosing to 'wait and see'.

IT expenditure has increased moderately from mid-2014. Greater clarity around new technologies has increased companies' confidence to implement them. However, growth in IT expenditure is constrained by the shift in pricing from upfront payments to ongoing payments associated with cloud technologies.

Software

A major subset of applications software is enterprise application software, which is designed to meet the needs of an organisation rather than individual users. Implementation of these applications is a major activity of IT service providers and include:

- Enterprise Resource Planning (ERP), which involves the collection, storage, management and interpretation of data from many business activities (e.g. product planning, finance, human resources, marketing and sales, inventory management, shipping and payment)
- Customer Relationship Management (CRM), which involves management of information relating to customer relationships
- supply chain management
- business intelligence and reporting.

The global enterprise software market is expected to grow 5.5% in 2017, reaching US$351 billion.[22]

Major vendors of ERP applications (such as Microsoft Corporation (Microsoft), SAP SE (SAP) and Oracle Corporation (Oracle)) do not typically install software due to the level of customisation required for a particular business. Implementation is typically outsourced to a third party IT services company, referred to as 'implementation partners', such as SMS.

IT Services

IT services expenditure in Australia is estimated at $31.4 billion in 2017.[23] IT services encompasses a range of activities, including:

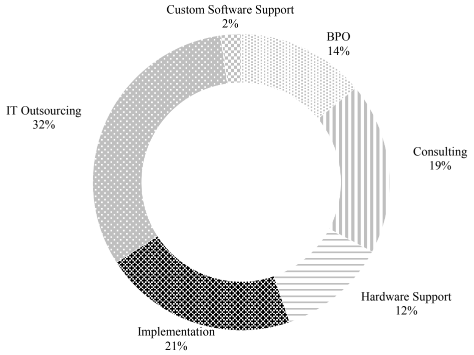
- **IT consulting**, such as business transformation, project management and training
- **implementation** of applications (in particular, ERP applications), infrastructure and networks
- **IT outsourcing or managed services**, including cloud services (Infrastructure as a Service), infrastructure outsourcing (e.g. outsourcing of mobile or desktop, helpdesk, data centres) and applications outsourcing (e.g. hosting and support for enterprise applications)

[22] *Gartner April 2017 – as reported http://www.gartner.com/newsroom/id/3672818*
[23] *January 2017 – Gartner Report: Forecast IT Services Worldwide, 2014-2020, 2016 Q4 Update (AUDUSD:1.346, Gartner)*

- **business process outsourcing**, which is the delegation of IT intensive functions (e.g. finance and accounting) to a third party and can be provided either traditionally or over the cloud (Business Processing Outsourcing as a Service)
- **product support**, including software support (including applications software support and infrastructure software support) and hardware support (e.g. network systems and data centre systems support).

The relative market share of each IT services is illustrated below.

Figure 13: IT Services market share



Source: Gartner Report: Forecast IT Services, Worldwide, 2014-2020, 2016 Q4 Update

IT service providers charge for services either on fixed price contracts or a 'time and materials' basis (labour and materials charged at cost plus an agreed profit margin). Fixed price contracts are typically used for larger work, often with a defined time frame, while 'time and materials' is typically used for IT consulting or other project based work. Fixed price contracts can create exposure for the IT service company if scope and budget are not tightly managed. Conversely, potential upside can be attained if costs and risks are managed effectively.

Competition

The IT services market in Australia is highly fragmented. SMS's main competitors in Australia are multinationals including International Business Machines Corporation (IBM), Accenture plc (Accenture), Dimension Data Holdings plc (Dimension Data) and CSC owned UXC. It also competes with Australian listed companies, including DWS, Data#3, Empired and Citadel. Low cost Indian outsourcing companies, Infosys, Wipro, HCL Technologies Ltd (HCL) and Tata Consultancy Services (TCS), have also entered the Australian market.

Multinational IT service companies are typically implementation partners for one or two of the major enterprise application vendors (e.g. SMS is an implementation partner for Microsoft, Salesforce.com PEGA and AWS).

Traditionally, enterprises have purchased IT needs from a range of service providers. Increasingly, they are seeking to purchase all their IT needs through one or two vendors via tender. Therefore, IT service providers that have a wide range of product offerings and a large number of partnerships across those offerings have a competitive advantage.

In recent years competition within the Australian IT services has increased. Large Australian customers are increasingly partnering with global IT firms or smaller specialist firms, thereby impacting some Australian firms and causing margins to contract. Furthermore, pricing pressure has resulted from:

- the trend to offshore IT jobs to low wage countries (India and China)
- multinationals entering the market and driving down prices
- discounting by Australian service providers in response to increased competition and low utilisation.

Low-cost Indian firms such as TCS, Infosys and Wipro have increased market share and impacted Australian based IT service provider's cost advantage. Furthermore, large accounting firms have also expanded their consulting services offerings to compete in the IT services sector, offering strong brands and a wide range of related services. This increased competition is likely to be structural rather than cyclical and therefore is expected to continue to compress margins for those providers not readily able to compete through benefits of scale, breadth and expertise of market offerings and changing workforce profile.[24]

At the same time, clients are focused on cost due to the shift in pricing from upfront payments to subscription based models and the high cost involved in implementing ERP applications. Clients are requesting longer payment terms and are seeking to shift upfront hardware costs to IT services companies.

The ability to keep pace with changes in technology and customer requirements provides a strategic advantage for IT service providers. Access to funding is a key requirement for building expertise either in-house or through acquisition. There have been a number of acquisitions over the past 24 months within the Australian IT services sector, including UXC, Oakton and ASG, typically providing scale and specialisation to the combined groups.

A further critical success factor is having a highly trained workforce (which builds trust and confidence in clients) and effective project management skills (to avoid cost overruns on contracts).

[24] *Broker reports*

Demand for IT services

Global IT services end-user spending is forecast to grow by 3.9% in FY16, and by 4.2% in FY17. This growth trend is expected to continue, with global CAGR between 2015 and 2020 expected to be 4.5%.[25] Spending in Australia is slightly lower than the global market, with FY16 and FY17 growth forecasted at 4.6% and 2.2% respectively, and a CAGR of 2.8% between 2015 and 2020, as shown below.

Figure 14: Australian IT Services forecast growth

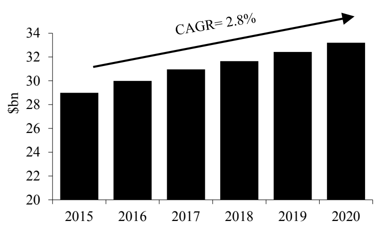


Table 21: Forecast growth by activity

IT services activity	CAGR (2015-2020)
Custom Software Support	6.5%
BPO	4.7%
Implementation	3.3%
Consulting	2.9%
IT Outsourcing	2.1%
Hardware Support	0.5%
IT services total	2.8%

Source: Gartner Report: Forecast IT Services, Worldwide, 2014-2020, 2016 Q4 Update

Custom software support is the fastest growing IT service category in Australia, growing by 8.1% in FY17 and a CAGR of 6.5% between 2015 and 2020. Business Process Outsourcing (4.7%) and Implementation (3.3%) are also forecast to grow strongly to 2020.[26]

In addition, mobile devices and applications in the workplace (referred to as 'enterprise mobility') creates a need for the outsourcing of mobile device and applications management, as well as development of mobile applications. Other advancements such as Unified Communication, which combines communications services (voice, data, video) through a single computer network creates outsourcing opportunities.

A burgeoning service area is cyber security. Security concerns arise from the use of the internet to store and access information and from enterprises increasingly allowing employees to access company information and applications on their own mobile devices.

Companies are seeking to leverage technology to enhance productivity, improve business processes and customer experience. The use of digital technologies has increased the volumes of data available ('big data') while larger and more cost effective storage systems have increased the ability to retain that data and high capacity networks allow large volumes of data to be transported. Enterprises are seeking to mine data for targeted marketing and other operational intelligence purposes ('data analytics'). This presents opportunities for specialist IT consulting.

Consumers are increasingly seeking to purchase goods and services through a range of physical (e.g. store) and digital (e.g. Internet, mobile phone) sales channels ('omni channel retailing'). This creates a

[25] *January 2017 – Gartner Report – Forecast Alert: IT Spending, Worldwide, 4Q16 Update*

[26] *January 2017 – Gartner Report: Forecast IT Services Worldwide, 2014-2020, 2016 Q4 Update*

need for retailers to employ technology that integrates all physical and digital sales channels, thereby providing customers with a consistent experience regardless of the sales channel. Growth in online retailing ('eCommerce') also creates a need for electronics payments processing.

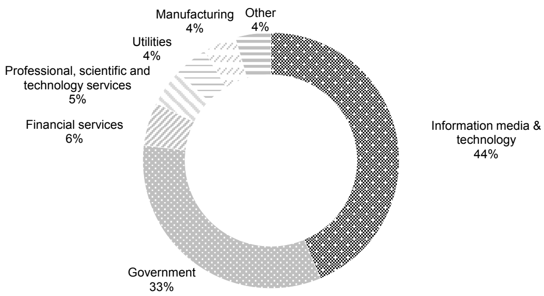
IT Recruitment

The Australian recruitment market is an $11.5 billion industry, of which IT and Telecommunications contributes 10.9% (approximately $1.25 billion).[27]

As IT services are expected to grow over the coming years fuelled by new waves of technological development, demand for IT workers is therefore forecast to increase. Australia's Information Communication Technology (ICT) workforce is expected to increase to around 695,000 ICT workers by 2020, representing an average annual growth rate of 2.0% (compared to 1.4% for the workforce as a whole).[28] However, there are several risk factors that could impact upon these figures in the future, including uncertainty surrounding global macroeconomic conditions and the effect of new technologies such as artificial intelligence.

Demand for ICT roles predominately comes from information, media and technology companies and Government sectors, which together account for almost 78% of all ICT roles filled in the last quarter of 2016.

Figure 15: ICT rolls filled by industry



Source: APSCo Australia, ICT Staffing Trends, Quarter 4 2016

Key players in the Australian recruitment market include Hays Specialist Recruitment (Australia) Pty Ltd, Randstad Pty Ltd, Manpower Services (Australia) Pty Ltd and Chandler Macleod Group Ltd.[29]

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[27] *January 2017 - Ibisworld Industry Report: Employment Placement and Recruitment Services in Australia*
[28] *Deloitte Access Economics, Australia's Digital Pulse, 2016*
[29] *January 2017 - Ibisworld Industry Report: Employment Placement and Recruitment Services in Australia*

Appendix 4 – Broker estimates

Detailed broker estimates are set out below:

Table 22: Broker estimates

	Report date	Revenue		EBITDA		EBIT		NPAT	
		FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
Broker 1	29/5/2017	300.0	307.6	10.3	11.7	9.4	10.8	6.2	7.0
Broker 2	27/2/2017	304.4	324.7	10.5	12.8	9.7	11.9	6.2	7.7
Broker 3	7/5/2017	300.0	288.0	10.0	8.0	8.0	7.0	5.0	4.0
Minimum		**300.0**	**288.0**	**10.0**	**8.0**	**8.0**	**7.0**	**5.0**	**4.0**
Maximum		**304.4**	**324.7**	**10.5**	**12.8**	**9.7**	**11.9**	**6.2**	**7.7**
Average		**301.5**	**306.8**	**10.3**	**10.8**	**9.0**	**9.9**	**5.8**	**6.2**
Median		**300.0**	**307.6**	**10.3**	**11.7**	**9.4**	**10.8**	**6.2**	**7.0**

Source: Various broker reports

Table 23: FY17 and FY18 adjusted broker estimates

	Report date	EBITDA (FY17)			EBITDA (FY18)
		As reported	Adj. to statutory basis	Adj. basis - before non-recurring items[1]	As reported
Broker 1	29/5/2017	10.3	9.4	10.3	11.7
Broker 2	27/2/2017	10.5	10.5	11.4	12.8
Broker 3	7/5/2017	10.0	10.0	10.9	8.0
Average		**10.3**	**10.0**	**10.9**	**10.8**
Median		**10.3**	**10.0**	**10.9**	**11.7**

Source: Various broker reports
Note 1: adjusted for $0.9m termination costs in H1 FY17

Appendix 5 – Valuation methodology

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical discounted cash flow methodology or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the discounted cash flow methodology.

Discounted cash flow

Under a discounted cash flow methodology, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a discounted cash flow analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a discounted cash flow to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the Weighted Average Cost of Capital (WACC), reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 6 – Market Evidence

Description of comparable companies

A brief description of the selected comparable companies is provided below:

Data#3 Limited

Data#3 Limited is listed an ASX listed IT services company on ASX with a market capitalisation of $263 million at 25 June 2017. It offers IT consulting, IT outsourcing and software implementation and support. It provides a range of services around the Microsoft platform (although is not an ERP implementation partner). It operates through two segments: a product segment (81% of FY16 revenue) and a service segment (19% of FY16 revenue). Data#3 offers a large proportion of low margin products, has a low EBITDA margin (2.1%). The company was founded in 1977 and is headquartered in Toowong, Australia.

Empired Limited

Empired Limited is an ASX listed IT services company and had a market capitalisation of $79 million at 25 June 2017. It provides IT consulting, IT outsourcing and software implementation and support to medium to large corporate and government organisations in Australia, New Zealand and North America. It is an implementation partner for Microsoft Dynamics. Applications and consulting services accounted for 73% of FY15 revenue and infrastructure services accounted for 27%. The company was founded in 1999 and is headquartered in Perth, Australia. Empired acquired Intergen Limited for $15.2 million in October 2014 and, therefore, the historical EBITDA multiple is high.

RXP Services Limited

RXP Services Limited is an ASX listed IT company with a market capitalisation of $104 million at 25 June 2017. It offers IT consulting, IT outsourcing and software implementation and support. It provides a range of services around the Microsoft platform (although is not an ERP implementation partner). RXP was publicly listed in April 2011 and has made a number of scrip acquisitions that have diluted its share price. The company is based in Melbourne, Australia.

Melbourne IT Limited

Melbourne IT Limited is an ASX listed company with market capitalisation of $356 million at 25 June 2017. It operates through two segments, being Enterprise Services and SMB Solutions. The Enterprise Services segment provides cloud and mobile solutions for corporates and government enterprises. The SMB Solutions segment offers a range of Web services, for the small to medium enterprise sector. This segment also provides technical and support solutions to a network of reseller clients. The company was founded in 1996 and is headquartered in Ultimo, Australia.

Citadel Group Limited

Citadel Group Limited is an ASX listed company with a market capitalisation of $243 million at 25 June 2017. The company operates through two segments, being the Technology and Education Segments. The Technology segment sells professional and managed services to government agencies and private enterprises. Its services include strategic advice, program management, acquisition support, and quality assurance services through consulting, contracting, and placement mechanisms; technology and integration services; and software solutions, products, and managed services for digital health, diagnostic laboratories, and clinical applications. The Education segment delivers a range of nationally-accredited business qualifications that enable students to articulate into second year university or to gain practical skills for employment. The Citadel Group Limited is based in Symonston, Australia.

Description of comparable transactions

A brief description of the selected comparable transactions is provided below:

- On 1 May 2017, Melbourne IT agreed to acquire the WME Group (consisting of Web Marketing Experts Pty Ltd, Nothing But Web Pty Ltd and Results First Ltd) for $39.7 million. WME Group is a provider of end-to-end digital marketing solutions including search engine optimisation, search engine advertising and web design. The acquisition helps Melbourne IT continue in its pursuit to be the leading digital solutions partner for small and medium business. FY16 EBITDA was $6.1 million implying an EBITDA multiple of 6.4 times, Melbourne IT announced that forecast EBITDA for FY17 is $6.5 – $7.5 million, our implied forward multiple of 5.6 times is based on the mid-point of this guidance.
- On 15 February 2017, Melbourne IT agreed to acquire a 24.9 percent stake in Outware Systems Pty Ltd (Outware) for $26.9 million. Outware operates as a mobile software design and app development company. The company develops mobile apps for iPhones, iPads, and Android and Windows phones and tablets. Its services include IOS app development, Android app development, UX design, UI design, and quality assurance, as well as design and build support services, such as databases, Web services and continuous integration servers. Following the purchase, Melbourne IT now owns 100 percent of Outware. The total purchase consideration for the business over 18 months was $57.8 million, which represents a forecast EBITDA multiple of 4.7 times.
- On 30 September 2016, Nomura Research Institute, Ltd, a Japanese based provider of consulting and IT services entered into a scheme implementation agreement to acquire ASG for approximately $340 million. The consideration represented a value of $1.63 per share, which was a 20% premium to the last closing price from the day before the announcement. Prior to the transaction, in FY16, ASG's Managed Services segment contributed approximately 86% of total revenue while the non – managed services segment contributed 14%.
- On 21 June 2016, Capita plc acquired Trustmarque Solutions Limited from Liberata UK Limited for £57 million in cash. For the year ended 31 December 2015, Trustmarque reported revenue of £191.9 million and EBITDA of £7.3 million. Trustmarque's core business included software resale, licensing and technology services, with key specialities involving software asset management and strategic cloud consultancy services. It served over 1,450 private and public sector clients and employed over 600 employees in the United Kingdom.
- On 5 October 2015, CSC Computer Sciences Australia Holdings Pty Ltd made an indicative, non-binding and conditional proposal to acquire UXC Limited. Subsequent to the initial announcement, on 25 November 2015 offered cash consideration of $1.22 for each share plus a franked dividend of 2 cents per UXC share. UXC provided IT consulting, implementation of applications and hardware, IT outsourcing and support to around 2,500 clients in Australia and internationally. Immediately prior to the announcement of the transaction, UXC had a market capitalisation of $445 million.
- On 21 May 2015, Daisy Intermediate Holdings Limited (Daisy) offered to acquire a 71.87% interest in Phoenix IT Group PLC (Phoenix) for £1.6 in cash per share, valuing Phoenix at approximately £182 million. The transaction occurred concurrently with a separate transaction, resulting in Daisy acquiring 100% of Phoenix. Phoenix, an IT infrastructure service provider in the United Kingdom, offers business continuity and IT disaster recovery, managed cloud and hosting, managed desktop, and software development and support services. Its partner segment accounts for approximately 45% of sales for the year ended 2015; managed services accounts for 31%; and business continuity accounts for 24%.

- On 24 March 2015, NCC Group plc entered into an agreement to acquire Accumuli plc (Accumuli) for £49 million. Accumuli provides IT infrastructure solutions and services in the United Kingdom and internationally. The company offers technology solutions, support and managed services, and professional services. Its support and managed services segment accounts for approximately 56% of sales for the year ended 2014; technology solutions segment accounts for 29%; and professional services segment accounts for 15%. The transaction occurred at a relatively high multiple (12 times forecast EBITDA) reflecting the value ascribed to its proprietary software and ability for NCC Group plc to cross sell its software and services to its client base.
- On 8 December 2014, Apax VIII, L.P. fund of Apax Partners LLP offered to acquire EVRY ASA (EVRY) for an enterprise value of NOK 7.3 billion. EVRY provided IT services to public and private sector clients in Norway, Sweden, and internationally. It offered consulting services comprising business consulting, application management and infrastructure solutions (71% of 2014 sales) and financial services (29% of 2014 sales).
- On 28 November 2014, Rhype Limited agreed to acquire nSynergy OSC Holdings Pty Ltd (nSynergy) for $25.7 million. nSynergy designed, built, and deployed business solutions based on SharePoint and Office 365 technologies for worldwide enterprises. It offered consulting services including implementation, design and development, and business solutions in the Microsoft suite.
- On 12 August 2014, Dimension Data Australia Pty Ltd. agreed to acquire Oakton Ltd. (Oakton) for $169 million. Oakton provided consulting services in the IT industry in Australia and internationally. It offered accounting and assurance, application development and integration, information management strategy, and analytics and business intelligence services and had partnership arrangements with Microsoft, Dimension Data, Oracle and SAP. The transaction occurred at the bottom of the IT expenditure cycle in Australia. Brokers also expected earnings in FY15 to also be constrained, followed by strong growth in FY16. Therefore, the multiple is potentially higher than would occur at the other stages of the IT expenditure cycle.
- On 26 May 2014, Atos SE announced an agreement to acquire Bull Société Anonyme for €439 million. Bull Société Anonyme provided technology solutions in France and internationally and offered supercomputers and enterprise servers for digital simulation, critical applications, big data, and cloud computing. Its computing solutions segment accounted for approximately 60% of 2013 sales; business integration solutions accounted for 26%; innovative products accounted for 13%; and hardware and systems solutions accounted for 11%.
- On 8 April 2014, Sopra Group agreed to acquire all of the shares of Groupe Steria SCA (Steria) for €780 million. Steria provided IT enabled business services for private and public sector organizations worldwide. It offered consultancy, systems integration, application maintenance, IT infrastructure management and business process outsourcing services. Its consulting and integration of systems segment accounted for approximately 53% of 2013 sales, and business process outsourcing accounted for 47%.
- On 23 December 2013, Engility Holdings, Inc. announced the acquisition of Dynamics Research Corporation (Dynamics Research) for US$203 million. Dynamics Research provided application development and sustainment, big data analytics, mobile computing, enterprise architecture, systems and software engineering and data engineering in the United States.
- On 20 February 2013, Danir AB offered to acquire the remaining 51% interest in Sigma AB not already owned for SEK 654 million. Sigma AB, an IT solutions provider in Sweden, offered services worldwide in the areas of application management, business systems, business intelligence, IT

infrastructure, maintenance systems, and consultancy services. The IT and management segment accounted for approximately 77% of 2012 revenues and information logistics accounted for 26%.

- On 17 December 2012, New Zealand Superannuation Fund announced the acquisition of a 35% interest in Datacom Group Limited (Datacom). The transaction implied an enterprise value for Datacom of NZD 446 million. Datacom provided information technology and business process outsourcing services in New Zealand, Australia and Asia. It offered business applications development and integration, infrastructure outsourcing and managed services, IT consulting, IT procurement, unified communications and onsite services.
- On 31 May 2012, CGI Group Holdings Europe Limited offered to acquire Logica PLC (Logica) for £2.2 billion. Logica, a business and technology service company based in the United Kingdom, provided business consulting, applications management, infrastructure management and systems integration services to various companies in Europe and internationally.
- On 30 May 2012, NEC Australia Pty Ltd. agreed to acquire CSG Solutions Pty Ltd. and CSG Services Pty Ltd. for a total consideration of $260 million. CSG Solutions Pty Ltd. offered information technology consulting, application development, business process solution management, and desktop and infrastructure management services. CSG Services Pty Ltd. offered desktop and server services and network management services. Both companies were based in Australia.
- On 16 August 2011, General Dynamics Information Technology, Inc. agreed to acquire Vangent, Inc. (Vangent) for US$1.3 billion. Vangent provided information management and business process outsourcing services in the United States and internationally. It offered consulting services, business process analysis, application development, learning infrastructure development, and many other IT solutions. Its government group accounted for approximately 90% of 2010 sales; international group accounted for 7%; and human capital group accounted for 3%.
- On 1 April 2011, Providence Equity Partners LLC agreed to acquire SRA International Inc. (SRA) for US$1.8 billion. SRA provided information technology and professional services to the United States federal government, including software and systems development, network infrastructure and cloud services and cybersecurity.

Appendix 7 – Glossary

Abbreviation	Description
Act	Corporations Act
AGM	Annual General Meeting
ASG	ASG Group Limited
ASG Scheme	Arrangement where ASG proposes to acquire 100% of the shares of SMS
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Birchman	The Birchman Group Asia Pacific Pty Ltd
CAGR	Compound Annual Growth Rate
Capitalised Earnings	Capitalisation of a sustainable level of earnings
CGT	Capital gains tax
Corporations Act or the Act	Corporations Act 2001 (Cth)
CRM	Customer relationship management
DCF	Discounting of expected future cash flows to present value
Dimension Data	DimensionData Holdings plc
DWS	DWS Limited
DWS SIA	Terminated scheme implementation agreement announced 27 February 2017
EBITDA	Earnings before interest, tax, depreciation and amortisation
ERP	Enterprise Resource Planning
FY	Financial year ended
GST	Goods and services tax
H1	First half of Financial Year
H2	Second half of Financial Year
HCL	HCL Technologies Ltd
IaaS	Infrastructure as a Service
IBM	International Business Machines Corporation
ICT	Information Communication Technology
Indicium	Indicium Technology Group Pty Ltd and Access Networks and Communications Pty Ltd
IT	Information technology
IT&C	Information Technology and Communication
LTM	Last twelve months
KPMG Corporate Finance	A division of KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901
LR	Listing Rules
M	Millions
Microsoft	Microsoft Corporation
Net Assets	Net proceeds from an orderly realisation of assets

Abbreviation	Description
NPAT	Net profit after tax
Oracle	Oracle Corporation
PaaS	Platform as a Service
Pcp	Prior corresponding period
Qn	Quarter in financial year
RG 60	ASIC Regulatory Guide 60
RG 111	ASIC Regulatory Guide 111 being 'Content of Expert Reports'
SAP	SAP SE
SaaS	Software as a Service
Scheme Booklet	The SMS shareholder Scheme, explanatory statement, independent expert's report, notice of meetings and explanatory statement
Scheme Consideration	$1.80 cash
Special Dividend	Special dividend of 10.2 cents per SMS share that is subject to the discretion of the SMS Board and if declared would be paid shortly before the record date of the Scheme
Scheme Shareholders or Shareholders	SMS shareholders
SIA	Scheme Implementation Agreement
SMS	SMS Management & Technology Limited
TCS	Tata Consultancy Services
TMT	Telecommunications, Media and Technology
UX	User Experience
UXC	UXC Limited
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

PART TWO – FINANCIAL SERVICES GUIDE

Dated 26 July 2017

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 **(Authorised Representative)**.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.
The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by SMS Management & Technology Limited (SMS) to provide general financial product advice in the form of a Report to be included in Scheme Booklet (Document) prepared by SMS in relation to the acquisition of SMS by ASG Group Limited through a scheme of arrangement (ASG Scheme).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the ASG Scheme.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $80,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a

partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.
KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the SMS for which professional fees are received. Over the past two years professional fees of $1.0m have been received from SMS. $160,000 relates to the previous alternative DWS proposed transaction. KPMG entities have received no fees from ASG over the past two years and have received $533,000 from Nomura Research Institute, Ltd. None of those services have related to the transaction or alternatives to the transaction.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the SMS or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 367 287
Facsimile: (03) 9613 6399 Email: info@fos.org.au.
The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Adele Thomas
Sean Collins
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

+ Empowering Business

B. ANNEXURE B - SCHEME OF ARRANGEMENT

ANNEXURE B - SCHEME OF ARRANGEMENT

567 Collins Street, Melbourne VIC 3000, Australia
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CORRS CHAMBERS WESTGARTH lawyers

Sydney
Melbourne
Brisbane
Perth

SMS Management & Technology Limited

Scheme Participants

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act

3439-5969-7669v4

Corrs Chambers Westgarth

Contents

Corrs Chambers Westgarth

Parties

SMS Management & Technology Limited ACN 009 558 865 of Level 41, 140 William Street, Melbourne, Victoria 3000 (**Target**)

Scheme Participants

Agreed terms

1 Definitions

In this document these terms have the following meanings:

ASIC	The Australian Securities and Investments Commission.
Associate	In relation to a party, has the meaning given in sections 11, 12 and 16 of the Corporations Act.
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.
ASX Listing Rules	The official listing rules of ASX.
Bidder	ASG Group Limited ACN 070 045 117 of Level 9, 167 St Georges Terrace, Perth, Western Australia 6000.
Bidder Registry	Link Market Services Pty Ltd or any replacement provider of share registry services to Bidder.
Business Day	The meaning given by the ASX Listing Rules.
CHESS	The Clearing House Electronic Subregister System, which facilitates electronic security transfer in Australia, operated by ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.
Corporations Act	The *Corporations Act 2001* (Cth).
Court	The Supreme Court of Victoria or any other court of competent jurisdiction under the Corporations Act determined by Target.
Cut Off Time	8.00 am on the Second Court Date.
Deed Poll	The deed poll to be executed by Bidder in favour of the Scheme Participants, a copy of which is to be annexed to the Scheme Booklet, under which Bidder covenants in favour of each Scheme Participant to comply with all of

	Bidder's obligations under the Scheme Implementation Agreement and to perform the actions attributed to Bidder under this Scheme, including to provide the Scheme Consideration in accordance with this Scheme.
Effective	The time at which the Scheme Order takes effect pursuant to section 411(10) of the Corporations Act.
Effective Date	The date on which the Scheme becomes Effective.
End Date	31 December 2017
Excluded Share	A Target Share held by Bidder or a Related Body Corporate of Bidder.
Governmental Agency	Any government, whether foreign or Australian, Federal, State or Territory, municipal or local, and any agency, authority, commission, department, instrumentality, regulator or tribunal thereof, including the Commissioner of Taxation, Australian Taxation Office and Australian Competition and Consumer Commission.
GST	The meaning given to that term in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).
Implementation Date	The fifth Business Day following the Record Date or such other date as ordered by the Court or agreed between Bidder and Target.
Independent Expert	An independent expert determined by Target.
Non-resident shareholder	A Scheme Participant that is not an "Australian resident" within the meaning of the Tax Administration Act 1953 (Clth).
Record Date	7.00 pm on the fourth Business Day following the Effective Date or such other date and time as Target and Bidder agree.
Registered Address	In relation to a Target Shareholder, the address shown in the Target Register as at the Record Date.
Related Body Corporate	The meaning given to that term in the Corporations Act.
Scheme	This scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Target and Bidder.
Scheme Booklet	The information to be dispatched to Target Shareholders for the purposes of the Scheme Meeting, including the Scheme, explanatory statement in relation to the Scheme issued pursuant to section 412 of the Corporations Act and registered with ASIC, an independent expert's report

	prepared by the Independent Expert, the Deed Poll, a tax opinion on the Scheme provided by Target's taxation advisers and notices convening the Scheme Meeting (together with proxy forms).
Scheme Consideration	In respect of each Scheme Share held by a Scheme Participant, a cash amount equal to $1.80 less the cash value of any Target Permitted Special Dividend paid.
Scheme Implementation Agreement	The scheme implementation agreement between Bidder and Target dated 20 June 2017.
Scheme Meeting	The meeting to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.
Scheme Order	The order of the Court made for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme.
Scheme Participant	Each holder of Scheme Shares as at the Record Date.
Scheme Shares	All the Target Shares on issue on the Record Date other than the Excluded Shares.
Scheme Transfer	For each Scheme Participant, a proper instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.
Second Court Date	The first day of the Second Court Hearing or, if the Second Court Hearing is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	The hearing of the application made to the Court for the Scheme Order.
Target Option	An option to acquire Target Shares.
Target Register	The register of members of Target maintained by or on behalf of Target in accordance with the Corporations Act and **Target Registry** has a corresponding meaning.
Target Share	A fully paid ordinary share in the capital of Target.
Target Shareholder	Each person who is registered in the Target Register as the holder of Target Shares.
Target Permitted Special Dividend	A dividend actually paid on Target Shares as a special dividend, pursuant to Target's discretion to do so under **clause 6.2** of the Scheme Implementation Agreement.
Target Permitted Special Dividend	A date to be determined by Target at its sole discretion but in any event prior to the Record Date.

Record Date

2 Preliminary

2.1 Target

(a) Target is a public company incorporated in Australia and registered in Victoria, having its registered office at Level 41, 140 William Street, Melbourne, Victoria 3000.

(b) Target is a public company limited by shares under section 112(1) of the Corporations Act.

(c) Target is admitted to the official list of ASX and fully paid Target Shares are quoted on the official list of ASX.

(d) As at the date of the Scheme Implementation Agreement:

(i) 68,536,340 Target Shares were on issue;

(ii) 1,656,236 performance rights which may convert into Target Shares were on issue; and

(iii) no Target Options which may convert into Target Shares were on issue.

2.2 Bidder

(a) Bidder is a public company incorporated in Australia and registered in Victoria, having its registered office at Level 9, 167 St Georges Terrace, Perth, Western Australia 6000.

(b) Bidder is a public company limited by shares under section 112(1) of the Corporations Act.

2.3 Summary of the Scheme

If the Scheme becomes Effective, but subject to **clauses 3.1**, **3.5**, **3.6** and **3.7**, then:

(a) in consideration of the transfer of the Scheme Shares to Bidder, Bidder will provide to each Scheme Participant the Scheme Consideration in respect of each Scheme Share held by the Scheme Participant;

(b) subject to Bidder's compliance with its obligations in **clause 2.3(a)** and the Deed Poll, all of the Scheme Shares and all rights attaching to them as at the Implementation Date (other than the right to receive any Target Permitted Special Dividend) will be transferred to Bidder; and

(c) Target will enter the name and address of Bidder in the Target Register as the holder of the Scheme Shares transferred to Bidder,

in each case, in accordance with and subject to the terms of this Scheme and the Deed Poll.

2.4 Scheme Implementation Agreement

Bidder and Target have agreed, by executing the Scheme Implementation Agreement, to implement the terms of the Scheme and to perform their respective obligations under the Scheme.

2.5 Deed Poll

This Scheme attributes actions to Bidder but does not itself impose an obligation on Bidder to perform those actions. Bidder has executed the Deed Poll in favour of the Scheme Participants pursuant to which it has covenanted to perform the actions attributed to Bidder under the Scheme, including to provide to each Scheme Participant the Scheme Consideration to which such Scheme Participant is entitled under the Scheme and to carry out its other obligations under the Scheme Implementation Agreement.

3 Conditions

3.1 Conditions of Scheme

The Scheme is conditional upon:

(a) all of the conditions precedent in **clause 3.1** of the Scheme Implementation Agreement (other than the condition precedent in the Scheme Implementation Agreement relating to Court approval of the Scheme) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by the Cut Off Time;

(b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms as at the Cut Off Time;

(c) the Court having approved the Scheme pursuant to section 411(4)(b) of the Corporations Act, without modification or with modifications which are agreed to in writing by both the Target and Bidder;

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by the Bidder and Target being satisfied or waived; and

(e) the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) approving this Scheme coming into effect pursuant to section 411(10) of the Corporations Act on or before the End Date.

3.2 Effect of conditions

The fulfilment of the conditions in **clause 3.1** is a condition precedent to the operation of the provisions of **clauses 4.2 to 4.5**, **5**, **6** and **8**.

3.3 Certificate

Target and Bidder must each provide to the Court by no later than 8.30 am on the Second Court Date, a certificate (or such other evidence as the Court may request) stating whether or not all the conditions precedent in **clauses 3.1(a)**

and 3.1(b) have been satisfied, or if not satisfied, are waived, as at the Cut Off Time.

3.4 Conclusive evidence

The giving of a certificate by each of Target and Bidder in accordance with **clause 3.3** will, in the absence of manifest error, be conclusive evidence of the matters referred to in the certificate.

3.5 Termination of Scheme Implementation Agreement

Without limiting rights under the Scheme Implementation Agreement, if the Scheme Implementation Agreement is terminated in accordance with its terms before the Cut Off Time, Target and Bidder are each released from:

(a) any further obligation to take steps to implement the Scheme; and

(b) any liability with respect to the Scheme,

provided that Target and Bidder retain the rights they have against each other in respect of any prior breach of the Scheme Implementation Agreement.

3.6 Effective Date

This Scheme takes effect on the Effective Date.

3.7 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

4 Scheme

4.1 Lodgement of Court order

Following the approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Target will, as soon as possible and in any event by no later than 5.00 pm on the first Business Day after the Court approves this Scheme, lodge with ASIC an office copy of the Scheme Order in accordance with section 411(10) of the Corporations Act.

4.2 Transfer of Scheme Shares held by Scheme Participants

On the Implementation Date in consideration of and subject to provision by Bidder of the Scheme Consideration in accordance with **clauses 5.1** and **5.2(a)** and subject to Bidder having provided written confirmation thereof to Target, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at that date other than the right to receive any Target Permitted Special Dividend, will be transferred to Bidder without the need for any further acts by any Scheme Participant (other than acts performed by Target as attorney and agent for Scheme Participants under **clause 6**) by:

(a) Target delivering to Bidder a duly completed Scheme Transfer executed by Target as attorney for the Scheme Participants for execution by Bidder; and

(b) Bidder duly executing the Scheme Transfer, attending to any necessary stamping, and delivering the Scheme Transfer to Target.

4.3 Transfer documentation

As soon as practicable after receipt by Target of the Scheme Transfer duly executed by Bidder as transferee pursuant to **clause 4.2(b)**, but in any event on the Implementation Date, Target must (subject to any necessary stamping) register Bidder in the Target Register as the holder of all of the Scheme Shares.

4.4 Beneficial entitlement by Bidder

From the time of the provision of the Scheme Consideration to the Scheme Participants in accordance with **clauses 5.1** and **5.2(a)**, Bidder will be beneficially entitled to the Scheme Shares (together with all rights and entitlements attached to the Scheme Shares other than the right to receive any Target Permitted Special Dividend) to be transferred to it under the Scheme pending registration of Bidder in the Target Register as the holder of those Scheme Shares.

4.5 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against Bidder on behalf of and as agent for the Scheme Participants.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with this Scheme.

5.2 Provision of Scheme Consideration

(a) Before 8.00 am on the Business Day immediately prior to the Implementation Date, Bidder must provide, or procure the provision of, the Scheme Consideration to each Scheme Participant by depositing (or procuring the deposit of) an amount equal to the aggregate Scheme Consideration payable to all Scheme Participants in cleared funds into an Australian dollar denominated trust account, operated by Target as trustee for the Scheme Participants, to be held on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to each Scheme Participant, except that any interest on the amounts deposited (less bank fees and other charges) will be to Bidder's account.

(b) On the Implementation Date and subject to Bidder having complied with **clause 5.2(a)** and having provided written confirmation thereof to Target, Target must pay or procure the payment of the Scheme Consideration to each Scheme Participant from the account referred to in **clause 5.2(a)**.

(c) The obligations of Target under **clause 5.2(b)** will be satisfied by Target taking the following actions on the Implementation Date:

(i) despatching, or procuring the despatch, to each Scheme Participant of a pre-printed cheque in the name of that Scheme Participant and for the relevant amount (denominated in Australian currency) with such despatch to be made by pre-paid post to that Scheme Participant's Registered Address; or

(ii) making, or procuring the making of, a deposit for the relevant amount (denominated in Australian currency) in an account with any Australian authorised deposit-taking institution in Australia notified by the relevant Scheme Participant to Target for the purposes of receiving dividends and recorded in or for the purposes of the Target Register as at the Record Date.

5.3 Joint holders

In the case of Scheme Shares held in joint names, any cheque required to be paid to Scheme Participants will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

5.4 Unclaimed monies

(a) Target may cancel a cheque issued under **clause 5.2(c)** if the cheque:

(i) is returned to Target; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Participant to Target (or the Target Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under this **clause 5.4**.

(c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes ‘unclaimed money’ (as defined in section 3 of the *Unclaimed Money Act 2008* (Vic)).

5.5 Orders of a court or Governmental Agency

If written notice is given to Target (or the Target Registry) of an order or direction made by a court of competent jurisdiction or by another Governmental Agency that:

(a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable or required to be provided or issued to that Scheme Participant by Target in accordance with this **clause 5**, then Target shall be entitled to procure that provision of such consideration is made in accordance with the relevant order or direction; or

(b) prevents Target from providing consideration to any particular Scheme Participant in accordance with this **clause 5**, or the payment or issuance

of such consideration is otherwise prohibited by applicable law, Target shall be entitled to retain an amount, in Australian dollars, equal to the Scheme Consideration to which that Scheme Participant would otherwise be entitled to under this **clause 5** until such time as provision of the consideration in accordance with this **clause 5** is permitted by that order or direction or otherwise by law.

6 Scheme Participants

6.1 Appointment of Bidder as sole proxy

From the Implementation Date until Target registers Bidder as the holder of all the Scheme Shares in the Target Register, each Scheme Participant:

(a) is deemed to have irrevocably appointed Bidder as its attorney and agent (and directed Bidder in such capacity) to appoint such officer or agent nominated by Bidder to be its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Target, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this **clause 6.1(a)**); and

(b) must take all other actions in the capacity of the registered holder of Scheme Shares as Bidder directs.

6.2 Appointment of Target as sole attorney and agent

Each Scheme Participant, without the need for any further act, irrevocably appoints Target and each of the directors and officers of Target, jointly and severally, as the Scheme Participant's attorney and agent for the purpose of:

(a) enforcing the Deed Poll against Bidder;

(b) executing any document necessary or expedient to give effect to the Scheme (including executing a Scheme Transfer and any instrument appointing Bidder as sole proxy for or, where applicable, corporate representative of each Scheme Participant as contemplated by **clause 6.1**); or

(c) doing any other act necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.

6.3 Scheme Participant's consent

Each Scheme Participant:

(a) consents to Target doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme and Target, as agent of each Scheme Participant, may sub-delegate its functions under this **clause 6.3** to any of its directors and officers, severally; and

(b) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares to Bidder, in accordance with the Scheme.

6.4 Warranties by Scheme Participants

Each Scheme Participant is deemed to have warranted to Target, in its own right and for the benefit of Bidder, that:

(a) all of the Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to Bidder under the Scheme will be transferred to Bidder fully paid and free from all mortgages, pledges, charges, liens, encumbrances, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration in accordance with the terms of such security interest); and

(b) they have full power and capacity to sell and transfer their Scheme Shares to Bidder (including any rights and entitlements attaching to those shares).

6.5 Non-resident shareholders

(a) Each Non-resident Shareholder is deemed to have declared to Target, in its own right and for the benefit of Bidder that its Scheme Shares are "membership interests" in Target but are not "indirect Australian real property interests" (as those terms are defined in section 995-1(1) of the Income Tax Assessment Act 1997).

(b) Bidder acknowledges that it does not believe or suspect the declaration made under **clause 6.5(a)** to be false and therefore is able to rely on that declaration.

7 Dealings in Target Shares

7.1 Determination of Scheme Participants

(a) For the purpose of establishing the persons who are the Scheme Participants, dealings in Scheme Shares will only be recognised if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Scheme Shares at the Target Permitted Special Dividend Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before 5.00pm on the day on which the Target Permitted Special Dividend Record Date occurs at the place where the Target Register is kept.

(b) Target must register registrable transmission applications or transfers of the kind referred to in **clause 7.1(a)(ii)** by or as soon practicable after the Target Permitted Special Dividend Record Date.

(c) Target will not accept for registration or recognise for any purpose any transmission applications or transfers in respect of Scheme Shares received after 5.00pm on the day on which the Target Permitted Special Dividend Record Date occurs or received prior to that time, but not in registrable form, other than a transfer to Bidder in accordance with the Scheme and any subsequent transfer by Bidder, or its successors in title.

(d) If the Scheme becomes Effective, a holder of Target Shares (and any person claiming through that holder) must not dispose of or purport to agree to dispose of any Target Shares or any interest in them after the Effective Date other than in accordance with this Scheme, and any such disposal will be void and of no legal effect whatsoever.

7.2 Maintenance of Target Register

(a) For the purpose of determining entitlements to the Scheme Consideration, Target will, until the Scheme Consideration has been provided, maintain the Target Register in accordance with the provisions of this **clause 7** and the Target Register in this form will solely determine entitlements to the Scheme Consideration.

(b) All certificates and holding statements for Scheme Shares (other than holding statements in favour of Bidder and its successors in title after the Implementation Date) will cease to have any effect from the Record Date as documents of title in respect of those Scheme Shares. Subject to provision of the Scheme Consideration by Bidder and registration of the transfer to Bidder of the Scheme Shares contemplated by **clause 4.2**, after the Record Date, each entry current at that date on the Target Register relating to Scheme Shares will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

7.3 Information to be made available to Bidder

Target will procure that, as soon as reasonably practicable after the Record Date, details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Participant as shown in the Target Register as at the

Record Date are made available to Bidder in such form as Bidder or the Bidder Registry reasonably requires.

8 Quotation of Target Shares

Target will apply for termination of the official quotation of Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day after the date on which all transfers of the Scheme Shares to Bidder have been duly registered by Target in accordance with the Scheme.

9 Notices

9.1 General

Any notice, transfer, transmission, application, direction, demand, consent or other communication (**Notice**) given or made under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

9.2 Communications by post

Subject to **clause 9.3**, where a Notice referred to in this document is sent by post to Target, it will not be deemed to have been received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or at the Target Registry.

9.3 After hours communications

If a Notice is given:

(a) after 5.00 pm in the place of receipt; or

(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

10 General

10.1 Target and Scheme Participants bound

The Scheme binds Target and all Scheme Participants (including Scheme Participants who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme) and will, for all purposes, to the extent of any inconsistencies and permitted by law, have effect notwithstanding any provision in the constitution of Target.

10.2 Further assurances

Subject to **clause 10.3**, Target will execute all documents and do all acts and things (on its own behalf and on behalf of each Target Shareholder) necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

10.3 Alterations and conditions

Target may, with the consent of Bidder, by its counsel consent on behalf of all Scheme Participants to any modifications or conditions which the Court thinks fit to impose, provided that in no circumstances will Target be obliged to do so. Each Scheme Participant agrees to any such modifications or conditions which counsel for Target has consented to.

10.4 GST

Target must pay to the Scheme Participants an amount equal to any GST for which the Scheme Participants are liable on any supply by the Scheme Participants under or in connection with the Scheme, without deduction or set off of any other amount.

10.5 Costs

Bidder must:

(a) pay all stamp duties and any related fines, interest and penalties, costs and brokerage in respect of or in connection with the Scheme, the performance of the Scheme and each transaction effected by or made or any instrument executed under the Scheme or the Deed Poll, including the transfer of Scheme Shares under the Scheme; and

(b) indemnify each Scheme Participant on demand against any liability arising from Bidder's failure to comply with **clause 10.5(a)**.

10.6 Governing law and jurisdiction

(a) This document is governed by and is to be construed in accordance with the laws applicable in the State of Victoria, Australia.

(b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the State of Victoria, Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

10.7 Construction

Unless expressed to the contrary, in this document:

(a) words in the singular include the plural and vice versa;

(b) if a word or phrase is defined its other grammatical forms have corresponding meanings;

(c) 'includes' means includes without limitation;

(d) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;

(e) words and phrases have the same meaning (if any) given to them in the Corporations Act;

(f) a reference to:

(i) a holder includes a joint holder;

(ii) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;

(iii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;

(iv) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;

(v) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;

(vi) a right includes a benefit, remedy, discretion or power;

(vii) time is to local time in Melbourne, Australia;

(viii) '$' or 'dollars' is a reference to Australian currency;

(ix) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;

(x) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;

(xi) this document includes all schedules and annexures to it; and

(xii) a clause, party, schedule, exhibit or annexure is a reference to a clause, party, schedule, exhibit or annexure, as the case may be, of this document;

(g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day;

(h) where Target is obliged to "procure" Bidder to take any action or to refrain from taking any action, that obligation will be fully discharged by Target or its directors or officers taking all reasonable available steps to enforce the Deed Poll against Bidder as the attorney and agent of any Scheme Participant; and

(i) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

10.8 Headings

Headings do not affect the interpretation of this document.

C. ANNEXURE C - DEED POLL

ASG Group Limited

Deed Poll

3458-3193-0692v1

Corrs Chambers Westgarth

Contents

Corrs Chambers Westgarth

Date **20 July 2017**

By

ASG Group Limited ACN 070 045 117 of Level 9, 167 St Georges Terrace, Perth, Western Australia 6000 (**Bidder**)

in favour of each Scheme Participant.

Background

A Bidder and Target have entered into the Scheme Implementation Agreement under which Target agreed, subject to the satisfaction or waiver of certain conditions, to propose the Scheme to Scheme Participants.

B Under the Scheme Implementation Agreement, Bidder agreed, subject to the satisfaction or waiver of certain conditions, to do all things within its power necessary or desirable on its part to implement the Scheme, including providing the Scheme Consideration.

C Bidder is entering into this document for the purpose of covenanting in favour of Scheme Participants to perform all of Bidder's obligations under the Scheme Implementation Agreement.

Declarations

1 Definitions

(a) In this document these terms have the following meanings:

Scheme	The scheme of arrangement under section 411 of the Corporations Act between Target and the Scheme Participants the form of which is attached to the Scheme Implementation Agreement, subject to any alterations or conditions agreed in writing between Target and Bidder or made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by Target and Bidder.
Scheme Implementation Agreement	The agreement of that name dated 20 June 2017 and entered into between Target and Bidder.

Target	SMS Management & Technology Limited ACN 009 558 865.

(b) Words and phrases defined in the Scheme or the Scheme Implementation Agreement have the same meaning in this document unless the context requires otherwise.

2 Nature of this deed poll

Bidder acknowledges that:

(a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participants are not party to it; and

(b) under the Scheme, each Scheme Participant irrevocably appoints Target and any of Target's directors and officers (jointly and each of them severally) as its agent and attorney, inter alia, to enforce this document against Bidder.

3 Conditions precedent and termination

3.1 Conditions precedent

The obligations of Bidder in respect of the Scheme pursuant to this document are subject to the Scheme becoming Effective.

3.2 Termination

If:

(a) the Scheme Implementation Agreement is terminated in accordance with its terms; or

(b) the Scheme does not become Effective on or before the End Date,

Bidder's obligations under this document will automatically terminate, unless Bidder and Target otherwise agree in writing in accordance with the Scheme Implementation Agreement.

3.3 Consequences of termination

If this document is terminated under **clause 3.2** then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

(a) Bidder is released from its obligations to further perform this document, except those obligations contained in **clause 7** and any other obligations which by their nature survive termination; and

(b) each Scheme Participant retains any rights, power or remedies it has against Bidder in respect of any breach of this document by Bidder which occurred before termination of this document.

4 Scheme Consideration

4.1 Performance of obligations generally

Subject to **clause 3**, Bidder undertakes in favour of each Scheme Participant to:

(a) comply with all of Bidder's obligations under the Scheme Implementation Agreement; and

(b) perform the actions attributed to it under, and otherwise comply with, the Scheme as if it were a party to the Scheme.

4.2 Provision of Scheme Consideration

Subject to **clause 3**, in consideration of the transfer of each Scheme Share to Bidder, Bidder undertakes in favour of each Scheme Participant to provide the Scheme Consideration to each Scheme Participant in accordance with the terms of the Scheme.

4.3 Joint holders

In the case of Scheme Shares held in joint names, any cheque required to be paid to Scheme Participants in accordance with the terms of the Scheme will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

5 Representations and warranties

Bidder represents and warrants in favour of each Scheme Participant that:

(a) Bidder is a company validly existing under the laws of the State of Victoria, Australia;

(b) Bidder has the corporate power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;

(c) Bidder has taken all necessary corporate action to authorise the entry into of this document and has taken or will take all necessary corporate action to authorise the performance of this document and to carry out the transactions contemplated by this document;

(d) this document is Bidder's valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping; and

(e) this document does not conflict with or result in the breach of, or any default under:

(i) any provision of Bidder's constitution; or

(ii) any writ, order or injunction, judgement, law, rule or regulation to which Bidder is subject or by which Bidder is bound, and Bidder is not otherwise bound by any agreement that would prevent, restrain or restrict Bidder from entering into or performing any of its obligations or undertakings contained in this document.

6 Continuing obligations

This document is irrevocable and, subject to **clause 3**, remains in full force and effect until:

(a) Bidder has completely performed its obligations under this document; or

(b) this document is terminated in accordance with **clause 3**,

whichever comes first.

7 Stamp duty

Bidder will:

(a) pay all stamp duties and any related fines, interest and penalties, costs and brokerage in respect of or in connection with this document, the performance of this document and each transaction effected by or made or any instrument executed under this document or the Scheme, including the transfer of Scheme Shares under the Scheme; and

(b) indemnify each Scheme Participant on demand against any liability arising from its failure to comply with **clause 7(a)**.

8 Notices

8.1 General

Any notice, transfer, transmission, application, direction, demand, consent or other communication (**Notice**) given or made to Bidder under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

8.2 How to give a Notice

A Notice must be given to Bidder by being:

(a) personally delivered;

(b) left at Bidder's current delivery address for notices; or

(c) sent to Bidder's current delivery address for notices or current registered office by pre-paid ordinary mail.

8.3 Particulars for delivery of notices

The particulars for delivery of Notices to Bidder are:

Attention: Head of Strategy

Delivery address: Level 9, 167 St George's Terrace, Perth, WA, 6000

Postal address: Same as delivery address

8.4 Communications by post

Subject to **clause 8.5**, a Notice is given if posted:

(a) within Australia to an Australian postal address, three Business Days after posting; or

(b) outside of Australia to an Australian postal address or within Australia to an address outside of Australia, ten Business Days after posting.

8.5 After hours communications

If a Notice is given:

(a) after 5.00 pm in the place of receipt; or

(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

8.6 Process service

Any process or other document relating to litigation, administrative or arbitral proceedings relating to this document may be served by any method contemplated by this **clause 8** or in accordance with any applicable law.

9 General

9.1 Waiver

Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this document by any person will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other rights, power or remedy provided by law or under this document. A waiver is not valid or binding on the person granting that waiver unless made in writing.

9.2 Cumulative rights

The rights, powers and remedies of Bidder and of each Scheme Participant under this document are cumulative and do not exclude any other rights, powers or remedies provided by law or equity independently of this document.

9.3 Amendment

A provision of this document may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by Target; or

(b) on or after the Second Court Date, the variation is agreed to in writing by Target and is approved by the Court,

in which event Bidder must enter into a further deed poll in favour of the Scheme Participants giving effect to that amendment.

9.4 Assignment

The rights and obligations of Bidder and of each Scheme Participant under this document are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt, or purport, to do so without the prior written consent of Bidder and Target.

9.5 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This **clause 9.5** has no effect if the severance alters the basic nature of this document or is contrary to public policy.

9.6 Further assurances

Bidder will execute and deliver all documents and do all acts and things (on its own behalf and on behalf of each Scheme Participant) necessary or desirable to give full effect to this document and the transactions contemplated by it.

9.7 Governing law and jurisdiction

(a) This document is governed by and is to be construed in accordance with the laws applicable in the State of Victoria, Australia.

(b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the State of Victoria, Australia, and any courts which have jurisdiction to hear appeals from any of those courts, and waives any right to object to any proceedings being brought in those courts.

9.8 Construction

The rules specified in **clause 11.7** of the Scheme apply in interpreting or construing this document, unless the context requires otherwise.

9.9 Headings

Headings do not affect the interpretation of this document.

Execution

Executed as a deed poll in the State of Victoria, Australia

Executed by **ASG Group Limited** in accordance with section 127 of the Corporations Act:)
)
)

Company Secretary/~~Director~~	Director
PETER TORRE	IAN GORDON CAMPBELL
Name of Company Secretary/~~Director~~ (print)	Name of Director (print)

3458-3193-0629v1
Deed Poll

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D. ANNEXURE D - NOTICE OF SCHEME MEETING

ANNEXURE D - NOTICE OF SCHEME MEETING

SMS Management & Technology Limited

ABN 49 009 558 865

Notice of Court ordered Scheme Meeting of Shareholders

Notice is hereby given that, by an order of the Supreme Court of Victoria (**Court**) made on 26 July 2017 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the shareholders of SMS Management & Technology Limited (**SMS**), other than holders of Excluded Shares, will be held at Level 2, RACV Club, 501 Bourke Street, Melbourne on 1 September 2017 at 11:00am (Melbourne time) (**Scheme Meeting**).

Business of the meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between SMS and the SMS Shareholders (**Scheme**) pursuant to Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in Annexure B to the Scheme Booklet which contains this notice. To assist you in making an informed voting decision, further information regarding the Scheme is set out in the Scheme Booklet.

Unless otherwise defined in this notice of meeting, capitalised terms used in this notice (including in the resolution set out below) have the same meaning as set out in the Glossary in Section 13.1 of the Scheme Booklet which contains this notice.

Resolution

To consider and, if thought fit, to pass the following resolution:

> *"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be entered into between SMS Management & Technology Limited and holders of its ordinary shares (other than holders of Excluded Shares), which is described in the scheme booklet which contains this notice of meeting, is agreed to with or without such modifications or conditions as may be approved by the Supreme Court of Victoria."*

By order of the SMS Board,

Penny Grau
Company Secretary
26 July 2017

3458-8658-3045v3

Information for SMS Shareholders

1 Majority required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be effective, the resolution must be approved by:

- a majority in number of SMS Shareholders present and voting (whether in person or by proxy); and
- at least 75% of the votes cast on the resolution.

The vote will be conducted by poll.

2 Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the resolution put to the meeting is approved by the requisite majority of SMS Shareholders, and the Conditions Precedent to the Scheme referred to in Sections 6.7 and 12.1(b) of the Scheme Booklet are satisfied or, where applicable, waived, SMS intends to apply to the Court for approval of the Scheme.

3 SMS Directors' recommendation

The SMS Directors recommend that you vote in favour of the resolution, in the absence of a Superior Proposal emerging or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interests of SMS Shareholders.

Each of the SMS Directors intends, in the absence of a Superior Proposal and provided the Independent Expert does not change or qualify its conclusion that the Scheme is in the best interests of SMS Shareholders, to vote all the SMS Shares which they control in favour of the resolution.

4 Voting entitlement

For the purposes of the Scheme Meeting, the SMS Directors have determined that SMS Shares will be taken to be held by the persons who are the registered holders at 7:00 pm (Melbourne time) on 30 August 2017. All holders of SMS Shares as at that time are entitled to vote at the Scheme Meeting.

5 How to vote

SMS Shareholders entitled to vote at the Scheme Meeting can vote:

- by attending the meeting and voting in person; or

- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate SMS Shareholders, by appointing a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf in their place, using the proxy form accompanying this notice or by lodging their proxy online at www.linkmarketservices.com.au.

5.1 Proxies

A SMS Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint a proxy who need not be a SMS Shareholder. A proxy can be an individual or a body corporate. A SMS Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a SMS Shareholder appoints two proxies and the appointment does not specify the proportion or number of the SMS Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes on a poll.

If a SMS Shareholder has appointed two proxies and each proxy attends the Scheme Meeting, neither of those proxies may vote on a poll if the number of the SMS Shareholder's votes for which the proxies have been appointed exceeds the total number of votes that could be cast by the SMS Shareholder.

Proxy vote if appointment specifies way to vote

Section 250BB of the Corporations Act relevantly provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- if the proxy is the Chairman of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the Chairman of the meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

Transfer of non-Chair proxy to Chairman of the meeting in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members;
- the appointed proxy is not the Chairman of the meeting;
- at the meeting, a poll is demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting; or
    - the proxy does not vote on the resolution,

the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at that meeting.

Proxy voting by the Chairman of the Scheme Meeting

The Chairman of the Scheme Meeting intends to vote all eligible undirected proxies held by him in favour of the resolution to approve the Scheme at the Scheme Meeting.

If you complete a proxy form that authorises the Chairman of the Scheme Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him a direction about how your vote should be cast on the resolution to approve the Scheme at the Scheme Meeting, then you will be taken to have expressly authorised the Chairman of the Scheme Meeting to exercise your proxy on the resolution to approve the Scheme at the Scheme Meeting.

In accordance with this express authority provided by you, the Chairman of the Scheme Meeting will vote in favour of the resolution to approve the Scheme at the Scheme Meeting.

If you wish to appoint the Chairman of the Scheme Meeting as your proxy, and you wish to direct him how to vote on the resolution to approve the Scheme at the Scheme Meeting, please tick the appropriate boxes on the proxy form.

Valid appointment of a proxy or proxies

To be a valid appointment of a proxy or proxies, the enclosed Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged in one of the following ways:

(a) online at www.linkmarketservices.com.au in accordance with the instructions given there; or

(b) by posting it to Link Market Services Ltd, Locked Bag A14, Sydney South, NSW 1235; or

(c) by delivering it by hand to Link Market Services Ltd, Level 12, 680 George Street, Sydney, NSW 2000; or

(d) by successfully transmitting it by facsimile to Link Market Services Ltd on fax number (02) 9287 0309,

in each case by 11:00am on 30 August 2017, being at least 48 hours before the holding of the Scheme Meeting.

5.2 Corporate representatives

A company or corporate proxy appointment of a corporate representative will only be valid if a 'Certificate of Appointment of Representative' is completed and lodged in one of the following ways:

(a) by posting it to Link Market Services Ltd, Locked Bag A14, Sydney South, NSW 1235; or

(b) by delivering it by hand to Link Market Services Ltd, Level 12, 680 George Street, Sydney, NSW 2000; or

(c) by successfully transmitting it by facsimile to Link Market Services Ltd on fax number (02) 9287 0309,

in each case by 11:00am on 30 August 2017, being at least 48 hours before the holding of the Scheme Meeting.

A 'Certificate of Appointment of Representative' is available from SMS's share registry at Link Market Services Ltd (www.linkmarketservices.com.au) or by phone (local: 1300 554 474; overseas: +61 2 8280 7111).

E. ANNEXURE E - CORPORATE DIRECTORY

ANNEXURE E - CORPORATE DIRECTORY

SMS
Level 41, 140 William Street
Melbourne VIC 3000
Australia

Directors
Derek Young, AM (Chairman)
Rick Rostolis
Nicole Birrell
Justin Milne
Bruce Thompson

Company Secretaries
Penny Grau
Peter Sherar

SMS Shareholder Information Line
1300 970 086 (within Australia) or
+61 1300 970 086 (outside Australia)
between 8.30am and 5.30pm (Melbourne time)

Financial Adviser
Macquarie Capital (Australia) Limited
50 Martin Place
Sydney NSW 2000
Australia

Legal Adviser
Corrs Chambers Westgarth
8 Chifley, 8-12 Chifley Square
Sydney NSW 2000
Australia

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

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+ Empowering Business

Management & Technology

ABN 49 009 558 865

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
SMS Management & Technology Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of SMS Management & Technology Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **11:00am (Melbourne time) on Friday, 1 September 2017 Level 2, RACV Club, 501 Bourke Street, Melbourne, Victoria 3000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any box with an ☒

Resolution	For	Against	Abstain*
1 That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be entered into between SMS Management & Technology Limited and holders of its ordinary shares (other than holders of Excluded Shares), which is described in the scheme booklet which contains this notice of meeting, is agreed to with or without such modifications or conditions as may be approved by the Supreme Court of Victoria.			

* If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEM OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the item by inserting the percentage or number of shares you wish to vote in the appropriate box. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on the item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, any of the shareholders may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Melbourne time) on Wednesday, 30 August 2017,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL
SMS Management & Technology Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX
+61 2 9287 0309

BY HAND
delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.