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1 refine strategy



on the pulse

2

build out capabilities



3

realise our multi-channel service platform vision



improve shareholder returns

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RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

Salmat Limited is committed to achieving and demonstrating high standards of corporate governance. Salmat's framework is structured to facilitate compliance to the extent possible with the best practice principles and recommendations released by the ASX Corporate Governance Council released on 27 March 2014.

The Board of Directors is accountable to shareholders for the performance of Salmat Limited and its subsidiaries (the Salmat Group).

The Board has delegated responsibility for the management of the Group through the Chief Executive Officer to executive management. There is a clear division of responsibilities between those of the Board and of management. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The Board has also delegated some of its responsibilities to Committees of the Board. These delegations are outlined in the Board-approved Committee charters.

The composition of the Board is subject to shareholder approval. As the Chairman is not independent due to his shareholding in the company, the Board has resolved to appoint one of its members John Thorn as Lead Independent Director.

The Board will be independent of management and all Directors are required to bring independent judgement to bear in their Board decision-making.

Peter Mattick and Philip Salter were both former joint Managing Directors and founders of Salmat. Following their retirement as joint Managing Directors in October 2009, both Peter Mattick and Philip Salter took up Non-executive Directorships on the Board.

Richard Lee, the Chairman of the Company since its admission to the Australian Securities Exchange, ceased this role on June 30 and did not seek re-election as a Director at the Annual General Meeting of the Company in November 2013. Peter Mattick was appointed to the role of Chairman of the Company from 1 July 2013.

In December 2013 the Board appointed Mark Webster as an independent Non-executive Director. Mr Webster's skills in the transition of traditional businesses into the online environment combined with his media and online business management experience brings requisite skills in oversight of delivery of the Company's strategy.

Grant Harrod, the former Chief Executive Officer and Managing Director, resigned from the Company on 1 July 2013. At this point, Peter Mattick also assumed the role of interim CEO. Mr Craig Dower commenced at the Company as Chief Executive Officer on the 14 April 2014.

The Board currently consists of six members, of which four, being a majority, are independent Non-executive Directors.

During the year, the Board undertook its annual Board performance review. This review considered the contribution made by individual Directors and the Board as a whole to the performance of the Company and sought to identify areas for improvement. The Board considers that an appropriate mix of skills required is in evidence to maximise its effectiveness and contribution to the Company.

The Chairman is responsible for leading the Board; ensuring that Board activities are organised and efficiently conducted; and for ensuring Directors are properly briefed for meetings.

The matters specifically identified and reserved for decision-making by the Board include:

- adoption of the strategic plan of the Group;
- appointment of the Chief Executive Officer and succession planning;
- approval of accounts, operating results, business plans and budgets;
- approval of financial policies and significant capital expenditure;
- monitoring business risk and strategies employed by management;
- monitoring financial performance including approval of the annual and half-year financial reports;
- ensuring there are effective management processes in place and approval of major corporate initiatives;
- ensuring there is an effective 'whistleblower' policy in operation, referred to as 'Doing the Right Thing'; and
- reporting to shareholders.

The Board has reviewed these responsibilities in conjunction with the latest Board performance review and considers it has discharged these responsibilities. The annual review, led by the Chairman, also considers in conjunction with each Director their responsibility to ensure they have sufficient time available to discharge their duties adequately.

The Company has a selection, education and induction process in place for new Directors. This process is tailored for new Directors dependent on their individual skills, background and experience. This program includes site visits, discussions with senior managers, review of strategic documents and presentations by business units. Ongoing participation in activities by individual Directors is tailored to the business needs and current activities of the Company, industry trends, requirements and opportunities as well as the current environment on a regular basis. To ensure the knowledge and education of the individual Board members remains up to date, a number of activities are organised. Board meetings are held at various Salmat sites.

The Board receives presentations focussed upon strategic and operational aspects of the Company to ensure they have an up to date knowledge of products, services and opportunities. During the year there has been a particular focus on the new growth strategy.

Details on the members of the Board, their experience, expertise, qualifications, term of office and independence status are set out in the Directors' report on page 10 and 11.

BOARD AND COMMITTEE MEMBERSHIP OF DIRECTORS

Board member		Appointed Director	Committee member		
			Audit, Risk and Compliance Committee	Remuneration and Compensation Committee	Technology and Innovation Committee
Peter Mattick	Chairman, Non-executive Director	14/3/1984			•
John Thorn	Lead Independent Non-executive Director	1/9/2003	•	•	
Ian Elliot	Independent Non-executive Director	1/1/2005	•	•	
Philip Salter	Non-executive Director	14/3/1984			•
Fiona Balfour	Independent Non-executive Director	1/1/2010	•	•	•
Mark Webster	Independent Non-executive Director	13/12/2013			•

At the Annual General Meeting, John Thorn and Ian Elliot will retire by rotation, and being eligible, will offer themselves for re-election.

Mark Webster, having been appointed since the last meeting, will also retire and offer himself for re-election.

The Company's policies regarding the terms and conditions of remuneration of Board members are determined by the Board after considering independent professional advice. No retirement benefits are paid to Non-executive Directors, nor are they eligible to participate in any Company incentive schemes.

The remuneration and terms and conditions of employment for the Chief Executive Officer and other senior management are reviewed by the Remuneration and Compensation Committee after seeking an independent professional review of these conditions and approved by the Board of Directors. Details of remuneration and the processes undertaken by the Company are included in the remuneration report commencing on page 12.

The executive management prepares strategic plans for each operating activity and the Group. These plans are presented to the Board which then reviews and endorses strategies that are designed to ensure the continued profitable performance and growth of the Group. This process encompasses two formal reviews by the Board of the strategic plan and progress against the plan each year. In addition, an overview of progress against specific strategic objectives and initiatives is reviewed at each Board meeting. Annual operating plans and the budget are based on these approved strategies.

INDEPENDENCE OF BOARD MEMBERS

Our definition of an Independent Director is one who is independent of management and free from any business or other relationship that could materially interfere with the exercise of independent judgement. It is the Board's view that each of its Non-executive Directors, except for Peter Mattick and Philip Salter, is independent and a resolution to this effect is made at the time of approving the annual accounts.

Materiality for these purposes is determined on both quantitative and qualitative bases.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Guidelines are in place which provide for each Director to have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman. Details of the policy are available on the Company's website: www.salmat.com.au.

CODE OF ETHICS

Salmat's approach to business continues to be founded on a culture of ethical behaviour. We stress honesty and integrity in everything we do, which flows through to our employees, our customers, our shareholders, the community and to other stakeholders.

The Board has adopted a code of ethics, which imposes on all Directors, employees and consultants the following duties:

- To act honestly, fairly and without prejudice with clients in all commercial dealings and to conduct business with professional courtesy and integrity.

- To act in the interests of the Company, its shareholders and the financial community generally. The Company is committed to safeguarding the integrity of financial reporting and as such will prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards.

- To promote a safe, healthy and efficient work environment.

- To comply with all laws, regulations and any applicable awards in all jurisdictions in which the Company operates or sources goods or services.

- Not to knowingly make any misleading statements to any person or to be a party to any improper practice in relation to dealings with or by the Company.

- To ensure that the Company's resources and property are used properly.

- Not to disclose information or documents relating to the Company or its business, other than as required by law, not to make any improper public comment on the Company's affairs and not to misuse any information about the Company or its associates.

- Not to solicit, accept or offer money, gifts, favours, inducements, commissions, facilitation payments or business courtesies that may influence or appear to influence the ability to make an unbiased and objective decision.

- To ensure there is a clear communication process for material items of concern between employees and the Board.

To ensure the code of ethics is embedded in the culture, Salmat has implemented the following mechanisms:

- Salmat's internal communication processes provide direct access to the CEO for staff at all levels.

- Salmat has a privacy email address accessed via its website where contact can be made directly with Salmat's Privacy Officer on a confidential basis.

- Salmat's *Doing the Right Thing* policy and Whistleblower Hotline provides an external independent and confidential channel for whistleblowers to report improper conduct. Any notifications received under this policy, along with details of the investigation undertaken and subsequent action taken, are reported to the Audit, Risk and Compliance Committee.

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the Audit, Risk and Compliance Committee; the Remuneration and Compensation Committee; and the Technology and Innovation Committee. Membership of each of these Committees was reviewed and confirmed during the year.

Due to the small number of Directors on the Board, it is considered that a separate Nomination Committee is not required. The functions of a Nomination Committee are carried out by the full Board.

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee (ARCC) is a Committee of the Board. The ARCC charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au. The Board reviewed the charter during the year. The ARCC consists of three of the independent Non-executive Directors of Salmat Limited.

The ARCC met four times during the 2013/14 year.

The ARCC Chairman is Mr John Thorn. Mr Thorn's experience in the accounting profession along with his other professional commitments complements the financial and commercial experience of the other independent Non-executive Board members. This blend of experience and technical expertise enables this Committee to critically review the financial management and risk profile of Salmat and further develop and improve corporate governance within the Company.

The ARCC's role includes:

- assisting the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to:
 - the Company's financial management and statutory compliance, including liaison with the Salmat Group's external auditor;
 - assessing whether external reporting is consistent with ARCC members' information and knowledge and is adequate for shareholder needs;
 - assessing the management processes supporting external reporting;
 - recommending to the Board the appointment, reappointment or replacement of the external auditor and approving appropriate fees;
 - evaluating the performance of the external auditor, including its independence, effectiveness and objectivity;
 - reviewing and assessing non-audit service provision by the external auditor and giving particular consideration to the potential for the provision of these services to impair the external auditor's judgement or independence in respect of the Salmat Group;
- Providing a structured forum for communication between the Board of Directors and senior management; and
- Providing a structured and unencumbered reporting line for the Group risk and assurance function.

The ARCC's key responsibilities cover asset management, financial information integrity and risk management as follows:

- The controls system established by management effectively safeguards Salmat's business assets.
- Financial records are maintained in accordance with statutory requirements.
- Reliable financial information is provided to shareholders and other stakeholders.
- Adequate risk management practices exist to manage key Salmat business and operational risks.
- Processes that exist to continuously assess and improve internal risk management are evaluated.
- Addressing with management the adequacy of Salmat's group risk control structure including internal compliance and control systems.
- Approving Salmat's risk management plan annually.

The ARCC affirms it has complied with the requirements of its charter.

The ARCC receives formal bi-annual completion certification from management confirming the accuracy and completeness of the financial results of the Company. The certification provides assurance to the Board on the financial report and condition of the Company as well as the operation of risk management in managing material business risks, compliance and the control elements which support the financial statements. The certification is attested to the Board by the Chief Executive Officer and Chief Financial Officer.

The ARCC meets with the Salmat Group's external auditor without the presence of management on a regular basis to receive an independent view on the financial reports and other relevant matters.

The ARCC customarily invites the Chief Executive Officer and Chief Financial Officer to attend the majority of its meetings.

The ARCC uses a combination of internal resources and specialist external resources to undertake the risk assurance function.

REMUNERATION AND COMPENSATION COMMITTEE

The Remuneration and Compensation Committee is a Committee of the Board. The Committee charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au. The charter was reviewed by the Board during the year.

Its membership consists of three of the independent Non-executive Directors of Salmat Limited.

The Chairman of the Committee is Mr Ian Elliot, who has undertaken those duties since his appointment on 1 January 2005.

The Committee met three times during the 2013/14 year. The responsibility of the Committee is to:

- review overall remuneration policies and ensure they are in accord with current best practice;
- determine the remuneration arrangements for the Chief Executive Officer and approve the Chief Executive Officer's recommendations for the other senior executives nominated by the Chief Executive Officer;
- set the performance targets for the Chief Executive Officer and review performance against these targets. Review and approve the recommended performance targets for other senior executives;
- determine the long term incentive strategy for the Chief Executive Officer and approve recommendations for other senior staff;
- review succession planning of the Chief Executive Officer and plans for senior executives;
- oversee the Company's compliance with the workplace health and safety legislation in the relevant jurisdictions in which it operates; and
- review and oversee compliance with ASX Corporate Governance Principles and Recommendations on diversity and other relevant regulations.

The Committee affirms it has complied with the requirements of its charter.

The Committee has retained independent advisers who provide information on current best practice (including remuneration levels) for executive and non-executive remuneration. The Committee reviews remuneration levels in the light of this advice and the individual's performance. The Chief Executive Officer attends Committee meetings to review remuneration levels for other staff.

TECHNOLOGY AND INNOVATION COMMITTEE

The Technology and Innovation Committee is a Committee of the Board. The Committee charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au.

Its membership consists of three of the Non-executive Directors of Salmat Limited as well as the Chief Executive Officer and Chief Information Officer.

The Chairman of the Committee is Mrs Fiona Balfour. Fiona's extensive experience in senior information technology roles in major Australian companies, combined with her operational and financial skills, complements the industry expertise of the other Committee members.

The Committee met seven times during the 2013/14 year.

The responsibility of the Committee is to optimise the impact of technology and associated services on the Salmat operational businesses, specifically to:

- review and approve management's ICT strategy and architecture;
- oversee all IT projects over \$1 million, including review of all post-implementation reviews performed;
- oversee acquisitions in developing operations and businesses;
- review ICT businesses, products, partnerships and relationships for opportunities from a customer communications perspective;
- review ICT operational performance;
- oversee Salmat's ICT services partnerships;
- maintain a watching brief on ICT and industry-specific developments and opportunities;
- oversee the ICT risk profile for Salmat, including disaster recovery and business continuity planning;
- oversee the Company's innovation framework to ensure regular flow of innovation concepts and ideas; and
- review, incubate and endorse the development of innovative concepts into opportunities for investment.

The Committee affirms it has processes in place to comply with the requirements of its charter.

The Committee will invite external advisors and/or other Salmat executives to attend meetings at the Committee's discretion, where their knowledge or expertise can make a material contribution.

RISK MANAGEMENT

Salmat is committed to embedding risk management practices in a manner that supports achieving its strategic objectives and to comply with ASX corporate governance requirements.

Policies

Salmat faces a variety of material risks including (but not limited to) strategic, operational, information technology (IT), financial and regulatory risks. Salmat's Risk Management Policy sets out the organisation's risk management practices, oversight and management responsibilities.

Responsibility

The Board is responsible for monitoring Salmat's business risks, determining the Company's risk appetite and overseeing Salmat's risk management strategies.

The Audit Risk and Compliance Committee (ARCC), a Board Committee, is responsible for reviewing risk, assessing the adequacy of internal controls and mechanisms, and to address compliance with relevant legislation and guidelines.

All Salmat staff are responsible for managing risk in their business areas. Management is ultimately responsible to the Board for monitoring and reviewing business risks, ensuring risk assessment is appropriate; implementing appropriate internal controls within individual business units; adopting effective risk treatment plans and timely completion of any risk treatment plans.

Salmat has established a management-led Risk Management Committee (RMC), chaired on a rotational basis by members of the executive leadership team. The RMC directs the implementation and operation of an appropriate risk management framework and culture.

The RMC ensures that the Salmat's risk profile is within the Group's risk appetite and tolerance levels, and review changes to the business environment to ensure Salmat's risk strategies are relevant.

Salmat's Group Risk and Assurance (GRA) department, an integral component of the overall risk management framework, provides risk consulting and risk assurance services. GRA is independent of business units and reports directly to the ARCC.

Framework

Salmat's risk management framework is based on ISO 31000:2009 Risk Management. Risk profiles are developed at Group, divisional and functional levels and are reviewed and updated regularly. Risk assessment is performed by management and reviewed by the Board. Controls are assessed and cost-effective risk treatment strategies are adopted.

Other risk management and risk assurance mechanisms in place include:

- Policies and procedures for managing financial risk and treasury operations including exposures to foreign currencies and interest rate movements.
- Guidelines and limits for the approval of capital expenditure and investments.
- A Group regulatory compliance program supported by approved guidelines and standards covering crisis management, the environment, workplace health and safety, privacy, trade practices, equal employment opportunity, anti-discrimination and sexual harassment.
- Annual internal audit of all sites for workplace health, safety and environmental regulatory compliance.
- Extensive certification programs throughout operations in accordance with ISO 9001:2008 (Quality Management Systems) and AS/NZS ISO/IEC 27001:2006 (Information Security Management Systems).
- A comprehensive insurance program including annual selective risk management surveys conducted by our property insurance underwriters.
- Annual budgeting and monthly reporting systems for all business units to monitor key performance indicators.

Periodically, the risk management framework is independently reviewed and assessed for effectiveness, to drive continuous improvement and enhance instinctive incorporation of risk management into day-to-day activities.

Assurance

GRA uses a risk-based approach to develop an annual program of reviews designed to cover material risks faced by the company. The ARCC reviews and approves the annual review program. GRA reports the results of its reviews to ARCC. In addition, GRA reports annually on the effectiveness of the risk management and control systems to the ARCC.

Chief Executive Officer and Chief Financial Officer Declaration

As required by section 295A of the *Corporations Act 2001*, the CEO and CFO have provided an annual statement to the Board confirming that the Company's financial statements give a true and fair view of Salmat's financial position and performance and in accordance with relevant accounting standards. In addition, in accordance with ASX Corporate Governance Recommendation 7.3, the CEO and CFO reported to the Board on the effectiveness of the risk management and control system over material business risks.

To support the CEO and CFO in making the declaration under section 295A of the *Corporations Act 2001* to the Board, senior management completes a bi-annual completion certificate covering material risks and related controls.

DIVERSITY

Salmat claims a long history of providing a diverse work environment. Our diversity policy covers gender, age, ethnicity, sexual preference, disability and cultural background. In a diversity survey conducted this year, Salmat staff have confirmed that people of all backgrounds feel comfortable in the Salmat work environment.

Under our Reconciliation Action Plan (RAP), efforts have been made to increase the number of Indigenous employees. A first step to this is training on understanding Indigenous culture. Following successful face to face sessions, this training is being placed online. Links with local Indigenous communities are being developed as part of the RAP. Salmat is one of a small number of listed companies to have a RAP.

People with a range of disabilities are employed in call centres in conjunction with Disability Employment Services (a Federal Government initiative) and Vision Australia.

The initiatives to encourage diversity are not restricted to Australia.

Gender diversity

This is the fourth report in accord with Corporate Governance Principle 3.

The Board's support of gender diversity is reflected in the work of Salmat's Women in Leadership and Diversity Council, which is developing new programs to reinforce the Company's position on gender equality. The diversity survey conducted this year showed improvements in almost all areas. There was a strong acknowledgement from staff that the actions the company has taken on gender diversity have been constructive and show a change of approach. An area for further action by the Council is in the area of career development. There is no doubt that the respective role of women and men in the workplace has not been settled and may not be for one or two generations. Salmat, through the Women in Leadership and Diversity Council, is endeavouring to understand and respond to the issues which, at this stage, have resulted in leadership roles for women staying on a plateau.

The company submitted its first reports under the new requirements of the Workplace Gender Equality Agency. Two were submitted due to the broadness of the industries in which Salmat participates. They are available on the company's website www.salmat.com.au. Diversity is an agenda item on every Remuneration and Compensation Committee meeting and meetings of the Company's senior leadership team.

The Board has set five measures for reporting on gender diversity under Recommendation 3.2 of Principle 3 of the ASX Corporate Governance Principles:

- Representation of women on short lists for all roles.
- Representation of women on all interview panels.
- Gender percentage on the Board.
- Gender percentage at all levels of the Company using a seven-level scale.
- Certified training undertaken by gender.

The results for the year were:

- Females were represented on 84% of shortlists.
- Females were represented on 88% of interview panels.
- The Board is made up of one woman and five men.
- Gender percentage over seven levels is tabled below:

	2013/14		2012/13	
	Female	Male	Female	Male
Level 7 (most senior)	0%	100%	0%	100%
Level 6	33.3%	66.7%	22.2%	77.8%
Level 5	20.8%	79.2%	17.4%	82.6%
Level 4	24.2%	75.8%	19.5%	80.5%
Level 3	42.6%	57.4%	33.5%	66.5%
Level 2	48.0%	52.0%	55.7%	44.3%
Level 1	47.0%	53.0%	51.1%	48.9%
Overall	45.9%	54.1%	47.6%	52.4%

The figures show an encouraging increase in representation of women at more senior levels.

Attendees at certified training sessions were 40.9% female and 59.1% male.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

Salmat is committed to complying with the continuous disclosure obligations of the *Corporations Act 2001* and the ASX Listing Rules. Salmat understands and respects the fact that timely disclosure of relevant information is central to the efficient operation of the securities market. The Company has a continuous disclosure policy, which also covers the conduct of investor and analyst briefings and communication with the media. The policy can be found on the Salmat Limited website: www.salmat.com.au.

Materiality and disclosure

The Company has a published disclosure policy for timely and accurate release of material events. The policy focuses on continuous disclosure of information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. As a general guideline, the Board considers that any financial impact which affects Group revenue or profit by more than 10% will be considered material.

All price-sensitive announcements made via the Australian Securities Exchange (ASX) are then immediately posted on the Company's website: www.salmat.com.au. Similarly, prior to any analyst briefing on aspects of the Group's operations, the material used in the presentation is released to the ASX and subsequently posted on the Company's website.

Restrictions on securities dealings

All employees, including our Directors and other officers, are subject to the restrictions under the *Corporations Act 2001* in relation to Salmat shares.

Salmat has a published policy on securities trading, which has been notified to the ASX and is posted on the Salmat website. The policy prohibits Directors and key employees from dealing in Salmat securities for the period 15 days before the end of a reporting period to one day after those results are released to the market, being the embargo period. During non-embargo periods, via an internal notification process, all Directors and key employees are required to advise the Company Secretary of any trade in Salmat securities, in which they have a beneficial interest.

Shareholder communication

Salmat places considerable importance on effective communication with shareholders.

The Company Secretary is nominated as the person responsible for communication with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules. All shareholders can receive a copy of the Company's Annual Report. In addition, the Company has made available electronic communication of all price-sensitive announcements for the convenience of all shareholders. All price-sensitive Company announcements and financial reports since our public listing in December 2002 are available on the Company's website: www.salmat.com.au.

The Company's website includes key information on the following:

- **Directors and Management** — providing personal profiles about the current Board of Directors (Governance section) and the members of the senior management team (About Us section).
- **Announcements** — contains all price-sensitive announcements and external presentations that the Company has made since the initial public offering in December 2002 (Investors section).
- **Half-yearly/Annual Reports** — contains a statement of the results as well as a copy of the audited accounts (Investors section).
- **Key Dates** — contains key dates pertaining to the release of the Company's annual results and other key events such as annual general meetings and dividend payments (Investors section).
- **Share Registry** — contains our share registry contact details as well as pertinent information relating to shareholder communications regarding receipt of annual and half-yearly reports and a link to our share registry's website (Investors section).
- **Corporate Governance** — key Salmat policies and information about how Salmat is managed (Governance section).

EXTERNAL AUDITOR'S APPOINTMENT

The Company's independent external auditor for the year ended 30 June 2014 is PricewaterhouseCoopers. This was confirmed by shareholders at the 2013 Annual General Meeting. As a part of their review of the half-year and audit of the full-year results, PricewaterhouseCoopers confirmed to the Board it has maintained its independence. The auditor will attend the Company's Annual General Meeting and will be available to answer any shareholder questions.

The prior auditor, Ernst & Young completed the June 2013 audit of the company.

It is the intention of the Board that the external audit signing partner will rotate from the Company's audit at least every five years.

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Salmat Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of Salmat Limited during the financial year and up to the date of this report:

- Peter Mattick (Chairman and interim Chief Executive Officer to April 2014)
- Fiona Balfour
- Ian Elliot
- Richard Lee (Chairman to 30 June 2013; retired 21 November 2013)
- Philip Salter
- John Thorn
- Mark Webster (appointed December 2013)
- Grant Harrod (resigned 1 July 2013)

OPERATING AND FINANCIAL REVIEW

The Board presents the 2014 Operating and Financial Review, which has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during 2014 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group. The review complements the financial report and has been prepared in accordance with the recently released guidance set out in RG247.

Salmat's operations

Principal activities

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Key to this strategy is our deep understanding of the future needs and behaviours of consumers and our unique ability to seamlessly integrate existing and evolving technologies. This enables our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

Salmat deploys these key competences across two business pillars, which are both market leaders:

- a) The **Consumer Marketing Solutions (CMS)** division consists of the Salmat Digital and Universal Catalogue businesses. CMS delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Influence, a multi-channel marketing solution, and Australia's premier online pre-shopping site, Lasoo.com.
- b) **Customer Engagement Solutions (CES)** helps Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, field sales services and learning and development solutions. Salmat CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile, SMS and field sales. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach, enterprise class contact centre technology solutions hosted in the cloud.

Key developments

Fiscal year 2014 was the first year of a transformational journey, with the intensive investment and building phase being undertaken as part of Salmat's three year growth strategy. Key developments included:

- Investment in IT infrastructure, people and processes and the migration of our data centres to new hosted data centres.
- Investments in scale in the Philippines through the acquisition of 50% of MicroSourcing and investment in ecommerce capability through the acquisition of Netstarter.
- On 25 July 2013 the Board also confirmed the intention to pay fully franked dividends of 15.0 cents per share for fiscal year 2014, following a final dividend of 7.5 cents per share for fiscal year 2013. This dividend was announced to provide certainty to shareholders whilst the company executes its growth strategy.
- Change in senior leadership, with the recruitment of a new CEO, Craig Dower and CFO, Rebecca Lowde.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Salmat Limited that occurred during the year under review, that were not otherwise disclosed in this report or the financial statements.

OPERATING AND FINANCIAL REVIEW : CONTINUED

2014 operating result summary

\$ million	2014	2013	% change (pcp)
Reported revenue	452.8	467.6	(3.2%)
EBITDA	18.2	36.3	(49.9%)
Depreciation	(9.6)	(10.5)	(8.6%)
Underlying EBITA	8.6	25.8	(66.7%)
Underlying EBITA margin	1.9%	5.6%	
Amortisation	(2.0)	(2.1)	4.9%
Underlying EBIT	6.6	23.7	(72.2%)
Net interest	0.3	(0.4)	175%
Tax expense	(0.2)	(6.6)	97.0%
Underlying NPAT¹	6.7	16.7	(59.9%)
Significant items net of tax	(5.9)	(10.9)	45.9%
NPAT from continuing operations	0.8	5.8	(86.2%)

1) Adjusted for significant items, refer to note 2 in the notes to the financial statements for the significant items included in the Underlying Net Profit for the period. This is non-recurring expenditure such as restructuring costs, acquisition expenses, costs incurred in separating the BPO business, adjustments to contingency consideration. Non-IFRS information is unaudited.

Reported sales revenue of \$452.8 million (2013: \$467.6m) was down by 3.2% on the prior year. This was mainly due to delayed contact centre revenue as migration to the Reach technology platform took longer than anticipated, as well the gap from Direct Sales and catalogue contracts that were not renewed from the prior year.

Underlying EBITA of \$8.6 million (2013: \$25.8m) was down by 66.7% on the prior year. Investment in the growth strategy had an impact of \$7 million on the P&L in FY14. It was also impacted by the decrease in revenue and a higher incidence of lower-margin work.

Underlying NPAT was \$6.7 million (2013: \$16.7m). Underlying NPAT excludes net significant items after tax of \$5.9 million.

Significant items after tax amounted to costs of \$5.9 million (2013: \$10.9m). These related to residual restructuring and separation costs associated with the BPO sale, acquisition costs relating to MicroSourcing and Netstarter and a fair value adjustment relating to deferred consideration.

Statutory Net Profit after Tax (NPAT) was \$0.8 million (2013: \$40.1m).

Segment results

Consumer Marketing Solutions revenue was down 0.6% on the prior year to \$259.2 million. Increased catalogue volumes at both the top tier and SME level helped to replace revenue from two key contracts discontinued from FY13. Digital revenue also held up well against the previous year.

Underlying EBITA of \$23.8 million was mainly impacted by investment in the division to support our growth strategy including Universal Catalogue and our agency platform, which was launched to the market late in FY14. In addition, there was a higher weighting of lower margin digital services during the year.

Customer Engagement Solutions revenue was down 6.5% on the prior year to \$187.9 million, as a result of reduced revenue in the Direct Sales area as well as a number of exited contact centre contracts. Direct Sales was impacted during the year as energy retailers pulled out of the door-to-door segment following pressure from the ACCC on energy retailers. Within contact centres, FY14 saw the delay in the Reach platform rollout defer some new business revenue to FY15. The Reach platform is expected to be complete by March 2015.

Underlying EBITA decreased to \$3.0 million due to the reductions in revenue and delays in the Reach platform and increase in operating costs from the running of two platforms. The two platforms are expected to continue for the first half of FY15, with savings in the second half.

Financial position and cash flows

Following the disposal of BPO, our balance sheet was strengthened and we retained a net cash position of \$50.0m (including acquisitions) at 30 June 2014, compared to net cash of \$90.0m at 30 June 2013. Cash has been utilised to fund our investment in acquisitions (\$14.0m), capital expenditure (\$16.3m) and maintaining dividends of \$0.15 per share for the year (total paid \$24.0m).

Our operating cash flows remained strong with a 144% EBITDA conversion to operating cash flow.

Our net asset position has decreased as a result of the MicroSourcing acquisition, which has resulted in the recognition of a financial liability of \$31.0 million and the establishment of a business combination reserve. This balance has been measured on the basis for the future expected payment and is subject to change based upon the actual performance of the MicroSourcing business.

OPERATING AND FINANCIAL REVIEW : CONTINUED

Business risks, strategies and prospects

Business strategies and prospects

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Consumers are able to access more information, from more sources, than ever before. Brands are no longer able to rely on a single medium to engage with consumers, who are demanding engagement on their terms, across multiple channels. By combining the physical and digital assets, Salmat is uniquely positioned to enable its clients to distribute more engaging content, enabling them to cost effectively reach and influence their customers and maximise their sales and return on investment.

The divestment of BPO has simplified the Group strategy around this vision and has transformed the balance sheet of the Group to allow investment across our key platforms being:

- **Salmat Universal Catalogue.** Seamless distribution of physical and digital catalogue content is delivered through Salmat's Universal Catalogue platform. By combining the traditional physical catalogue with our digital assets from Lasoo, we are uniquely positioned to enable our clients to distribute more engaging content anytime, anywhere, on any device to drive more sales. By overlaying the data capability we have in our physical distribution business, with the data insights we have in our online business, we can help our clients target the consumer more effectively.
- **Salmat Reach.** As a hosted solution, Salmat Reach is a leading edge contact centre technology platform that seamlessly integrates all customer communications channels within the cloud. This solution is hosted by Salmat and combines the expertise of Salmat, Australia's largest and most experienced customer contact solutions provider, with the innovation of Avaya, one of the world's best contact centre infrastructure platforms. Salmat Reach makes enterprise class contact centre applications accessible and affordable for organisations of almost any size. This is also the same solution that Salmat uses to support our 60 different contact centres, giving you the power to use our technology without having to purchase it.

The drive to be a technology platform centric business revolves around investing in systems to extract further value from all of our businesses, as well as capturing opportunities in the emerging high growth digital communication and commerce channels. We are implementing technology-based, rather than labour-based, solutions across the company that are highly scalable and improve the standard of service and efficiency to our clients.

DIVIDENDS – SALMAT LIMITED

Dividends paid to members during the financial year were as follows:

	2014 \$'000	2013 \$'000
Final ordinary dividend for the year ended 30 June 2013 of 7.5 cents (2013: 10.5 cents) per fully paid share paid on 19 September 2013	11,986	16,779
Interim ordinary dividend for the year ended 30 June 2014 of 7.5 cents (2013: 4.0 cents) per fully paid share paid on 3 April 2014	11,986	6,392
Special dividend of 21 cents paid on 5 April 2013	-	33,561
	23,972	56,732

The opportunity is to provide our clients with a service they require on a more effective basis with lower risk. We own or licence the technology underpinning the services and we have a great ability to leverage this investment. The opportunity is for us to build further scale and volume and this journey is well underway.

Salmat will continue to look to accelerate its growth strategy through strategic investments that complement this vision. With the completion of the acquisitions of MicroSourcing and Netstarter during the year, there are limited remaining capability gaps at this stage that we require acquisitions to fill, however we will continue to evaluate opportunities as they arise. In considering any future investments, the criteria used to evaluate acquisitions is that they be established businesses with the ability to deliver recurring revenue and profit; with strong intellectual property, capabilities, client base and teams that fit well with Salmat's culture.

Business risks

Salmat is committed to embedding risk management practices in a manner that supports achieving its strategic objectives. Risk management is carried out in accordance with policies approved by the Board as described in the Corporate Governance statement. Salmat has established a management-led Risk Management Committee that directs the implementation and operation of an appropriate risk management framework and culture. Salmat faces a variety of material risks including (but not limited to) strategic, operational, information technology, financial and regulatory risks.

Transition risk associated with the information technology transition and new data centre establishment and the migration of the call centres to the Reach platform are the two key risks to the organisation that are currently being managed. It is expected that as these projects complete during the 30 June 2015 financial year, these risks are expected to reduce. In addition the ability to execute against key strategic projects will be a key enabler of the accelerated growth strategy.

The current economic trading environment, particularly in the retail sector, combined with the competitive trading environment, remain significant business risks. Salmat's sales volumes and therefore its profitability are directly related to the level of retail sales achieved by our retailer customers particularly in the CMS division. The company in its handling of customer data and door to door sales on behalf of our clients increases its exposure to regulatory risk, reputation and brand risk.

PERFORMANCE INDICATORS

Management and the Board monitor the Group's overall performance, from its implementation of the strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive reporting on the critical KPIs for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

ENVIRONMENTAL ISSUES

The Group is committed to the protection of the environment, to the health and safety of its employees, contractors, customers and the public at large, and to the compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business.

The Group is not subject to significant environmental regulation in respect of its operations. The Group has set down a rigorous approach to sourcing and working with suppliers that comply with our environmental criteria.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Dividends

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of \$12.0 million (7.5 cents per fully paid share) to be paid on 18 September 2014 out of Group retained profits at 30 June 2014.

Except for the matter discussed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

INFORMATION ON DIRECTORS

Peter Mattick AM Chairman

Experience and expertise

Peter Mattick co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from executive duties with Salmat in October 2009. Since that time Mr Mattick has remained as a Non-executive Director of the Company and has been appointed by the Board into the role of Chairman following Richard Lee's decision not to stand for re-election.

Mr Mattick has served as Chairman and Director of the Australian Direct Marketing Association and is a Member of the National Aboriginal Sports Corporation. He is a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research and a board member of The Shepherd Centre.

Mr Mattick was educated at the University of New South Wales where he gained a Bachelor of Commerce degree.

Special responsibilities

Chairman of the Board; and
Member of the Innovation and Technology Committee.

Interests in shares and options

36,810,735 ordinary shares in Salmat Limited.

Ian Elliot

Non-executive Director (Independent)

Experience and expertise

Ian is a Non-executive Director of Hills Limited, McMillan Shakespeare Limited, former Chairman of Promentum Limited and is currently a Commissioner of The National Rugby League. He is a Fellow of the Australian Institute of Company Directors. Ian is also a former Chief Executive Officer of George Patterson Bates and a graduate of the Advanced Management Program of the Harvard Business School.

Special responsibilities

Member of Audit, Risk and Compliance Committee; and
Chairman of Remuneration and Compensation Committee.

Interests in shares and options

33,435 ordinary shares in Salmat Limited.

Philip Salter

Non-executive Director

Experience and expertise

Philip Salter co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from his executive duties with Salmat Limited in October 2009. Since that time, Mr Salter has remained as a Non-executive Director of the company. Philip entered the real estate business in 1972. In 1979 Philip and Peter Mattick formed Salmat, developing the business into one of Australasia's leading customer communications companies. Philip is a member of the Australian Institute of Company Directors.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

36,292,238 ordinary shares in Salmat Limited

John Thorn

Lead Independent Director

Experience and expertise

John Thorn has been a Non-executive Director of Salmat Limited since September 2003. John is a professional Director and brings expertise to the Board in the areas of accounting, financial services, mergers and acquisitions, business advisory, risk management and general management. He has 38 years of professional experience with PricewaterhouseCoopers (PwC), where he was a partner from 1982 to 2003 advising major international and Australian companies. He served on the firm's Board, was the Managing Partner of PwC's Assurance and Business Advisory practice and was the National Managing Partner of PwC until 2003. He has experience in Asia having lived and worked in Singapore and Indonesia. John is a Non-executive Director of Amcor Limited (appointed December 2004), National Australia Bank Limited (October 2003) and a former Director of Caltex Australia (June 2004-2013). His Board committee experience includes Audit Committees (Chairman), Human Resources Committees, IT Committees, Nomination Committees and Risk Committees.

Special responsibilities

Chairman of Audit, Risk and Compliance Committee; and
Member of Remuneration and Compensation Committee.

Interests in shares and options

131,101 ordinary shares in Salmat Limited.

Directors' report

30 June 2014

INFORMATION ON DIRECTORS : CONTINUED

Fiona Balfour

Non-executive Director (Independent)

Experience and expertise

Fiona is an independent Non-executive Director of Metcash Limited, TAL (Dai-ichi Life) Australia and Airservices Australia; a Council Member and Treasurer of Knox Grammar School, a Member of Chief Executive Women, a Fellow of Monash University and a Fellow of the Australian Institute of Company Directors. Fiona has over 35 years' experience working in enterprise technology across aviation and transport, information and telecommunication services, financial services, distribution and logistics, education sector and not-for-profits. Fiona is a former Trustee of the National Breast Cancer Foundation, former Chair of the St James' King Street Conservation Appeal, former Council Member of Chief Executive Women and is a former Non-executive Director of SITA SC (Geneva).

Special responsibilities

Member of Audit, Risk and Compliance Committee; Member of Remuneration and Compensation Committee; and Chairman of the Innovation and Technology Committee.

Interests in shares and options

35,740 ordinary shares in Salmat Limited.

Mark Webster

Non-executive Director (Independent)

Experience and expertise

Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited. Mark has had extensive, hands-on experience in extending traditional businesses into the online environment, both in the media industry and in his current role. Mark has established the Inglis Digital division, which operates bloodstock.com.au and horsezone.com.au – both now market leaders. Mark has also served as Director on a number of Boards over the past ten years, including realestate.com.au and Nationwide News Limited.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

Nil ordinary shares in Salmat Limited.

Richard Lee

Richard Lee did not stand for re-election at 2013 Annual General Meeting, having been a Director since Salmat listed in 2002.

Company Secretary

The Company Secretary is Mr Stephen Bardwell. Mr Bardwell has been Company Secretary since October 2002. He has had over 26 years in senior commercial roles, and joined the company as Group Financial Controller in 1989, actively participating in the expansion and development of Salmat in both Australia and Asia.

Prior to listing of the Company, he had over ten years experience as Secretary of Salmat Group Companies. He has a Bachelors degree in Accounting and is a Fellow of the Institute of Chartered Secretaries and CPA Australia.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	Meetings of committees							
	Full meetings of Directors		Audit, Risk and Compliance		Remuneration and Compensation		Technology and Innovation	
	A	B	A	B	A	B	A	B
Peter Mattick	9	9	*	*	*	*	7	7
John Thorn	9	9	4	4	3	3	*	*
Ian Elliot	9	9	4	4	3	3	*	*
Philip Salter	8	9	*	*	*	*	3	7
Fiona Balfour	9	9	4	4	3	3	7	7
Mark Webster (Appointed 13/12/2013)	5	5	*	*	*	*	3	3
Richard Lee (Retired at AGM 21/11/2013)	4	4	2	2	1	1	*	*

A) Number of meetings attended.

B) Number of meetings held during the time the Director held office or was a member of the Committee during the year.

* Not a member of the relevant Committee.

REMUNERATION REPORT

The Board presents the 2014 Remuneration Report for Salmat Limited (Salmat or the Group). It explains how the Group provides pay to our Key Management Personnel (KMP) comprised of the Non-Executive Directors, the Chief Executive Officer (CEO) and senior executives (shown on page 13). It meets the requirements of the *Corporations Act 2001* and other regulations.

Section What it covers

1	Remuneration at a glance	An overview of the remuneration of the Group's Chief Executive Officer (CEO) and what influences remuneration outcomes.
2	Remuneration governance	Details of who this report covers and how remuneration is governed.
3	Remuneration strategy, policy & framework	Outlines our remuneration policy and how it supports our strategic objectives and is focused on the long term strategy of the business.
4	Structure & components	Description of the components of remuneration and how performance impacts remuneration outcomes.
5	Remuneration position & comparators	Benchmarking information on the Group's performance relative to its peers.
6	Short-term incentives	Detailed description of our Short Term Incentive (STI) schemes.
7	Long-term incentives	Detailed description of our Long Term Incentive (LTI) schemes.
8	Executive remuneration disclosures	Disclosures by person of the remuneration paid in the current and previous periods.
9	Service agreements	Summary of the key terms of CEO and senior executive service agreements
10	Non-executive Director remuneration	Details of Non-executive Directors' remuneration and relevant disclosures of remuneration in the current and prior periods.

1 Remuneration at a glance

In the light of the economic conditions and the trading environment of the Group, the Board did not award salary or fee increases to Non-executive Directors or senior executives in FY2014.

The Board remains committed to clear and transparent disclosure of the Group's remuneration arrangements. This section sets out in brief the key details regarding Director and key management personnel remuneration for FY2014.

How financial performance influenced the STI outcome this year

Short term incentives ('STI') for the KMP were set on the basis of both functional and financial targets. Both business unit CEOs have financial target weightings of 60% or more of their STI.

Chief Executive Officer and Chief Financial Officer appointment

Following a detailed search Craig Dower was appointed the Group's Chief Executive Officer (CEO) on 14 April 2014 to replace Peter Mattick who had been acting as Interim Chief Executive Officer. In order to assist with transition Peter Mattick remained involved on a part time basis until August 2014.

The terms of Mr Dower's service agreement are set out on page 14 of this report. As a sign-on incentive Craig Dower was granted a one-off STI in respect of the period from commencement to 30 June 2014 provided a number of KPIs relating to his induction into the organisation are achieved. Unvested performance rights were also granted in recognition of the incentive foregone from his previous employer.

Rebecca Lowde has been appointed as the new Chief Financial Officer (CFO) and commenced with the Group on 13 August 2014. Rebecca's service agreement consists of a base salary, STI and LTI.

From 17 June 2013, Peter Mattick assumed the role of interim CEO following the departure of Grant Harrod. He did not receive any further fees for his service as Interim Chief Executive Officer.

Remuneration outcomes

Details of the remuneration of the Chief Executive and senior executives, prepared in accordance with statutory obligations and accounting standards, are contained on page 18 of the Remuneration Report.

The table below sets out the cash received or receivable by the Chief Executive and senior executives in FY2014. The amounts disclosed in the table, while not in accordance with accounting standards, as they exclude a fair value charge for LTIs, are considered relevant in explaining the actual remuneration taken home by executives during the year. The table has been subject to audit.

	Fixed	STI	LTI	Other	Total
Craig Dower	135,385	108,000	–	6,111	249,496
Nick Warne	176,387	72,800	–	11,280	260,467
Peter Anson	333,984	168,320	–	118,908	621,212
David Besson	411,766	101,188	–	22,104	535,058

REMUNERATION REPORT : CONTINUED

2 Remuneration governance

Who this covers

The Remuneration Report sets out remuneration information for the Group's Non-executive Directors (listed in the Directors Report on page 10 and 11), the Chief Executive Officer and senior executives, who are the key people having authority and responsibility for planning, directing and controlling the major activities of the Group. The people in these positions at the year ended 30 June 2014 are listed below. Details on remuneration to KMP who have served during the year but have ceased employment are provided in the relevant sections.

CEO and senior executives

Craig Dower	Chief Executive Officer (commenced employment 14 April 2014)
Nick Warne	Chief Information Officer (commenced as KMP effective 30 December 2013)
Peter Anson	Chief Executive Officer – Consumer Marketing Solutions
David Besson	Chief Executive Officer – Customer Engagement Solutions

Board oversight

The Board is responsible for ensuring that the Group's remuneration arrangements are equitable and aligned with the long term interests of the Group and its shareholders. In performing this function, it is critical that the Board is independent of management when making decisions affecting remuneration of the CEO and the CEO's direct reports.

Accordingly the Board has established a Remuneration and Compensation Committee to assist it in making decisions affecting employee remuneration. The Committee is comprised solely of Non-executive Directors, all of whom are independent.

Remuneration and Compensation Committee

The Remuneration and Compensation Committee is a Committee of the Board. The charter adopted by the Committee is displayed on the Salmat Limited website www.salmat.com.au.

The purpose of the Committee is to assist the Board in its oversight of:

- Reviewing overall remuneration policies and ensuring they are in accordance with current best practice.
- Determining the remuneration arrangements for the Chief Executive Officer, including his STI and LTI.
- Reviewing and approving the Chief Executive Officer's recommendations for the other senior executives.
- Setting and reviewing the performance targets for the Chief Executive Officer.
- Reviewing and approving the recommended performance targets for other senior executives.
- Reviewing succession plans of the Chief Executive Officer and senior executive.
- the Group's compliance with occupational health and safety legislation.
- the Group's compliance with ASX Corporate Governance Guidelines on Diversity.

The Committee has retained independent advisers to provide information on current best practice (including remuneration levels) for Director and executive remuneration. The Committee reviews this external remuneration advice in light of the various individuals' performance. The Chief Executive Officer attends committee meetings to review and recommend remuneration levels for other senior staff.

Use of remuneration consultants

The Remuneration and Compensation Committee retained Ernst & Young (EY) as an adviser to assist with remuneration issues. EY were engaged by, and reported to, the Remuneration and Compensation Committee. The following key services were provided by EY:

- Provision of market practice information concerning the Deferred Employee Share Plan, specifically the performance conditions and performance period.
- Provision of market practice information concerning executive remuneration generally.
- Terms and conditions as well as disclosures upon appointment of the CEO.

During the current financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by EY.

Voting and comments made at the Group's 2013 Annual General Meeting

The Group received more than 99% 'yes' votes on its remuneration report for the 2013 financial year (calculated using the number of security holders eligible to vote on the Remuneration Report). The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Securities Trading Policy

The Securities Trading Policy of the Group outlines the responsibilities of all Directors and employees to ensure that any market sensitive information whether about the Group or any other Company is not used to trade in securities.

The trading of shares issued to participants under any of the Group's employee equity plans is subject to, and conditional upon, compliance with this policy. Executives are prohibited from entering into any hedging arrangements over unvested options or deferred shares issued under the Group's equity plans. The Group would consider any breach of this policy as serious.

REMUNERATION REPORT : CONTINUED

3 Remuneration strategy, policy and frameworks

Remuneration policy

The Group policy is to remunerate staff in accordance with market rates in alignment with the individual's duties, responsibilities and performance.

Remuneration Strategy

Attract & retain high calibre executive

Reward competitively in the markets in which the Group operates

Provide a balance of fixed and 'at risk' remuneration

Align executive rewards with the Group's performance

Assess rewards against objective financial measures

Make short term and long term components of remuneration 'at risk' based on performance

Remuneration Components



Fixed Annual Remuneration

- Provides 'predictable' base level of reward for individuals
- Set at market median (for local geographic market) using external benchmark data
- Varies based on employee's experience, skills and performance
- Consideration given to both external and internal relativities



Short Term Incentives

- Focused on balance between financial and strategic outcomes
- Financial targets linked to objective measures at Group, and divisional level, such as budgeted sales and profit



Long Term Incentives

- Delivered in equity to align executives with shareholder interests
- Tested after three years
- Linked to key performance metrics – EPS, TSR and strategic goals
- Full vesting when the Group achieves stretch goals

4 Structure and components

Senior executive remuneration

The remuneration packages of the Chief Executive Officer and key management personnel are constructed to deliver performance and commitment to the Group whilst being in line with market for the relevant positions.

Each of these packages includes the following:

- a fixed component, which may be allocated to cash, benefits (on a fully absorbed cost to Group basis) or superannuation;
- an STI (refer to section 6); and
- an LTI (refer to section 7).

The remuneration packages are determined after taking advice from external remuneration consultants and take into account both short and long-term performance measures set to achieve the outcomes required by the Board.

The Chief Executive Officer's target remuneration mix for FY2014 comprised 45% fixed remuneration, 27% STI and 28% LTI of total remuneration of \$0.4m. In FY2014 the Chief Executive Officer achieved a remuneration mix of 40% fixed remuneration, 31% STI and 29% LTI, resulting in total remuneration of \$0.4m. The FY2014 LTI was in the form of \$500,000 performance rights that vest after 12 months granted as a sign on incentive.

For FY2015 the Chief Executive Officer's target remuneration mix will be 38.5% fixed remuneration, 23% STI and 38.5% LTI of a total remuneration of \$2.1m.

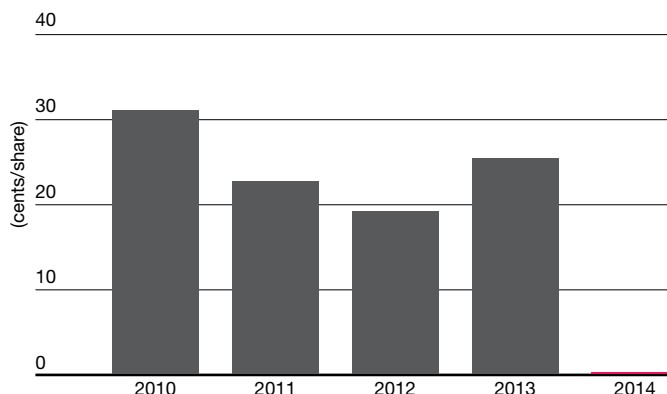
5 Remuneration position and comparators

Performance of the Group

The graphs below show the EPS performance of the Group for the past five years and the percentage of LTI shares and options that vested over that same period.

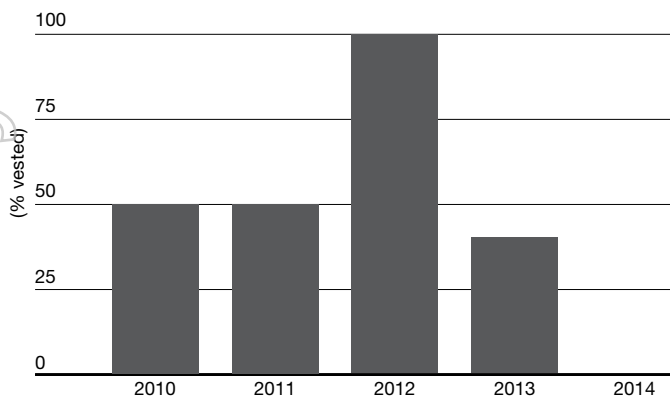
The share price of the Group for the last year is presented and a comparison of the Group's Total Shareholder Return (TSR) to the median of the TSR for the small ordinaries on the ASX (XSOAI) for the period from 1 July 2011 to 30 June 2014 and the small industrials on the ASX (XSIAI) for the period from 1 July 2011 to 30 June 2013.

Earnings per share

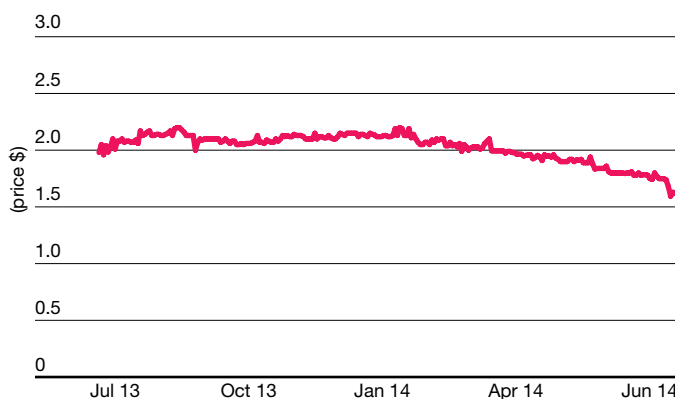


REMUNERATION REPORT : CONTINUED

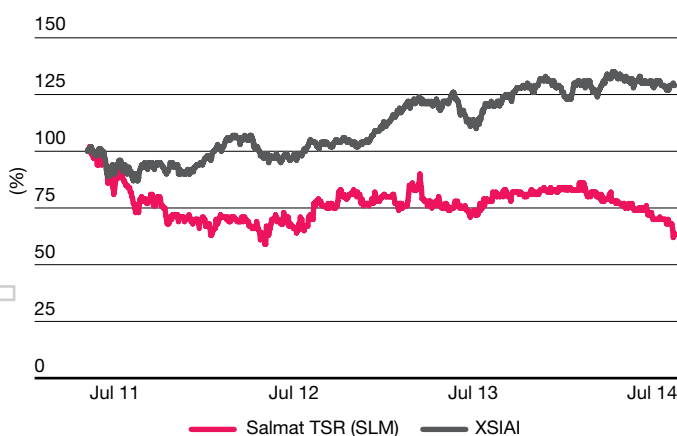
LTI share and options



Salmat share price



TSR comparator SLM TSR vs XSAI 1 July 2011 – 30 June 2014



6 Short Term Incentives

STIs are provided to all Key Management Personnel and certain executives within the business. STIs are set based on key performance indicators (KPIs) set for the financial year comprising various financial (normally around 50%) and non-financial (normally around 50%) measurable goals. Financial KPIs are set on the basis of Group and business EBITA results. Functional KPIs relate to activity to enable the execution of the strategy. These goals are set to align outcomes with shareholder returns.

The Remuneration and Compensation Committee is responsible for assessing whether the KPIs of Key Management Personnel are met.

The proportion of the STI cash bonus paid/payable compared to maximum achievable:

Name	Cash bonus achieved	
	2014	2013
Executive		
Craig Dower ¹	90%	-
Nick Warne ²	100%	-
Peter Anson	66%	61%
David Besson	49%	57%
Former KMP		
Grant Harrod ³	-	75%
Chad Barton ³	-	150%
David Hackshall ³	-	108%
Ian Jones ⁴	-	108%
Nick Spooner ³	-	81%
David Webster ⁴	-	40%
Geoffrey Court ⁴	-	93%

1) Craig Dower was appointed the Group's Chief Executive Officer on 14 April 2014.

2) Nick Warne became a KMP on 30 December 2013.

3) Grant Harrod ceased employment on 1 July 2013, David Hackshall ceased employment on 8 March 2013, Nick Spooner ceased employment on 16 December 2012 and Chad Barton ceased employment on 28 February 2014.

4) David Webster, Ian Jones and Geoffrey Court ceased to be KMP on 17 December 2012.

7 Long Term Incentives

The purpose of the LTI plan is to promote the alignment of senior executive decision making with the longer term interests of shareholders, to attract and retain high quality executives and to reward executives for the achievement of performance conditions which underpin the sustainable long term growth. The key attributes of the LTI are as follows:

- Consistent with changes made last year, senior executives were awarded performance rights (zero priced options) under the Salmat Employee Option Plan. Previously deferred shares were granted.
- The participants in the LTI Plan include senior executives who are deemed to have significant influence over the long term outcomes of the Group.
- In place of participation in the FY2014 scheme, the CEO, Craig Dower, received performance rights equivalent to \$500,000 to reimburse him for rights forfeited from his previous employer.
- The number of rights granted to an executive is determined by dividing the value of their annual grant by 5 day VWAP at or near to the date of the grant. The value of an individual's annual grant is determined by the Remuneration Committee based upon the individual's role and responsibilities within the Group.
- Each right or option granted under the LTI Plan is an entitlement to a fully paid ordinary share in the Group on terms and conditions determined by the Board, including vesting conditions linked to service and performance conditions measured up to three years after grant. If the vesting conditions are satisfied, the rights or option vests and the participating executive may exercise that right or option.
- Rights granted as part of the LTI Plan do not carry voting or dividend rights nor can the holders attend shareholders meetings; however, shares allocated upon vesting of rights and exercise of options will carry the same rights as other ordinary shares. The Group does not pay dividends on any unvested rights or options. Dividends have been paid on deferred shares but any such dividends are treated as advance payment of STIs which may be refunded if the STI is not earned.

REMUNERATION REPORT : CONTINUED

In FY2013 the LTI scheme was amended such that performance rights are granted 40% on EPS performance, 40% on TSR performance and 20% on key strategic goals (previously 50% EPS and 50% TSR). This change was made to reflect the Group's focus on achievement of strategic goals as well as specific financial targets.

There is also a service condition attached to each tranche of performance rights in that the executive must also be employed by the Company at the date of assessment of the right or option.

EPS hurdles

40% of the performance rights that vest will depend on the cumulative increase in EPS over the measurement period, as set out in the table below:

EPS growth compared to target	% of rights that vest
Below 75%	Nil
75-99%	Progressive vesting from 50-90%
100% or more	100%

TSR hurdles

40% of the performance rights are subject to achieving a Total Shareholder Return in excess of the constituents of the small industrials index for a three year period. TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value.

The percentage of performance rights that vest will depend on the Group's relative TSR ranking over the measurement period, as set out in the table below:

Group's TSR rank	% of rights that vest
Less than 50th percentile	Nil
50-75th percentile	Progressive vesting from 50-100%
Above 75th percentile	100%

Strategic goals

20% of the performance rights based on strategic goals were issued for the first time in FY2013. The Board will use its informed judgement to determine the aggregate level of vesting based on the following performance criteria:

- Achievement of projected revenue targets from the growth strategy.
- Achievement of key milestones in the growth strategy on the approved timelines.
- Increase in constructive behaviours in culture surveys.

Given that the Group's comparative TSR and EPS performance is tested over a minimum three year period, satisfaction of the performance condition attaching to the rights granted for FY2014 for example will not be measured until FY2017.

Directors' report

30 June 2014

REMUNERATION REPORT : CONTINUED

LTIs granted and movement during the year

This table shows the movement in performance rights and options during the year:

		Balance at 1 July 2013	Granted during the year as a remuneration	Value of grant \$	Exercised/ vested during the year	Value of options & rights exercise/ vested \$	Lapsed/ cancelled during the year	Value of options & rights lapsed/ cancelled \$	Balance at 30 June 2014	Vesting date 2015	Vesting date 2016	Vesting date 2017
Craig Dower	Rights	-	257,643	500,000	-	-	-	-	257,643	257,643	-	-
	Deferred Shares	-	-	-	-	-	-	-	-	-	-	-
Nick Warne	Rights	-	-	-	-	-	-	-	-	-	-	-
	Deferred Shares	-	-	-	-	-	-	-	-	-	-	-
Peter Anson	Rights	74,236	91,673	132,376	-	-	-	-	165,909	-	74,236	91,673
	Deferred Shares	93,821	-	-	-	-	(37,257)	78,240	56,564	56,564	-	-
David Besson	Rights	53,357	66,005	95,311	-	-	-	-	119,362	-	53,357	66,005
	Deferred Shares	66,222	-	-	-	-	(26,080)	54,768	40,142	40,142	-	-
<i>Former KMP</i>												
Chad Barton ¹	Rights	64,956	80,149	115,735	-	-	(145,105)	301,818	-	-	-	-
	Deferred Shares	81,554	-	-	-	-	(81,554)	169,632	-	-	-	-

1) Chad Barton ceased employment on 28 February 2014.

Terms and conditions

The valuation methodology and key inputs are described in note 36 to the Annual Report.

The terms and conditions of each performance right affecting remuneration in the previous, current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Value per option at grant date	Exercise price
			EPS & strategic goals (from FY2013)	TSR
August 2012	September 2015	September 2015	\$2.04	\$1.45
December 2012	September 2015	September 2015	\$2.01	\$1.35
August 2013	September 2016	September 2016	\$1.70	\$1.06
April 2014	April 2015	April 2015	\$1.94	-

The terms and conditions of each grant of deferred shares (as previously issued) affecting remuneration in the previous, current or future reporting periods are as follows. These grants have nil exercise price:

Grant date	Date vested and exercisable	Expiry date	Value per option at grant date
			EPS
			TSR
December 2010	September 2013	September 2013	\$4.13
March 2011	September 2013	September 2013	\$3.64
February 2012	September 2014	September 2014	\$2.32

REMUNERATION REPORT : CONTINUED

8 Executive remuneration

Details of the remuneration of senior executives of the Group (as defined in AASB 124 *Related Party Disclosures*) is set out in the following table. This table is prepared in accordance with Accounting Standards and thus presents amounts which differ to the table on page 12 within the section *Remuneration at a Glance* which is based upon benefits paid/payable.

A\$		Short-term employee benefits			Long-term	Post-	Share-based		Total	
		Cash Salary	Cash bonus	Non-monetary benefits	employee benefits	employment benefits	Shares	Rights		
		\$	\$	\$	\$	\$	\$	\$	\$	
	Craig Dower ¹	2014	135,385	108,000	1,667	70	4,444	-	104,110	353,676
		2013	-	-	-	-	-	-	-	-
	Nick Warne ²	2014	176,387	72,800	3,951	156	7,329	-	-	260,623
		2013	-	-	-	-	-	-	-	-
	Peter Anson	2014	333,984	168,320	94,772	7,680	24,136	(20,231)	61,424	670,085
		2013	357,110	154,180	103,510	3,474	22,804	16,986	38,418	696,482
	David Besson	2014	411,766	101,188	-	7,977	22,104	(14,391)	44,198	572,842
		2013	418,741	116,953	-	(2,145)	26,085	12,785	27,613	600,032
	<i>Former KMP</i>									
	Grant Harrod ³	2014	-	-	-	-	-	-	-	-
		2013	1,516,867	485,335	40,761	(9,309)	16,443	(589,434)	-	1,460,663
	Chad Barton ³	2014	520,053	40,000	5,239	(5,499)	13,402	(89,841)	(33,616)	449,738
		2013	414,372	238,736	9,416	3,398	25,027	14,780	33,615	739,344
	David Hackshall ³	2014	-	-	-	-	-	-	-	-
		2013	412,945	112,977	6,449	2,537	16,123	(22,952)	-	528,079
	Ian Jones ⁵	2014	-	-	-	-	-	-	-	-
		2013	133,517	59,755	4,360	(53)	7,613	9,415	12,229	226,836
	Nick Spooner ⁵	2014	-	-	-	-	-	-	-	-
		2013	463,826	176,000	-	(185)	12,323	(14,100)	-	637,864
	Nick Debenham ⁴	2014	-	-	-	-	-	-	-	-
		2013	241,892	463,250	-	817	16,776	(27,322)	46,035	741,448
	David Webster ⁵	2014	-	-	-	-	-	-	-	-
		2013	125,131	27,410	7,339	210	8,660	8,394	8,894	186,038
	Geoffrey Court ⁵	2014	-	-	-	-	-	-	-	-
		2013	121,610	29,170	-	1,419	11,562	2,612	6,448	172,821
	Total	2014	1,577,575	490,308	105,629	10,384	71,415	(124,463)	176,116	2,306,964
	Total	2013	4,206,011	1,863,766	171,835	163	163,416	(588,836)	173,252	5,989,607

1) Craig Dower was appointed the Group's Chief Executive Officer on 14 April 2014.

2) Nick Warne who was employed throughout the year became a KMP on 30 December 2013 and his remuneration within this table has been pro-rated.

3) Grant Harrod ceased employment on 1 July 2013 receiving a termination payment of \$679,758, Chad Barton ceased employment on 28 February 2014 receiving a termination payment of \$204,205, David Hackshall ceased employment on 8 March 2013 receiving a termination payment of \$138,980 and STI of \$112,977 and Nick Spooner ceased employment on 16 December 2012 receiving a termination payment of \$165,498 and an STI of \$176,000.

4) Nick Debenham ceased to be a KMP following the divestment of the BPO division on 10 October 2012.

5) David Webster, Ian Jones and Geoffrey Court ceased to be KMP on 17 December 2012 following a restructuring of the executive leadership team (but David Webster and Geoffrey Court still employed by the Group).

Directors' report

30 June 2014

REMUNERATION REPORT : CONTINUED

The relative proportions of remuneration that are linked to performance and those that are fixed calculated in accordance with the amounts in the table above are as follows:

	Fixed remuneration		At risk – STI actual		At risk – LTI grant value	
	2014	2013	2014	2013	2014	2013
<i>Senior executives</i>						
Craig Dower	40.0	–	30.5	–	29.5	–
Nick Warne	72.1	–	27.9	–	–	–
Peter Anson	70.6	70	23.1	22	6.3	8
David Besson	77.1	74	17.7	19	5.2	7
<i>Former KMP</i>						
Grant Harrod	–	67	–	33	–	–
Chad Barton	127.5	62	–	32	–	6
David Hackshall	–	79	–	21	–	–
Ian Jones	–	64	–	26	–	10
Nick Spooner	–	72	–	28	–	–
Nick Debenham	–	35	–	62	–	3
David Webster	–	76	–	15	–	9
Geoffrey Court	–	78	–	17	–	5

The following table shows the relevant shareholdings of each KMP that were held during the financial year, including their close family members and entities related to them

2014 Name	Balance at the start of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other acquisition and disposal of shares	Balance at the end of the year
Directors of Salmat Limited					
<i>Ordinary shares</i>					
Richard Lee ⁽ⁱ⁾	413,467	–	–	(413,467)	–
John Thorn	131,101	–	–	–	131,101
Ian Elliot	33,435	–	–	–	33,435
Philip Salter	36,277,238	–	–	15,000	36,292,238
Peter Mattick	36,810,735	–	–	–	36,810,735
Fiona Balfour	35,740	–	–	–	35,740
Other key management personnel of the Salmat Group					
<i>Ordinary shares</i>					
Craig Dower	–	–	–	–	–
Peter Anson	81,295	–	–	–	81,295
Chad Barton ⁽ⁱⁱ⁾	10,543	–	–	(10,543)	–
David Besson	87,401	–	–	(3,807)	83,594
Nick Warne	–	–	–	–	–

i) As Richard Lee ceased as a Director on 21 November 2013, his shareholdings are no longer disclosed, with his shareholdings on 30 June 2013 disclosed under 'Other acquisition and disposal of shares'.

ii) As Chad Barton ceased as a CFO on 28 February 2014, his shareholdings are no longer disclosed, with his shareholdings on 30 June 2013 disclosed under 'Other acquisition and disposal of shares'.

REMUNERATION REPORT : CONTINUED

9 Service agreements

Chief Executive Officer

The Chief Executive Officer's contract is evergreen with tenure subject to six months' notice for both parties. The Group can choose to make payment in lieu of notice, which would not exceed the average base salary plus STIs paid in the 12 months before termination.

On 17 June 2013, the Group advised that the Chief Executive Officer, Grant Harrod, would leave by mutual agreement on 1 July 2013.

Other key management personnel

Remuneration and other terms of employment for other key management personnel are formalised in service agreements.

Each of these agreements provides for the provision of performance related cash bonuses (STI).

No executives are entitled to receive more than one year's salary on termination. All contracts with executives may be terminated early by either party with three to six months' notice. The key management personnel are not entitled to receive any additional retirement benefits.

The Chief Financial Officer, Chad Barton, left on 28 February 2014. Under the terms of his contracts, he was paid \$204,204.86. This was below his average base salary for the 3 previous years. There was therefore, no requirement under the Corporations Law for the termination payment to be approved by a General Meeting.

10 Non-executive Director remuneration

The remuneration policy for Non-executive Directors is designed to remunerate them at market levels for their time, commitment and responsibilities. The Group is cognisant that it needs to attract and retain well qualified and experienced Directors.

The Remuneration Committee also takes into account external market data in setting Non-executive Director fees.

Director fees

The Non-executive Directors do not receive any retirement or performance related benefits. Shareholders at the Annual General Meeting in 2009 set the aggregate remuneration for Non-executive Directors at \$1.2 million.

Non-executive Directors' fees are reviewed annually in June. There was a reduction to fees in FY2014.

Other benefits

The fixed component of the executive Directors' and senior executives' salary may be split between base salary and superannuation, there are no other benefits offered at the expense of the Group.

\$A' 000s	2014			2013		
	Board and Committee fees	Post-employment superannuation	Total remuneration	Board and Committee fees ¹	Post-employment superannuation	Total remuneration
Peter Mattick ²	234,142	17,775	251,917	145,617	10,856	156,473
Richard Lee ³	75,434	6,978	82,412	236,517	16,443	252,960
John Thorn	113,945	10,540	124,485	120,617	10,856	131,473
Ian Elliot	113,945	10,540	124,485	145,617	10,856	156,473
Philip Salter	113,945	10,540	124,485	120,617	10,856	131,473
Mark Webster ⁴	57,279	5,298	62,577	-	-	-
Fiona Balfour	113,945	10,540	124,485	145,617	10,856	156,473
Total	822,635	72,211	894,846	914,602	70,723	985,325

1) Ian Elliot, Peter Mattick and Fiona Balfour each received a \$25,000 cash payment in respect of their additional time commitment during the year ended 30 June 2013 for the Group's strategy refresh.

2) Peter Mattick became Chairman as at 1 July 2013 replacing Richard Lee who stood down as Chairman as at end of 2013 financial year.

3) Richard Lee retired as lead Non-executive Director at the Annual General Meeting held on 21 November 2013.

4) Mark Webster became a Director on 13 December 2013.

Directors' report

30 June 2014

INSURANCE OF OFFICERS

Insurance has been undertaken for the financial year ended 30 June 2014 in respect of work performed by current or past principals, partners, Directors and employees.

No indemnification insurance has been undertaken for the auditors of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Salmat Limited support and have adhered to the principles of corporate governance (as described in this Report). The Company's Corporate Governance Statement is published on the Salmat Limited website www.salmat.com.au.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Salmat Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



Peter Mattick AM
Chairman



John Thorn
Lead Independent Director

Sydney
25 August 2014

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Auditor's Independence Declaration



pwc

As lead auditor for the audit of Salmat Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Salmat Limited and the entities it controlled during the period.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
25 August 2014

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Consolidated income statement

For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Revenue from continuing operations	3	452,840	467,579
Employee benefits expense		(230,755)	(235,472)
Depreciation and amortisation expense	4	(11,533)	(12,669)
Freight and distribution		(146,073)	(145,615)
Materials usage		(235)	(470)
Property related expenses		(19,445)	(19,045)
Equipment related costs		(9,657)	(8,565)
Other expenses from ordinary activities		(32,444)	(20,210)
Impairment loss	2	-	(8,821)
Finance costs	4	(5,441)	(6,193)
Share of net profit of joint ventures.	31	357	300
(Loss)/Profit before income tax		(2,386)	10,819
Income tax benefit/(expense)	5	3,180	(5,043)
Profit from continuing operations		794	5,776
Profit from discontinued operations	39	-	34,366
Profit for the year		794	40,142
Attributable			
Owners of the company		261	40,142
Non-controlling interests		533	-
		794	40,142
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company			
Basic earnings per share	35	0.2	25.4
Diluted earnings per share	35	0.2	25.1
Earnings per share attributable to the ordinary equity holders of the Company – continuing operations			
Basic earnings per share	35	0.2	3.7
Diluted earnings per share	35	0.2	3.6

The above income statement should be read in conjunction with the accompanying notes.

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Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Profit for the year		794	40,142
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
<i>Continuing operations</i>			
Changes in the fair value of cash flow hedges	22(a)	–	(321)
Net change in fair value of cash flow hedges reclassified to profit or loss	22(a)	931	2,017
Exchange differences transferred to the income statement	22(a)	1,567	–
Exchange differences on translation of foreign operations	22(a)	1,439	2,750
Income tax relating to components of other comprehensive income	22(a)	(279)	(511)
		3,658	3,935
Items that may not be reclassified subsequently to profit or loss			
Actuarial losses on retirement benefit obligation		(59)	(39)
Other comprehensive income from continuing operations for the year, net of tax		3,599	3,896
<i>Discontinued operations</i>			
Other comprehensive income from discontinued operation		–	(1,035)
Total comprehensive income		4,393	43,003
Attributable			
Owners of the company		3,860	43,003
Non-controlling interests		533	–
		4,393	43,003

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	6	116,860	189,088
Trade and other receivables	7	55,223	53,129
Current tax receivable		–	1,612
Inventories	8	688	1,252
Other current assets	9	5,696	3,010
Total current assets		178,467	248,091
Non-current assets			
Receivables	10	4,445	3,529
Investments accounted for using the equity method	31	2,058	1,701
Property, plant and equipment	11	21,947	13,959
Deferred tax assets	12	16,703	13,781
Intangible assets	13	189,391	156,282
Other non-current assets		15	79
Total non-current assets		234,559	189,331
Total assets		413,026	437,422
Current liabilities			
Trade and other payables	14	66,166	59,808
Borrowings	17	66,912	85
Other financial liabilities	16	1,350	928
Current tax payable		413	–
Provisions	15	13,845	13,627
Total current liabilities		148,686	74,448
Non-current liabilities			
Borrowings	17	23	99,007
Other Financial liabilities	16	38,661	–
Deferred tax liabilities	18	3,466	1,265
Provisions	19	4,130	4,636
Retirement benefit obligations		469	96
Other non-current liabilities	20	698	698
Total non-current liabilities		47,447	105,702
Total liabilities		196,133	180,150
Net assets		216,893	257,272
Equity			
Contributed equity	21	209,231	205,494
Reserves	22(a)	(27,419)	1,399
Retained earnings	22(b)	26,609	50,379
Equity attributable to owners of the company		208,421	257,272
Non-controlling interests		8,472	–
Total equity		216,893	257,272

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2014

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2012		205,026	(1,113)	67,008	–	270,921
Profit for the year		–	–	40,142	–	40,142
Other comprehensive income		–	2,900	(39)	–	2,861
Total comprehensive income for the year		–	2,900	40,103	–	43,003
Transactions with owners in their capacity as owners:						
Dividends paid	23	–	–	(56,732)	–	(56,732)
Cost of share-based payments	36	–	(239)	–	–	(239)
Employee share scheme	21,22	468	(149)	–	–	319
		468	(388)	(56,732)	–	(56,652)
Balance at 30 June 2013		205,494	1,399	50,379	–	257,272
Balance at 1 July 2013		205,494	1,399	50,379	–	257,272
Profit for the year		–	–	261	533	794
Other comprehensive income		–	3,658	(59)	–	3,599
Total comprehensive income for the year		–	3,658	202	533	4,393
Transactions with owners in their capacity as owners:						
Dividends paid	23	–	–	(23,972)	–	(23,972)
Cost of share-based payments	36	–	121	–	–	121
Employee share scheme	21,22	3,737	(1,858)	–	–	1,879
Non-controlling interests arising from business acquisitions	32	–	–	–	7,939	7,939
Business combination reserve	22	–	(30,739)	–	–	(30,739)
		3,737	(32,476)	(23,972)	7,939	(44,772)
Balance at 30 June 2014		209,231	(27,419)	26,609	8,472	216,893

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013* \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		521,619	653,297
Payments to suppliers and employees (inclusive of goods and services tax)		(510,347)	(615,610)
		11,272	37,687
Income taxes paid		1,687	(11,285)
Net cash inflow/(outflow) from operating activities	34	12,959	26,402
Cash flows from investing activities			
Payments for property, plant and equipment		(11,736)	(7,957)
Proceeds from sale of property, plant and equipment		23	25
Payments for intangible assets		(4,562)	(4,980)
Payments for investment in associate		(75)	(400)
Payments for purchase of controlled entities	32	(13,938)	-
Proceeds from sale of controlled entity	39	-	363,849
Interest received		5,766	5,831
Loan to associate		-	(450)
Net cash (outflow)/inflow from investing activities		(24,522)	355,918
Cash flows from financing activities			
Repayment of borrowings		(33,341)	(161,035)
Interest paid		(5,118)	(11,376)
Finance lease payments		(113)	(1,471)
Sale of treasury shares		1,879	-
Dividends paid to Company's shareholders	23	(23,972)	(56,732)
Net cash outflow from financing activities		(60,665)	(230,614)
Net (decrease)/increase in cash and cash equivalents		(72,228)	151,706
Cash and cash equivalents at the beginning of the financial year		189,088	37,382
Cash and cash equivalents at end of year	6	116,860	189,088

The above statement of cash flows should be read in conjunction with the accompanying notes.

* The 2013 cash flow statement and its comparatives include cash flows from the BPO division until its divestment on 10 October 2012.

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Notes to the financial statements

30 June 2014

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CORPORATE INFORMATION

The financial report of Salmat Limited and the entities it controlled for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 25 August 2014.

Salmat Limited (the ultimate parent) is a Company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Registered office

Level 3, 116 Miller Street
North Sydney NSW 2060

The nature of the operations and principal activities of the Group are described in the Directors' report.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Salmat Limited and its controlled entities (together referred to as the Group).

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Salmat Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a historical costs basis except for derivative financial instruments which are held at fair value.

i) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

ii) New and amended standards adopted by the Salmat Group

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 July 2013.

• AASB 10 Consolidated Financial Statements

AASB 10 Consolidated Financial Statements establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

• AASB 11 Joint Arrangements

Under *AASB 11* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to only have joint ventures; the adoption of this standard has had no effect on the financial position or performance of the Group.

• AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The adoption of AASB 12 had no effect on the financial position or performance of the Group but has included some new disclosures.

• AASB 13 Fair Value Measurement

AASB 13 Fair Value Measurement establishes a single source of guidance under AIFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AIFRS when fair value is required or permitted by AIFRS. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 Fair Value Measurement also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The adoption of AASB 13 had no effect on the financial position or performance of the Group but has resulted in additional disclosure requirements.

• AASB 119 Employee Benefits

AASB 119 Employee Benefits the revised standard has changed the accounting for the Group's annual leave obligations. This amendment does not change the presentation of the annual leave liability but changes the measurement of the obligation. However, the impact of this change is as disclosed in note 15.

In addition, the standard also changes the way in which retirement benefit obligations are measured, with the two following changes being applicable to Salmat:

- Time value amount recognised in the income statement are now classified as net finance costs (previously they were classified within defined benefit superannuation expense); and
- Expected return of plan assets are no longer recognised; instead, an interest income is recognised, calculated employing the applicable discount rate used to measure the net defined benefit liability or asset.

The impact of the above has been assessed as being insignificant and therefore has been recorded in the current financial year rather than restating prior years.

• AASB 2011-4 Amendments to Australian Accounting standards to Remove individual Key Management Personnel Disclosure requirements

This standard removes the individual key management disclosure requirements in *AASB 124 – Related Party Disclosures*. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management disclosures required by AASB 124 is now disclosed in the remuneration report due to amendments to *Corporations Regulations 2001* issued in June 2013.

The Group also decided to adopt the following standard early:

• AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

Discloses additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows;

- Intangible assets (note 13) – measurement of the recoverable amounts of cash generating units containing goodwill and other intangible assets. Key assumptions are detailed in note 13(b).
- Business combinations (note 32) – measurement of net identifiable assets, deferred consideration and put/call option at fair value. Key assumptions used in determining fair value include forecast revenue, EBITDA, discount rate and customer arbitration rates.
- Deferred tax assets (note 12) – measurement of asset and assumptions on the timing of recoverability.
- Intangible assets economic life assumptions impacts on the amount of amortisation that is taken to the income statement.

b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements comprise the financial statements of Salmat Limited (the Company) and its subsidiaries (the Salmat Group also referred to as the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

A controlled entity is any entity controlled by Salmat Limited. Control is achieved where Salmat Limited is exposed, or has rights to variable returns from its investment in the investee and has ability to affect those returns through its power over the investee.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation (refer to note 1(h)).

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Investments are held at the lower of cost and recoverable amount.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

ii) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Group's entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

d) Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate applicable for that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australia dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates applicable at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at a rate that approximates the exchange rates at the dates of the transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve (FCTR), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to, a foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

e) Revenue recognition

Revenue from the rendering of a service is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or upon the delivery of the service to the customer.

When rendering services under contract and both the contract outcome and control of the right to be compensated for the services and the stage of completion can be reliably measured, revenue is recognised on a progressive basis as the costs to complete the service contract are performed.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

For significant development contracts, sales revenue is recognised on the percentage of completion in instances where the development solution is sold. In instances where the developed solution is retained and licensed by the Company for a fixed term, revenue is recognised on an accruals basis in accordance with the terms of the relevant agreement (usually on a fee per transaction basis).

Where payment terms extend beyond 12 months, revenue is discounted to its fair value using the future discounted cash flows. Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

Stage of completion is measured by reference to an assessment of costs incurred to date as a percentage of estimated total costs for each contract. Costs for this purpose, represent costs that are reflective of services performed to date, or services to be performed.

Government grant revenue is recognised when the relevant criteria have been met and there is reasonable assurance that the income will be received. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal instalments.

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

f) Income tax

The charge for income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation legislation

Salmat Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Salmat Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Salmat Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 5. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

h) Business combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1r). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

The fair value of the business combination put option has been measured at inception and at each period end. This is classified as a financial liability. Movements in fair value are recorded in the income statement. This liability has been recorded against a business combination reserve. This value of this reserve liability will be adjusted against minority interest on exercise of the reserve.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previous held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

i) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased for non-financial assets other than goodwill. If such indicators exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions.

k) Trade receivables

Trade receivables are non-interest bearing, generally have 7-45 day terms and are recognised and carried at amortised cost amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

l) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenses. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

m) Investments in associates and joint ventures

The Group's investment in its associates and joint ventures is accounted for in the financial statements by applying the equity method of accounting. When Salmat has significant influence over an entity that is not jointly controlled, it is deemed an associate. A joint venture entity is one which Salmat jointly controls with one other party in equal proportion.

The investment in the associate and joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in Salmat's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects Salmat's share of the results of the operations of the associate.

n) Investments in subsidiaries and other financial assets

Non-current investments are measured at cost or recoverable amount. The carrying amount of non-current investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for the non-listed investments.

All non-current investments were carried at the lower of cost or net recoverable value.

o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 16. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

p) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

q) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Depreciation

The depreciation amount of all fixed assets, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

- Plant and equipment 14.0% to 33.0%
- Leasehold improvements Over term of lease or 10 years, whichever is less

The assets' residual values, useful lives and amortisation are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell, and value in use.

r) Intangible assets

i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised.

From the date of acquisition, the Group has up to one year to ascertain the fair value of assets acquired and to amend the goodwill initially recorded.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units or group of cash generating units that are expected to benefit from the combination synergies.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill is tested at least annually for impairment (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired) and is carried at cost less accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii) Intangibles

Intangible assets including business systems acquired are capitalised at cost, unless acquired as part of a business combination in which case they are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and provision for impairment.

Other intangible assets include both customer contracts and relationships and costs of acquiring and developing business systems.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

Useful lives have been established for all non-goodwill intangible assets. Amortisation charges are expensed in the income statement on a straight-line basis over those useful lives. Estimated useful lives are reviewed annually.

The expected useful lives of intangible assets are generally:

- Customer contracts and relationships 5-12 years
- Business systems 3-7 years

iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from three to seven years.

s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables are non-interest bearing and are normally settled on supplier agreed terms.

t) Other financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit and loss. Details of how the fair values are determined are disclosed in note 37(e).

u) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Make-good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The calculation of this provision requires assumptions such as application of environmental legislation, lease exit dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

w) Employee benefits

i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Retirement benefit obligations

The defined benefit plan expense for the plan is determined separately for each plan by independent actuarial valuations.

Actuarial gains and losses are recognised immediately in retained earnings.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

iv) Share-based payments

Employee Option Plan

The fair value of options under the Salmat Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included as assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Options are equity settled.

Information in relation to these schemes is set out in note 36.

Deferred Employee Share Plan

The fair value of shares under the Salmat Deferred Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included as assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Company revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Shares are equity settled.

Information in relation to these schemes is set out in note 36.

x) Contributed equity

Ordinary shares are classified as equity (note 21).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Shares in the Group held by the Salmat Deferred Employee Share Plan are classified and disclosed as treasury shares and deducted from equity.

y) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted EPS is calculated as net profit attributable to ordinary equity holders of the parent entity divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable:

- Receivables and payables are stated with the amount of GST included.
- The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

- Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

aa) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

ab) New accounting standards and interpretations on issue but not effective

A number of new accounting standards and interpretations have been issued but were not effective during the year ended 30 June 2014. The Group has decided not to early adopt any of these new standards or amendments in these financial statements. The Group has yet to fully assess the impact the following accounting standards and interpretations will have on the financial statements, when applied in future periods:

i) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be equivalent to net settlement.

The Group will apply the standard from 1 July 2014. The amendment is not expected to have a significant impact on the entities that the Group currently consolidates.

ii) AASB 9 Financial Instruments (effective 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities. It also sets out new rules for hedge accounting.

iii) AASB 2013-3 Amendments to AASB 136-Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

iv) AASB 1031 Materiality (effective 1 January 2014)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and interpretations have been removed.

v) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B – effective 1 January 2014 and Part C – effective 1 January 2015)

Part B of AASB 2013-9 makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial references to various other standards.

Part C makes amendments to a number of Australian accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

In addition the following IASB Standards and IFRC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not been issued.

Notes to the financial statements

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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

vi) Annual Improvements 2010-2012 Cycle (effective 1 July 2014)

This standard sets out amendments to International Financial Reporting standards (IFRS) and the related basis for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements Process.

The following items are addressed by this standard:

- IFRS 2 – Clarifies the definition of “vesting conditions” and “market condition” and introduces the definition of performance condition” and “service condition”.
- IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets.
- IAS 16 and IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

viii) Annual Improvements 2011-2013 Cycle (effective 1 July 2014)

This standard sets out amendments to International Financial Reporting standards (IFRS) and the related basis for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements Process.

The following items are addressed by this standard:

- IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.
- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgement is based on guidance in IFRS 3.

viii) IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

- IAS 11 Construction Contracts
- IAS 18 Revenue
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for Construction of Real Estate
- IFRIC 18 Transfer of Assets from Customers
- SIC-31 Revenue-Barter Transactions Involving Advertising Services

The core principle of IFRS is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

ac) Comparative amounts

The Group has reclassified developed software from property, plant and equipment to intangible assets for software assets previously included in equipment. This software mostly relates to the development of the Reach platform, and the new presentation provides more relevant information about the value of these assets. Software that is considered to be an integral part of the related hardware remains in property, plant and equipment. This reclassification has resulted in a change in comparatives in the consolidated statement of financial position with no change to income statement. This change can be summarised as follows.

Restatement of the consolidated financial position:

	As previously stated \$'000	Reclassification \$'000	As restated \$'000
Property, plant and equipment	18,939	(4,980)	\$13,959
Intangible assets	151,302	4,980	156,282

ad) Parent entity financial information

The financial information for the parent entity, Salmat Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements.

2 SEGMENT INFORMATION

a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Chief Executive Officer has identified two reportable segments which are as follows:

Consumer Marketing Solutions (CMS)

The CMS division consists of Universal Catalogue and Influence focusing on delivering the right offer to the right customer through the right channel. Universal Catalogue delivers seamless distribution of physical and digital catalogue content through our best of breed traditional letterbox division combined with Lasoo's universal catalogue platform. Influence is multi-channel campaign management designed to bring deeper customer interactions to life through our expertise in campaign management and marketing services.

CMS's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution.

Notes to the financial statements

30 June 2014

2 SEGMENT INFORMATION : CONTINUED

Customer Engagement Solutions (CES)

CES helps Australia and New Zealand's most trusted brands generate revenue, exit cost and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, field sales services and learning and development solutions. Salmat CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile, SMS and field sales. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach, enterprise class contact centre technology solutions hosted in the cloud.

Corporate costs

Corporate costs are those costs which are managed on a Group basis and not allocated to business segments. They include costs of strategic planning decisions, compliance costs and treasury-related activities.

Accounting policies

Segment revenues and expenses are those directly attributable to the segments.

Intersegment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arms length. These transfers are eliminated on consolidation. As intersegment revenues are considered immaterial no disclosure of these is made below.

b) Segment result

2014	Consumer Marketing Solutions \$'000	Customer Engagement Solutions \$'000	Corporate Costs \$'000	Total \$'000
Segment revenue				
Sales to external customers	259,176	187,898		447,074
Interest revenue				5,766
Total revenue from continuing operations				452,840
Underlying EBITA from continuing operations before significant items	23,815	2,962	(18,135)	8,642
Amortisation expense – continuing operations				(1,952)
Net finance costs – continuing operations				324
Underlying profit before income tax from continuing operations				7,014
Significant items (note 2c)				(9,400)
Profit before income tax and discontinued operations				(2,386)
Income tax benefit				3,180
Profit from continuing operations				794
2013				
Segment revenue				
Sales to external customers	260,750	201,004		461,754
Interest revenue				5,825
Total revenue from continuing operations				467,579
Underlying EBITA from continuing operations before significant items	30,112	11,176	(15,474)	25,814
Amortisation expense – continuing operations				(2,119)
Net finance costs – continuing operations				(368)
Underlying profit before income tax from continuing operations				23,327
Significant items (note 2c)				(12,508)
Profit before income tax and discontinued operation				10,819
Income tax expense				(5,043)
Profit from continuing operations				5,776

Notes to the financial statements

30 June 2014

2 SEGMENT INFORMATION : CONTINUED

c) Significant items

The chief operating decision maker assesses the performance of the operating segments based on a measure of underlying EBITA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, acquisition expenses, costs incurred in separating the BPO business, adjustments to contingency consideration and an impairment charge on intangible assets.

	Note	Consolidated			
		2014 \$'000 Pre Tax	2014 \$'000 Post Tax	2013 \$'000 Pre Tax	2013 \$'000 Post Tax
Significant items included in total expenses					
Restructuring costs		2,625	1,838	2,355	1,649
Acquisition expenses		1,403	982	—	—
Separation costs following the sale of BPO division		7,800	5,460	1,332	933
Fair value adjustment on contingency consideration		(2,428)	(2,428)	—	—
Impairment charge	11,13	—	—	8,821	8,270
Significant items from continuing operations		9,400	5,852	12,508	10,852

d) Geographical information

The following table presents Salmat's segment revenues and assets by geographical area.

	Segment revenues		Segment assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Australia	388,194	513,502	357,660	412,646
New Zealand	42,302	32,005	9,913	9,601
Asia	21,742	14,251	28,676	855
Other	602	560	74	539
Total	452,840	560,318	396,323	423,641
Deferred tax asset			16,703	13,781
Total			413,026	437,422

Segment revenues are allocated based on the country in which the work is performed. Segment assets and capital expenditure are allocated based on where the assets are located.

In 2014 two customers generated 12.8% and 8.3% of total continuing operations revenue. In 2013 two customers generated 12.9% and 9.2% of total continuing operations revenue.

3 REVENUE

	Note	Consolidated	
		2014 \$'000	2013 \$'000
From continuing operations			
Services		447,074	461,754
Finance income		5,766	5,825
Total – continuing operations		452,840	467,579
From discontinued operations			
Services	39	—	92,733
Finance income		—	6
Total – discontinued operations		—	92,739
Total revenue		452,840	560,318

Notes to the financial statements

30 June 2014

4 EXPENSES

	Consolidated	
	2014 \$'000	2013 \$'000
Depreciation		
Plant and equipment	9,581	10,550
Amortisation		
Customer intangibles	1,632	1,451
Other intangibles	320	668
Total amortisation	1,952	2,119
Depreciation and amortisation expense	11,533	12,669
Finance costs		
Interest and finance charges	5,441	6,193
Net loss on disposal of property, plant and equipment	189	39
Rental expense relating to operating leases	13,778	13,862
Foreign exchange gains and losses		
Net foreign exchange (gains)/losses	67	26
Defined contribution superannuation expense	12,948	13,561
Share based payments expense/(gain)	121	(239)
Fair value gain on other financial liabilities at fair value through profit and loss	(2,428)	-

5 INCOME TAX EXPENSE

	Consolidated	
	2014 \$'000	2013 \$'000
a) Income tax expense		
Current tax	2,440	9,560
Deferred tax	(3,560)	(4,630)
Adjustments for current tax of prior periods	(2,060)	113
Total income tax (benefit)/expense from continuing operations	(3,180)	5,043
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before tax from continuing operations	(2,386)	10,819
Tax at the Australian tax rate of 30% (2013: 30%)	(716)	3,246
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable deductions	178	2,305
Research and development in prior year	(1,427)	-
Over provision for income tax in prior year	(633)	(113)
Difference in overseas tax rates	(473)	(305)
Share of joint ventures (profits)/losses not assessable	(109)	(90)
Total income tax (benefit)/expense	(3,180)	5,043
c) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	-	871
d) Tax losses		
Gross unused tax losses for which no deferred tax asset has been recognised	-	-

e) Tax consolidation legislation

Salmat Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Salmat Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Salmat Limited for any current tax payable assumed and are compensated by Salmat Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Salmat Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Notes to the financial statements

30 June 2014

6 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2014 \$'000	2013 \$'000
Cash at bank	116,842	189,070
Cash on hand	18	18
	116,860	189,088

\$60 million of cash at bank is held within term deposits and can be drawn down as required. \$794,000 of cash is held in trust and is restricted for use for the settlement of short term and long term incentives.

7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014 \$'000	2013 \$'000
Net trade receivables		
Trade receivables	52,408	47,262
Allowance for doubtful receivables (a)	(2,589)	(1,367)
	49,819	45,895
Other receivables	5,404	7,234
	55,223	53,129

a) Impaired trade receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of \$2,589,763 (2013: \$1,367,000) were impaired. The individually impaired receivables mainly relate to clients, which are in an unexpectedly difficult economic situation.

Movements in the allowance for impairment of receivables are as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
At 1 July	1,367	1,204
Allowance for impairment recognised during the year	280	580
Receivables written off during the year as uncollectible	(325)	(196)
Disposal of BPO division	–	(221)
Additions due to business combinations	1,338	–
Net exchange difference on translation of financial reports of foreign operations	(71)	–
At 30 June	2,589	1,367

The creation and release of the allowance for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

b) Past due but not impaired

As of 30 June 2014, trade receivables of \$9,255,000 (2013: \$8,314,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
1-30 days	7,527	5,692
31-60 days	1,188	890
greater than 60 days	540	1,732
	9,255	8,314

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. Based on the credit history of trade receivables not past due or past due and not impaired, the Group believes that these amounts will be received when due.

The other classes within trade and other receivables do not contain impaired assets and the Group believes that these amounts will be fully recovered. Outstanding balances are unsecured and are repayable in cash.

Notes to the financial statements

30 June 2014

7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES : CONTINUED

c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 37 for more information on the risk management policy of the Salmat Group and the credit quality of the entity's trade receivables.

8 CURRENT ASSETS – INVENTORIES

	Consolidated	
	2014 \$'000	2013 \$'000
Raw materials		
At cost	563	560
Provision for obsolescence	(410)	(350)
Raw materials	153	210
Work in progress	535	1,042
At cost	688	1,252

a) Inventory expense

Inventories recognised as expense from continuing operations during the year ended 30 June 2014 amounted to \$235,000 (2013: \$470,000) and are included in 'materials usage' in the consolidated income statement.

9 CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated	
	2014 \$'000	2013 \$'000
Prepayments	4,615	2,876
Recoverable deposits	1,081	134
	5,696	3,010

10 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2014 \$'000	2013 \$'000
Related party receivable – joint venture	3,416	3,529
Other receivables	1,029	–
	4,445	3,529

a) Fair values

The fair values and carrying values of non-current receivables are as follows:

Group	2014		2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Loans to joint venture	3,416	3,186	3,529	3,529
Other receivable	1,029	1,029	–	–
	4,445	4,215	3,529	3,529

The loans to joint ventures are classified as a non-current receivables as they are not due for repayment until 30 June 2017.

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Notes to the financial statements

30 June 2014

11 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Plant and equipment
\$'000
Restated
(refer note 1(ac))

At 30 June 2012

Cost	204,351
Accumulated depreciation	(144,565)
Net book amount	59,786

Year ended 30 June 2013

Opening net book amount	59,786
Additions	8,835
Disposals	(64)
Disposal of BPO division (note 39)	(43,437)
Impairment	(500)
Depreciation charge	(10,550)
Net exchange difference on translation of financial reports of foreign operations	(111)
Closing net book amount	13,959

At 30 June 2013

Cost	96,614
Accumulated depreciation	(82,655)
Net book amount	13,959

Year ended 30 June 2014

Opening net book amount	13,959
Additions	12,831
Additions from business combinations (note 32)	4,704
Disposals	(209)
Depreciation charge	(9,581)
Net exchange difference on translation of financial reports of foreign operations	243
Closing net book amount	21,947

At 30 June 2014

Cost	114,112
Accumulated depreciation	(92,165)
Net book amount	21,947

12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Consolidated

	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	468	410
Employee benefits	4,729	4,246
Property, plant & equipment	1,051	1,015
Cash flow hedges	–	277
Intangibles	281	398
Accruals	4,763	1,061
Other provisions	588	6,374
Tax losses	4,823	–
	16,703	13,781

Movements:

Opening balance at 1 July	13,781	18,608
Credited/(charged) to the income statement	3,099	(675)
Charged to equity	(279)	(871)
Acquisition/(disposal) of controlled entity	102	(3,281)
Closing balance at 30 June	16,703	13,781

Tax losses are expected to be recovered in FY2015 and FY2016 based on management's forecast.

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13 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	Software Assets \$'000	Customer Intangible \$'000	Total \$'000
At 1 July 2012				
Cost	430,765	10,392	63,442	504,599
Accumulated amortisation and impairment	–	(9,219)	(46,976)	(56,195)
Net book amount	430,765	1,173	16,466	448,404
Year ended 30 June 2013 – restated (refer note 1(ac))				
Opening net book amount	430,765	1,173	16,466	448,404
Additions	30	4,980	–	5,010
Disposal of BPO division	(274,704)	(204)	(11,784)	(286,692)
Amortisation charge	–	(668)	(1,451)	(2,119)
Impairment	(6,987)	(43)	(1,291)	(8,321)
Closing net book amount	149,104	5,238	1,940	156,282
Year ended 30 June 2014				
Opening net book amount	149,104	5,238	1,940	156,282
Additions	17,109	4,562	13,863	35,534
Amortisation charge	–	(320)	(1,632)	(1,952)
Foreign currency translation impact	(32)	–	(441)	(473)
Closing net book amount	166,181	9,480	13,730	189,391
At 30 June 2014				
Cost	173,200	11,394	26,704	211,298
Accumulated amortisation and impairment	(6,987)	(1,914)	(12,533)	(21,434)
Foreign currency translation impact	(32)	–	(441)	(473)
Net book amount	166,181	9,480	13,730	189,391

a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

The impairment loss of \$8,321,000 in 2013 in intangibles is the result of the decision to discontinue non-core businesses within the CMS segment. There was also an additional \$500,000 impairment in plant and equipment related to the non-core businesses in 2013 which has also been written down.

A segment-level summary of the goodwill allocation is presented below.

	Consumer Marketing Solutions \$'000	Customer Engagement Solutions \$'000	Total \$'000
2014			
Goodwill	83,016	83,165	166,181
2013			
Goodwill	69,230	79,874	149,104

The recoverable amount of a CGU is determined based on value in use using discounted cash flow calculations. These calculations use cash flow projections based on financial budgets and forecasts approved by the Board covering a five year period. Cash flows beyond the five year period are extrapolated using estimated growth rates. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

b) Key assumptions

In performing the value-in-use calculations for each CGU, the Group has applied the following key assumptions:

- revenue forecasts for a five year forecast period based on management's detailed FY15 budget, FY16-FY17 forecast and F18-FY19 projections;
- a growth rate to extrapolate cash flows beyond the five year period of 3% (2013: 3%); and
- a discount rate applied to forecast pre tax cash flows of 14.7% (2013: 14.3%). The equivalent post-tax discount rate is 10.3% (2013: 10%).

Discount rates reflect the Group's estimate of the time value of money and the risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital of the Group and business risk specific to that segment. The same discount rate has been applied to both CMS and CES CGUs because they are both based on an outsourcing model providing support services to similar clients that operate in similar markets. Risk related to operating in different geographic locations has been reflected in the underlying cash flows prior to applying the discount rate.

Notes to the financial statements

30 June 2014

13 NON-CURRENT ASSETS – INTANGIBLE ASSETS : CONTINUED

The Customer Engagement Solutions CGU's recoverable amount exceeds its carrying amount by \$14.7 million. All other things being equal, if the following reasonably possible changes occurred in the CES cash flow model's key assumptions, the CGU's recoverable amount would equal its carrying amount:

- a reduction in average annual revenue growth rates from 15.1% to 14.9%;
- a reduction in the terminal growth rate by 0.9%; and
- an increase in the post-tax discount by 1.2%.

14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2014 \$'000	2013 \$'000
Trade payables	10,912	5,870
Accrued expenses	52,030	49,104
Other payables	3,224	4,834
	66,166	59,808

Terms and conditions relating to trade payables, accrued expenses and other payables are referred to in note 1(s) of the accounts.

Outstanding balances at year end are unsecured and interest free. The carrying value of these balances approximates fair value due to the short term nature.

15 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014 \$'000	2013 \$'000
Employee benefits – long service leave (a)	5,140	4,246
Provision for surplus lease space	–	389
Employee benefits – annual leave	8,705	8,992
	13,845	13,627

a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Salmat Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Salmat Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2014 \$'000	2013 \$'000
Current leave obligations to be settled after 12 months	1,091	1,127

16 OTHER FINANCIAL LIABILITIES

	Consolidated	
	2014 \$'000	2013 \$'000
Financial liabilities at fair value through OCI		
Interest rate swap cash flow hedge	–	928
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 32)	9,421	–
Put/Call option (note 37)	30,590	–
	40,011	–
Total other financial liabilities	40,011	928
Current	1,350	928
Non-current	38,661	–
Total other financial liabilities	40,011	928

Notes to the financial statements

30 June 2014

16 OTHER FINANCIAL LIABILITIES : CONTINUED

a) Financial liabilities at fair value through OCI

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 37).

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in early equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised.

b) Financial liabilities at fair value through profit and loss

As part of the purchase consideration of companies acquired during the year, contingent consideration has been agreed. This contingent consideration is dependent on earnings targets being achieved (refer note 32). The fair value of contingent consideration as at date of acquisition of the companies acquired was \$11,849,000. The fair value decreased to \$9,421,000 due to changes in the forecast earnings of acquisitions as at 30 June 2014. There was no change in the fair value of the put/call option.

17 BORROWINGS

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Bank loans	66,829	–
Lease liabilities	83	85
Total current borrowings	66,912	85
Non-current		
Bank loans	–	98,873
Lease liabilities	23	134
Total non-current borrowings	23	99,007
Total borrowings	66,935	99,092

a) Bank loans and bank overdraft

The bank loans are unsecured. Credit support is provided through negative pledge contained in the facility agreement and guarantee over the assets of certain Group companies.

The loans have been classified as current based on the expiry date of the loan facility agreements.

The carrying amounts of assets pledged as security for the borrowings are the full value of the assets held by certain members of the consolidated Group.

b) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2014 \$'000	2013 \$'000
Floating rate		
Bank overdraft	1,000	10,000
Loan facilities	100,200	99,000
Guarantee facility	12,500	25,000
	113,700	134,000
Used at balance date		
Loan facilities	66,829	99,000
Guarantee facility	4,954	5,511
	71,783	104,511
Unused at balance date		
Bank overdrafts	1,000	10,000
Loan facilities	33,371	–
Guarantee facility	7,546	19,489
	41,917	29,489

The bank overdraft facilities may be drawn at any time.

Interest bearing liabilities recorded in the statement of financial position includes deferred borrowing costs.

The current interest rates on loan facilities are 4.6% to 5.0% (2013: 5.0% to 5.05%) and on bank overdraft 3.95% to 9.5%.

Notes to the financial statements

30 June 2014

17 BORROWINGS : CONTINUED

c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

Consolidated	at 30 June 2014		at 30 June 2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Bank loans	66,829	66,829	98,873	99,000
Lease liabilities	106	106	219	219
	66,935	66,935	99,092	99,219

18 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Note	Consolidated	
		2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:			
Intangible assets		2,820	678
Share-based payments		646	587
		3,466	1,265
Movements:			
Opening balance at 1 July		1,265	5,619
Credited to the income statement		(461)	(4,354)
Acquisition of controlled entities	32	2,662	–
Closing balance at 30 June		3,466	1,265

19 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014 \$'000	2013 \$'000
Employee benefits – long service leave	1,440	1,716
Other provisions – lease make good	2,690	2,920
	4,130	4,636

a) Lease make good provision

The Group has leased properties in various locations across Australia, Asia and New Zealand. In most instances, Salmat is required to make good the premises to the original state they were in when Salmat signed the lease. Salmat is required to record a provision if it can be reliably estimated and measured.

b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Consolidated	
	2014 \$'000	2013 \$'000
Other provisions – lease make good		
Carrying amount at start of year	2,920	3,616
Additional provision recognised	1,200	835
Provision utilised	(1,430)	(114)
Provision disposed on sale of BPO division	–	(1,417)
Carrying amount at end of year	2,690	2,920

20 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

	Consolidated	
	2014 \$'000	2013 \$'000
Deferred profit	698	698

The deferred profit relates to profit on sale of a subsidiary's business to an associated entity Reach Media NZ Limited. This profit will be recognised on disposal or impairment of the investment in Reach Media NZ Limited.

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30 June 2014

21 CONTRIBUTED EQUITY

	Notes	Consolidated		Consolidated	
		2014 Shares '000	2013 Shares '000	2014 \$'000	2013 \$'000
a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	159,813	159,813	210,882	210,882
Treasury shares	(d)	(625)	(1,545)	(1,651)	(5,388)
		159,188	158,268	209,231	205,494

b) Movements in ordinary share capital

Date	Details	Number of shares '000	\$'000
1 July 2012	Opening balance	159,802	210,882
	Exercise of options under the Salmat Executive Performance Option Plan	(f) 11	-
30 June 2013	Balance	159,813	210,882
1 July 2013	Opening balance	159,813	210,882
	Exercise of options under the Salmat Executive Performance Option Plan	(f) -	-
30 June 2014	Balance	159,813	210,882

c) Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

d) Treasury shares

Treasury shares are shares in Salmat Limited that are held by the Salmat Executive Performance Option Plan and are deducted from equity (see note 36 for further information).

Date	Details	Number of shares '000	\$'000
1 July 2012	Opening balance	1,725	5,856
	Employee share scheme issue	(180)	(468)
30 June 2013	Balance	1,545	5,388
1 July 2013	Opening balance	1,545	5,388
	Employee share scheme vesting & issue	(73)	(245)
	Treasury shares sold	(847)	(3,492)
30 June 2014	Balance	625	1,651

e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 36.

f) Options

Information relating to the Salmat Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 36.

g) Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

As a company is in a net cash position, the monitoring and forecasting of the net cash position is a key measure that capital management targets are assessed against.

At 30 June 2014 the Company had a net cash position of \$49,925,000 (2013: \$89,996,000).

Notes to the financial statements

30 June 2014

22 OTHER RESERVES AND RETAINED EARNINGS

	Consolidated	
	2014 \$'000	2013 \$'000
a) Other reserves		
Hedging reserve – cash flow hedges	–	(652)
Share based payments reserve	2,751	4,488
Foreign currency translation reserve	569	(2,437)
Business combination reserve	(30,739)	–
	(27,419)	1,399

	Consolidated	
	2014 \$'000	2013 \$'000
Movements:		
<i>Hedging reserve – cash flow hedges</i>		
Balance 1 July	(652)	(2,678)
Revaluation – gross	–	(321)
Reclassification to profit or loss – gross	931	3,218
Deferred tax	(279)	(871)
Balance 30 June	–	(652)

	Consolidated	
	2014 \$'000	2013 \$'000
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	4,488	4,876
Shares and options expense	121	(239)
Treasury shares vested and issued	(1,858)	(149)
Balance 30 June	2,751	4,488

	Consolidated	
	2014 \$'000	2013 \$'000
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(2,437)	(3,311)
Exchange differences transferred to the income statement	1,567	–
Currency translation differences arising during the year	1,439	874
Balance 30 June	569	(2,437)

	Consolidated	
	2014 \$'000	2013 \$'000
Movements:		
<i>Acquisition reserve</i>		
Balance 1 July	–	–
Valuation of put/call option re acquisition of MicroSourcing (refer note 32)	(30,739)	–
Balance 30 June	(30,739)	–

	Consolidated	
	2014 \$'000	2013 \$'000
b) Retained earnings		
Balance 1 July	50,379	67,008
Net profit for the year attributable to owners of the company	261	40,142
Actuarial losses on defined benefit plans recognised directly in retained earnings	(59)	(39)
Dividends	(23,972)	(56,732)
Balance 30 June	26,609	50,379

Notes to the financial statements

30 June 2014

22 OTHER RESERVES AND RETAINED EARNINGS : CONTINUED

c) Nature and purpose of other reserves

i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(o). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

ii) Share-based payments reserve

The share-based payments reserve is used to recognise the amortised portion of the fair value of options issued but not exercised.

iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d). The reserve is recognised in the income statement after disposal of the net investment.

iv) Business combination reserve

The business combination reserve arises from the acquisition of MicroSourcing and the recognition of the put/call option. Changes in the valuation of the option will be posted through the income statement.

23 DIVIDENDS

	Consolidated	
	2014 \$'000	2013 \$'000
a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2013 of 7.5 cents (2012: 10.5 cents) per fully paid share paid on 19 September 2013	11,986	16,779
Interim ordinary dividend for the year ended 30 June 2014 of 7.5 cents (2013: 4.0 cents) per fully paid share paid on 3 April 2014	11,986	6,392
Special dividend 21 cents per fully paid share paid on 5 April 2013	–	33,561
	23,972	56,732
Paid in cash	23,972	56,732

b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the Directors have recommended the payment of a fully franked final dividend of 7.5 cents per fully paid ordinary share (2013: 7.5 cents)

	11,986	11,986
	11,986	11,986

c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2014 will be franked out of existing franking credits.

Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	38,189	52,361
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Notes to the financial statements

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24 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	2,173,512	6,241,612
Long-term benefits	10,384	163
Post-employment benefits – defined contribution fund contributions	71,415	163,416
Share-based payments	51,653	(415,584)
	2,306,964	5,989,607

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 20. Included within short-term employee benefits is a termination payment of \$204,205 (2013: \$679,757).

25 REMUNERATION OF AUDITORS

PricewaterhouseCoopers (PwC) was appointed at the 2013 Salmat AGM, replacing Ernst & Young as Salmat Group auditor.

During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices:

	Consolidated	
	2014 \$	2013 \$
Amounts received, or due and receivable by auditors of the Company:		
PricewaterhouseCoopers:		
Audit and half year review of the financial reports	276,750	–
Other services		
– assurance related	5,500	–
– tax compliance	–	–
	282,250	–
Ernst & Young:		
Audit and half year review of the financial reports	–	363,000
Other services		
– assurance related	–	129,192
– tax compliance	–	–
	–	492,192
Member firms of PricewaterhouseCoopers in relation to subsidiaries of Salmat for:		
Audit and half year review of the financial reports	12,000	–
Other services		
– assurance related	–	–
– tax compliance	–	–
	12,000	–
Member firms of Ernst & Young in relation to subsidiaries of Salmat for:		
Audit and half year review of the financial reports	–	38,470
Other services		
– assurance related	–	–
– tax compliance	–	14,818
	–	53,288

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

Notes to the financial statements

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26 CONTINGENT LIABILITIES

i) Legal and regulatory proceedings

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business.

The Australian Competition & Consumer Commission (ACCC) has commenced proceedings in the Federal Court against Origin Energy, as the energy retailer, and Salesforce Australia Pty Limited as its marketer, for alleged contraventions of the Australian Consumer Law in relation to the activities of door to door sales contractors.

There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's financial position. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

ii) Guarantees

	2014 \$	2013 \$
Guarantees in respect of performance under contracts and premise leases	4,954	5,511
	4,954	5,511

These guarantees may give rise to liabilities in the Salmat Group if the subsidiaries do not meet their obligations under the terms of the leases or overdraft subject to the guarantees.

27 COMMITMENTS

a) Lease commitments: Group as lessee

i) Non-cancellable operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2014 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	14,701	14,642
Later than one year but not later than five years	31,396	37,848
Later than five years	8,190	12,165
	54,287	64,655

ii) Finance leases

The Group leases various plant and equipment under finance lease expiring within five years.

	Consolidated	
	2014 \$'000	2013 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	86	144
Later than one year but not later than five years	26	86
Minimum lease payments	112	230
Future finance charges	(6)	(11)
Recognised as a liability	106	219
Representing lease liabilities:		
Current (note 17)	83	85
Non-current (note 17)	23	134
	106	219

Notes to the financial statements

30 June 2014

28 RELATED PARTY TRANSACTIONS

a) Parent entities

The ultimate parent entity within the Group is Salmat Limited.

b) Subsidiaries

Interests in subsidiaries are set out in note 29.

c) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

	Consolidated	
	2014 \$	2013 \$
Peter Mattick or related entities: provision of printing services to the Group	-	17,901

d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2014 \$	2013 \$
Non-current receivables (loans)		
Joint venture – Reach Media NZ Limited	2,743,000	2,929,000
Associate – Online Media Holdings Limited	675,000	600,000

e) Terms and conditions

All transactions with key management personnel and entities related to them were made on normal commercial terms and conditions and at market rates.

29 SUBSIDIARIES

The Group's material subsidiaries at the end of the reporting period are as follows:

			Equity Holding	
			2014 %	2013 %
Local Direct Network Pty Limited*	Australia	Ordinary	100	100
Salmat MediaForce Pty Limited*	Australia	Ordinary	100	100
Salmat SalesForce Pty Limited*	Australia	Ordinary	100	100
SalesForce Australia Pty Ltd*	Australia	Ordinary	100	100
SalesForce Services Pty Ltd*	Australia	Ordinary	100	100
Salmat International Pty Limited*	Australia	Ordinary	100	100
SalesForce New Zealand Limited	New Zealand	Ordinary	100	100
VeCommerce Limited*	Australia	Ordinary	100	100
Salmat Digital Pty Limited*	Australia	Ordinary	100	100
VeCommerce (NZ) Limited	New Zealand	Ordinary	100	100
VeCommerce (UK) Limited	UK	Ordinary	100	100
Lasoo Pty Limited*	Australia	Ordinary	100	100
SalesForce Direct Sales Pty Limited*	Australia	Ordinary	100	100
Salmat Services Inc	Philippines	Ordinary	100	100
BeInteractive Holdings Pty Limited	Australia	Ordinary	100	100
MessageNet Pty Limited*	Australia	Ordinary	100	100
MicroSourcing Philippines Inc**	Philippines	Ordinary	50	-
MicroSourcing International Ltd**	Hong Kong	Ordinary	50	-
Netstarter Pty Limited	Australia	Ordinary	100	-
Fuse Pty Ltd**	Australia	Ordinary	50	-

* These subsidiaries have been granted relief from the necessity to prepare financial report in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 30.

** The Group owns 50% of the issued capital. The Directors have control over these entities as they control the Board and direct the day to day running of these entities. It is considered appropriate to consolidate these entities. Share of income related to non-controlling interest has been disclosed as minority interest.

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30 DEED OF CROSS GUARANTEE

Salmat Limited and the following controlled entities are parties to a deed of cross guarantee under which each Company guarantees the debts of the others.

- Local Direct Network Pty Limited
- Salmat MediaForce Pty Limited
- Salmat Salesforce Pty Limited
- Salesforce Australia Pty Ltd
- VeCommerce Limited
- Salmat Digital Pty Limited
- SDS Data Insights Pty Limited
- Pardrive Pty Limited
- Salesforce Services Pty Ltd
- Salmat International Pty Limited
- Lasoo Pty Limited
- Salesforce Global Pty Limited
- Salesforce Direct sales Pty Limited
- C4 Communication Pty Limited
- MessageNet Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a) Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Salmat Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the Closed Group.

	2014 \$'000	2013 \$'000
Consolidated income statement		
(Loss)/profit before income tax	(10,694)	553
Income tax benefit	4,880	2,804
(Loss)/profit from continuing operations	(5,814)	3,357
Profit from discontinued operations	-	15,016
(Loss)/profit for the year	(5,814)	18,373
Consolidated statement of comprehensive income		
(Loss)/profit for the year	(5,814)	18,373
Other comprehensive income		
Cash flow hedges	931	2,897
Income tax relating to components of other comprehensive income	(279)	(871)
Other comprehensive income for the year, net of tax	652	2,026
Total comprehensive income for the year	(5,162)	20,399
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	52,734	85,055
(Loss)/profit for the year	(5,814)	18,373
Change of entities within the Closed Group	1,517	
Dividends provided for or paid	(23,972)	(50,694)
Retained earnings at the end of the financial year	24,465	52,734

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30 DEED OF CROSS GUARANTEE : CONTINUED

b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2014 of the Closed Group.

	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	108,238	183,812
Trade and other receivables	41,977	53,229
Current tax receivable	10	1,926
Inventories	637	1,003
Other current assets	5,213	3,959
Total current assets	156,075	243,929
Non-current assets		
Receivables	118,473	118,959
Other financial assets	3,721	2,193
Property, plant and equipment	16,505	18,052
Deferred tax assets	16,279	13,690
Intangible assets	173,199	150,596
Total non-current assets	328,177	303,490
Total assets	484,252	547,419
Current liabilities		
Trade and other payables	56,583	56,929
Borrowings	58,047	85
Derivative financial instruments	–	928
Provisions	12,094	12,086
Total current liabilities	126,724	70,028
Non-current liabilities		
Payables	125,173	120,120
Borrowings	–	99,007
Provisions	4,439	5,220
Deferred tax liabilities	1,509	1,265
Total non-current liabilities	131,121	225,612
Total liabilities	257,845	295,640
Net assets	226,407	251,779
Equity		
Contributed equity	200,690	202,362
Reserves	1,252	(3,317)
Retained earnings	24,465	52,734
Total equity	226,407	251,779

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31 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Carrying amounts

Information relating to joint ventures and associates is set out below.

Name of Company	Principal activity	Ownership interest		2014 \$'000	2013 \$'000
		2014 %	2013 %		
Unlisted					
Reach Media NZ Limited, New Zealand (Joint Venture)	Unaddressed mail distribution	50	50	2,058	1,701
Online Media Holdings Pty Ltd (Associate)	Online location based services	47	60	-	-
				2,058	1,701

The reporting date of the above entities is 30 June.

There were no capital commitments or contingent liabilities relating to the joint venture.

	Consolidated	
	2014 \$'000	2013 \$'000
b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	1,701	3,698
Amount invested in current year	-	400
Share of profits/(losses) recognised, after income tax	357	(1,174)
Impairment charge recognised	-	(772)
Disposed with BPO division	-	(451)
Carrying amount at the end of the financial year	2,058	1,701

c) Summarised financial information of associate and joint venture

The Salmat Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Company's share of:				
	Ownership Interest %	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
2014					
Reach Media NZ Limited, New Zealand (Joint Venture)	50	6,589	4,196	14,675	357
Online Media Holdings Pty Ltd (Associate)	47	617	461	-	-
		7,206	4,657	14,675	357
2013					
Reach Media NZ Limited, New Zealand (Joint Venture)	50	5,766	3,954	13,878	300
Online Media Holdings Pty Ltd (Associate)	60	158	490	44	(955)
Conceive Productions Pty Ltd (Joint Venture)	-	-	-	4	(330)
Digital Post Australia Pty Ltd (Joint Venture)	-	-	-	-	(189)
		5,924	4,444	13,926	(1,174)

Reach Media NZ Limited is a joint venture between Salmat and New Zealand Post which provides unaddressed mail distribution in New Zealand.

Notes to the financial statements

30 June 2014

32 BUSINESS COMBINATIONS

a) Summary of acquisitions

During the year the following entities were acquired by the Group:

Entity acquired	Date of acquisition	% acquired
Netstarter Pty Ltd	17/10/2013	100%
MicroSourcing International Limited	13/02/2014	50%
Fuse Pty Limited	30/04/2014	50%

MicroSourcing

On 13 February 2014 the Group acquired a 50% interest in MicroSourcing International Limited (MicroSourcing). The deal also includes a performance-based option to acquire the remaining 50% by mid 2016.

Whilst MicroSourcing has a 50% equity interest, control has been achieved through the right to appoint the Chief Executive Officer.

MicroSourcing is a Philippines-based business that provides a range of offshore outsourced business solutions including contact service centres, back-office processes and digital creative and development services, which are provided via an innovative range of service delivery models.

This acquisition complements our current growth strategy, enabling our Customer Engagement Solutions division to expand both capabilities and scale in the key growth market of the Philippines.

Other current period acquisitions

During the year the Group acquired 100% interest in Netstarter Pty Limited and 50% interest in Fuse Pty Limited. With respect to Fuse, the Group has a performance-based option to acquire the remaining 50%.

Both these acquisitions complement the current growth strategy in respect of Digital operations within the Group's Consumer Marketing Solutions division.

	MicroSourcing \$'000	Other \$'000	Total \$'000
Purchase consideration			
Cash paid	8,890	6,355	15,245
Contingent consideration	2,543	9,306	11,849
Total purchase consideration	11,433	15,661	27,094

The provisional fair values of the identifiable assets and liabilities as at date of acquisition acquired are as follows:

	MicroSourcing \$'000	Other \$'000	Total \$'000
Cash and cash equivalents	1,234	73	1,307
Trade and other receivables	4,866	946	5,812
Other current assets	-	115	115
Income tax receivable	(12)	50	38
Plant and equipment	4,394	310	4,704
Deferred tax assets	-	102	102
Other assets	13	-	13
Intangible assets: customer contracts	11,883	1,980	13,863
Trade other payables	(3,109)	(603)	(3,712)
Deferred tax liability	(2,068)	(594)	(2,662)
Provision for employee benefits	(168)	(282)	(450)
Interest bearing liabilities	(1,206)	-	(1,206)
Net identifiable assets acquired	15,827	2,097	17,924
Non-controlling interests	(7,864)	(75)	(7,939)
Goodwill arising on acquisition	3,470	13,639	17,109
Net assets acquired	11,433	15,661	27,094

The above values are provisional as the fair value of some items is incomplete as at 30 June 2014.

There were no acquisitions in the year ended 30 June 2013.

Notes to the financial statements

30 June 2014

32 BUSINESS COMBINATIONS : CONTINUED

i) Goodwill

The goodwill recognised on the above acquisitions is attributable to the expected synergies and expanded opportunities for growth that the acquired entities bring to the Group. It will not be deductible for tax purposes.

ii) Acquired receivables

The carrying amount of acquired receivables approximated their gross carrying amounts and the estimated collectible amounts at the dates of acquisition.

iii) Accounting policy for non-controlling interests

The Group recognises non-controlling interests based on its proportionate share of the acquired entity's net identifiable assets.

iv) Contingent consideration

In the event that certain pre-determined EBITDA targets are achieved by MicroSourcing, Netstarter and Fuse for defined financial periods, additional consideration may be payable in cash.

MicroSourcing

The estimated consideration of MicroSourcing was \$11,433,000. The first payment was made on acquisition date with two further payments to be made. The fair value of the remaining two payments is estimated to be \$2,542,700. A summary of the consideration attached to this acquisition is as follows:

Consideration calculation

First payment	Fixed initial payment of \$8,890,000 was made on 15 February 2014.
Second payment	EBITDA multiple as per the sale and purchase agreement has been applied to actual results from financial statements for the year ended 31 March 2014.
Third payment	A calculation of the present value of the future expected payment has been made. The estimate is based on a discount rate of 3.83% and probability-adjusted EBITDA targets for the year ended 31 March 2015, multiplied by stepped multiples as per the sale and purchase agreement.

The second and third payments above will be made in USD, with a fixed exchange rate applied.

The Group holds an option to acquire the remaining 50% of MicroSourcing which can be exercised at any time until 31 March 2016. If this option is not exercised, but pre-determined EBITDA targets are met for the year ended 31 March 2016, the remaining 50% can be put on the Group by the non-controlling interest shareholders. Further commentary on the valuation of this put/call option is included in note 37.

Other acquisitions

The estimated consideration of Netstarter and Fuse was \$15,661,000. The first payments of these acquisitions were made on acquisition date with further payments to be made. The fair value of the remaining payments was estimated to be \$9,306,000. A summary of the consideration attached to these acquisitions is as follows:

Consideration calculation

First payment	Fixed initial payments of \$6,355,000 have been made.
Further payments	Calculations of the present value of the future expected payments have been made. The estimates are based on a discount rate of 3.94% and probability-adjusted EBITDA targets for years ended 30 June 2014-2016.

Movement in contingent consideration

The financial projections of certain acquisitions show that their EBITDA targets will not be met. Therefore subsequent to acquisition the expected cash flow for the contingent consideration attached to this acquisition has been revised downwards. This amount of \$2,428,000 has been included in other expenses from ordinary activities. The total movement in contingent consideration is summarised as follows:

	\$'000
Opening balance as at 30 June 2013	–
Liability arising on business combination	11,849
Unrealised fair value changes recognised in profit or loss	(2,428)
Closing balance as at 30 June 2014	9,421

b) Purchase consideration – cash outflow

	MicroSourcing \$'000	Other \$'000	Total \$'000
Outflow of cash to acquire subsidiaries, net of cash acquired			
Cash consideration	8,890	6,355	15,245
Less balances acquired	1,234	73	1,307
Outflow of cash – investing activities	7,656	6,282	13,938

Notes to the financial statements

30 June 2014

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends

Since 30 June 2014 the Directors have recommended the payment of a final ordinary dividend of \$12.0 million (7.5 cents per fully paid share – fully franked) to be paid on 18 September 2014 out of profits at 30 June 2014.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- i) the Group's operations in future financial years; or
- ii) the results of those operations in future financial years; or
- iii) the Group's state of affairs in future financial years.

34 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the year	794	40,142
Depreciation and amortisation	11,533	12,669
Impairment loss	–	8,821
Borrowing costs	91	229
Non-cash employee benefits – share-based payments	121	(239)
Fair value adjustment – other financial liabilities	(2,428)	–
Exchange differences transferred to income statement	1,567	–
Net loss on sale of non-current assets	189	41
Net gain on sale of subsidiary	–	(41,197)
Share of net profit of joint venture	(357)	1,946
Interest revenue	(5,766)	(5,831)
Finance costs	5,441	11,376
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease in trade and other receivables	2,877	10,240
(Increase)/Decrease in inventories	564	739
(Increase)/Decrease/in other assets	(1,370)	853
(Increase) in deferred tax assets	(3,096)	(2,313)
Increase/(Decrease) in trade and other payables	3,029	(4,758)
Increase/(Decrease) in provision for income taxes payable	2,063	(6,412)
(Decrease)/Increase in provision for deferred income tax	(460)	(1,365)
Increase/(Decrease) in other provisions	(1,833)	1,461
Net cash inflow from operating activities	12,959	26,402

35 EARNINGS PER SHARE

	Consolidated	
	2014	2013
a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the parent	0.2	3.7
From discontinued operations	–	21.7
Total basic earnings per share attributable to ordinary equity holders of the Company	0.2	25.4
b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the parent	0.2	3.6
From discontinued operations	–	21.5
Total diluted earnings per share attributable to ordinary equity holders of the Company	0.2	25.1

c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2014 \$'000	2013 \$'000
Basic earnings per share		
Profit for the year attributable to the ordinary equity holders of the parent entity used in calculating basic earnings per share	261	40,142
Diluted earnings per share		
Profit for the year attributable to the ordinary equity holders of the parent entity used in calculating diluted earnings per share	261	40,142

Notes to the financial statements

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35 EARNINGS PER SHARE : CONTINUED

d) Weighted average number of ordinary shares used in the calculation of basic EPS

	Consolidated	
	2014 Quantity '000	2013 Quantity '000
Weighted average number of shares on issue used to calculate basic EPS	160,438	158,264
Effect of dilutive securities – weighted average number of options outstanding	1,521	1,545
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	161,959	159,809

e) Information concerning the classification of securities

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 36.

36 SHARE-BASED PAYMENTS

a) Employee Option Plan

The Salmat Executive Performance Option Plan allows the Company to grant performance rights in the form of zero price rights over shares to key executives. The Board may offer rights to purchase shares to eligible executives having regard to actual and potential contribution to the Company, as determined by the Board from time to time. The consideration for the right is zero. Rights generally may not be transferred. Quotation of rights on the ASX will not be sought. However, the Company will apply for official quotation of shares issued on the exercise of rights. Shares issued on the exercise of rights will rank equally with other shares of the Company.

A right may only be exercised by a date to be determined by the Board from time to time but not exceeding 10 years after the date the option is granted, subject to applicable performance hurdles and other exercise restrictions.

An unexercised right will lapse on the earlier of the expiry of 10 years (or such earlier date as determined by the Board) from the date of its issue to the eligible executive, or the date six months after the eligible executive dies, retires, is made redundant or becomes disabled, or the date one month after the eligible executive ceases to be employed by Salmat for any other reason.

Rights do not carry any voting rights or the right to dividends. Further terms and conditions are set out in the Remuneration Report. Instruments referred to as options granted since 1 July 2012 are actually performance rights (or zero priced options).

Set out below are summaries of rights granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated – 2014								
Apr 14	Apr 15	-	-	257,643	-	-	257,643	-
Aug 13	Sep 16	-	-	644,856	(163,440)	-	481,416	-
Aug 12	Sep 15	-	503,595	-	(132,232)	(37,582)	333,781	-
Dec 12	Sep 15	-	17,027	-	-	-	17,027	-
Total			520,622	902,499	(295,672)	(37,582)	1,089,867	-
Weighted average exercise price			-	-	-	-	-	-
Consolidated – 2013								
Aug 12	Sep 15	-	-	701,712	(198,117)	-	503,595	-
Dec 12	Sep 15	-	-	331,227	(314,200)	-	17,027	-
Nov 07	Nov 12	-	10,625	-	-	(10,625)	-	-
Total			10,625	1,032,939	(512,317)	(10,625)	520,622	-
Weighted average exercise price			-	-	-	-	-	-

Vesting conditions

The above rights have vesting conditions which are granted 40% on EPS performance, 40% on TSR performance and 20% on key strategic goals (previously 50% EPS and 50% TSR). This change was made to reflect the Group's focus on achievement of strategic goals as well as specific financial targets.

There is also a service condition attached to each tranche performance rights in that the executive must also be employed by the company at the date of assessment of the right.

Notes to the financial statements

30 June 2014

36 SHARE-BASED PAYMENTS : CONTINUED

EPS hurdles

40% of the rights that vest will depend on the cumulative increase in EPS over the measurement period, as set out in the table below:

EPS growth compared to target	% of Rights that vest
Below 75%	Nil
75-99%	Progressive vesting from 50-90%
100% or more	100%

TSR hurdles

40% of the rights are subject to achieving a total shareholder return in excess of the constituents of the small industrials index for a three year period. TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value.

The percentage of rights that vest will depend on the Group's relative TSR ranking over the measurement period, as set out in the table below:

Group's TSR rank	% of options/rights that vest
Less than 50th percentile	Nil
50-75th percentile	Progressive vesting from 50-100%
Above 75th percentile	100%

Strategic goals

20% of the performance rights based on strategic goals were issued for the first time in FY2013. The Board will use its informed judgement to determine the aggregate level of vesting based on the following performance criteria:

- achievement of projected revenue targets from the growth strategy;
- achievement of key milestones in the growth strategy on the approved timelines; and
- increase in constructive behaviours in culture surveys.

Rights may only be exercised within the limitations imposed by the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules. Under the Australian Securities Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval.

The market price of the Company's shares at 30 June 2014 was \$1.62 (2013: \$1.94).

Fair value of rights granted

The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for the rights issued during the year ended 30 June 2014 included:

July 13 Grant

- Share price at date of grant: \$2.06 on 24 July 2013.
- Rights issued have no exercise price.
- Risk free interest rate: 2.63% on 24 July 2013.
- Expected price volatility of the Company's shares: 31%.
- Expected dividend yield: 6.1%.

April 14 Grant

The rights issued were based on the weighted average market price during the five day trading up to including the Grant.

b) Employee Share Plan

Exempt Employee Share Plan

The Salmat Exempt Employee Share Plan is open to all full-time or permanent part-time Australian employees with more than three months service and allows for the purchase of up to \$1,000 worth of shares per annum per eligible employee.

Participants will not be permitted to dispose of their shares until three years after the date of acquisition unless they leave the Company. Ordinary shares carry one vote per share and carry the right to dividends.

Notes to the financial statements

30 June 2014

36 SHARE-BASED PAYMENTS : CONTINUED

Deferred Employee Share Plan

The Salmat Deferred Employee Share Plan allows invited eligible employees (including Directors) to receive shares as a bonus/incentive or as a remuneration sacrifice.

Participants will not be permitted to dispose of their shares unless any pre-specified hurdle conditions are satisfied. Participants may forfeit their shares if they cease to be an employee at a time when any vesting or performance criteria have not been satisfied.

Ordinary shares carry one vote per share and carry the right to dividends.

Long-term incentives to the Chief Executive Officer and senior managers are made by way grants of deferred shares subject to service and performance conditions under Salmat's Deferred Employee Share Plan. From July 2012 the Group ceased issuing grants of deferred shares under this plan. This was replaced by issue of performance rights.

Further terms and conditions are set out in the Remuneration Report.

Grant date	Date vested and exercisable	Expiry date	Fair value per share at grant date
December 2010	September 2013	September 2013	\$4.13
December 2010	September 2013	September 2013	\$2.95
March 2011	September 2013	September 2013	\$3.64
March 2011	September 2013	September 2013	\$2.36
February 2012	September 2014	September 2014	\$2.32
February 2012	September 2014	September 2014	\$1.07

The assessed fair value at grant date of deferred shares granted to individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Fair value at grant date is independently determined using a Binomial Approximation Valuation option pricing model and a Monte-Carlo simulation model that takes into account share price at grant date and expected price volatility of the underlying share, exercise price, the expected dividend yield and the risk free interest for the term of the deferred share.

Details of shares in the Company provided as remuneration to key management personnel of the parent entity and the Group are set out below.

	2014 Number of shares '000	2013 Number of shares '000
Exempt Employee Share Plan		
Opening balance	284	532
Transfers/disposals	(209)	(383)
Acquisitions	73	135
Closing balance	148	284
Deferred Employee Share Plan		
Opening balance	1,503	1,955
Transfers/disposals	(1,016)	(626)
Acquisitions	-	174
Closing balance	487	1,503

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Rights issued under employee option plan	353	315
Rights issued under deferred employee share scheme	(232)	(554)
	121	(239)

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37 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. There has been no significant change in the Group's risk profile from the prior year. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed.

These methods include sensitivity analysis in the case of interest rate and foreign exchange risks; aging analysis for credit risk.

Risk management is carried out in accordance with ageing policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk; interest rate risk; credit risk; use of derivative financial instruments and non-derivative financial instruments; and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
	2014 \$'000	2013 \$'000
Financial assets		
Cash and cash equivalents	116,860	189,088
Trade and other receivables	59,668	56,658
Other financial assets	1,081	213
	177,609	245,959
Financial liabilities		
Trade and other payable	66,166	59,808
Borrowings	66,935	99,092
Other financial liabilities	40,011	928
	173,112	159,828

a) Market risk

i) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than in the respective functional currencies of the Salmat entities. The Group's income and operating cash flows are not materially exposed to any particular foreign currency.

All borrowings are in the functional currency of the borrowing entity.

ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's treasury policy requires interest rate swaps to be entered into to manage cash flow risks associated with borrowings with variable interest rates. The current policy is for between 70% to 100% of borrowings to be hedged for 12 months, 30% to 100% to be hedged for second year and 20% to be hedged for third year. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

As at 30 June 2014 the Group is in a net cash position with the Group's exposure to interest rate risk considered minimal.

b) Credit risk

Credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations.

Salmat has a Credit Policy which provides the guidelines for the management of credit risk. The guidelines provide for the manner in which the credit risk of clients is assessed and the use of credit ratings and other information in order to set appropriate account limits. Clients that do not meet minimum credit criteria are required to pay up front. Clients who fail to meet their account terms are reviewed for continuing credit worthiness.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 62. As at 30 June 2014, the Group's exposure to clients with a balance greater than \$1 million totalled \$5.8 million (2013: \$13.5 million). The Group does not consider that there is any significant concentration of credit risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

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37 FINANCIAL RISK MANAGEMENT : CONTINUED

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Non-interest bearing	66,166	1,350	3,076	39,128	-	109,720	106,177
Fixed rate	43	43	26	-	-	112	106
Variable rate	66,829	-	-	-	-	66,829	66,829
Total non-derivatives	133,038	1,393	3,102	39,128	-	176,661	173,112
Derivatives							
Net settled (interest rate swaps)	-	-	-	-	-	-	-

At 30 June 2013

Non-derivatives							
Non-interest bearing	59,808	-	-	-	-	59,808	59,808
Fixed rate	72	72	86	-	-	230	219
Variable rate	-	-	99,000	-	-	99,000	98,873
Total non-derivatives	59,880	72	99,086	-	-	159,038	158,900
Derivatives							
Net settled (interest rate swaps)	276	1,021	-	-	-	1,296	928

d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

e) Fair value measurements

i) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2014				
Liabilities				
Contingent consideration payable	-	-	9,421	9,421
Put/call option	-	-	30,590	30,590
Total liabilities	-	-	40,011	40,011
At 30 June 2013				
Liabilities				
Derivatives used for hedging	-	928	-	928
Total liabilities	-	928	-	928

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37 FINANCIAL RISK MANAGEMENT : CONTINUED

Level one: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Salmat Group is the current bid price. These instruments are included in level 1.

Level two: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level three: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for contingent consideration, and put/call option.

The Group did not hold any financial assets at 30 June 2014 that required fair value measurement, and there were no transfers between levels for recurring fair value measures during the year.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

ii) Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is calculated at the present value of the estimated future cash flows based on observable yield curves.

The fair value for contingent consideration and the put/call option have been included in level 3, have been calculated using a discounted cash flow model with the key inputs being the discount rate and the expected future earnings growth rate.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2014 \$'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationships of unobservable inputs to fair value
Contingent consideration – MicroSourcing	2,542	Risk free rate Expected future earnings growth	3.83% 50-140%	An increase/decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, the fair value would increase by \$495,400
Put/call option – MicroSourcing	27,329	Risk free rate Expected future earnings growth	3.83% 206-270%	An increase/decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, the fair value would increase by \$3,639,000
Contingent consideration – Other acquisitions	6,878	Risk free rate Expected future earnings growth	3.83% 130-440%	An increase/decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, the fair value would increase by \$960,000

iii) Valuation process

The finance team of the Group performs the valuations required for financial reporting purposes, including level 3 fair values.

This team reports directly to the Chief Financial Officer (CFO) and the Audit Risk and Compliance Committee (ARCC). Discussions of valuation processes and results are held between the CFO, ARCC and the finance team at least once every six months, in line with the Group's half-yearly reporting periods. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial liabilities are determined using a rate that reflects current market assessments of the time value of money.
- Expected future earnings growth that determine contingent consideration are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Notes to the financial statements

30 June 2014

38 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent Entity	
	2014 \$'000	2013 \$'000
Statement of financial position		
Current assets	112,677	180,283
Non-current assets	149,619	128,944
Total assets	262,296	309,227
Current liabilities	89,119	30,609
Non-current liabilities	1,243	102,030
Total liabilities	90,362	132,639
Shareholders' equity		
Contributed equity	210,882	210,882
Reserves	2,117	(737)
Retained earnings	(41,065)	(33,557)
	171,934	176,588
Profit or loss for the year	16,463	(3,476)
Profit or loss for the year	16,463	(3,476)
Total comprehensive income	16,463	(3,476)

b) Guarantees entered into by the parent entity

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the deed of cross guarantee and the subsidiaries subject to the deed are disclosed in note 30.

c) Contingencies and commitments

For information about contingencies and commitments contracted by the parent entity please see notes 26 and 27.

39 DISCONTINUED OPERATIONS

a) Description

On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to Fuji Xerox Asia Pacific Pte Ltd for gross sale proceeds of \$375 million. The sale was completed on 10 October 2012 and the Business Process Outsourcing segment is reported in these financial statements as a discontinued operation.

Financial information relating to BPO for the period to the date of disposal is set out below.

In the year ended 30 June 2013 the Roamz joint venture was also discontinued and the result of this investment is presented below as part of the result from discontinued operations.

Notes to the financial statements

30 June 2014

39 DISCONTINUED OPERATIONS : CONTINUED

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period 1 July 2012 to 10 October 2012.

Consolidated

2013
\$'000

Revenue (note 3)	92,739
Expenses	(77,737)
Profit before income tax	15,002
Income tax expense	(3,881)
Profit after income tax of BPO to 10 October 2012 (FY12: full year)	11,121
Gain on sale of BPO division before income tax	20,207
Income tax benefit	6,529
Gain on sale of BPO division after income tax	26,736
Profit from discontinued operation (BPO division)	37,857
Discontinued joint venture losses	(3,491)
Total profit from discontinued operations	34,366
Net cash inflow/(outflow) from operating activities	(9,391)
Net cash inflow from investing activities	358,581
Net cash (outflow) from financing activities	(2,376)
Net cash (used in)/generated by discontinued operations	346,814

c) Details of the sale of the BPO division

2013
\$'000

Gross sale proceeds	375,000
Working capital adjustment received	8,159
Total gross sales proceeds	383,159
Less finance lease and other borrowings transferred	(19,302)
Less cash disposed	(8)
Net proceeds recognised in cash flow statement	363,849
Carrying amount of net assets sold	(322,652)
Gain on sale before transaction and separation costs	41,197
Transaction costs and amounts transferred from foreign currency reserve on disposal	(8,810)
Separation costs	(12,180)
Net gain on sale of division before income tax	20,207
Income tax benefit	6,529
Net gain on sale of division after income tax	26,736

Notes to the financial statements

30 June 2014

39 DISCONTINUED OPERATIONS : CONTINUED

d) Effect of disposal on the financial position of the Group

The following net assets were disposed of as part of the sale of the BPO division.

	2013 \$'000
Property, plant and equipment	(43,437)
Intangible assets	(286,692)
Trade and other receivables	(48,959)
Other assets	(2,326)
Inventories	(4,962)
Net deferred tax asset	(3,281)
Investments accounted using the equity method	(451)
Trade and other payables	27,373
Deferred payments	382
Retirement benefit obligations	3,383
Lease liabilities	17,655
Provisions	18,663
Net assets	(322,652)

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Directors' declaration

30 June 2014

In the Directors' opinion:

- a) the financial statements and notes set out on pages 23 to 67 are in accordance with the *Corporations Act 2001*, including:
 - ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chairman in his capacity as interim Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Peter Mattick AM
Chairman



John Thorn
Lead Independent Director
Sydney
25 August 2014



REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Salmat Limited (the company), which comprises the statement of financial position as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Salmat Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of Salmat Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards including the Australian Accounting Interpretations and the *Corporations Regulations 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Independent auditor's report to the members of Salmat Limited



pwc

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 12 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Salmat Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
25 August 2014

Shareholder information

As at 5 September 2014

SHARES AND OPTIONS

Shares on issue	159,812,799
Performance rights on issue	1,051,886

DISTRIBUTION OF SHAREHOLDINGS AS AT 5 SEPTEMBER 2014

Range	Total holders	Units	% issued capital
1 to 1,000	1,125	485,494	0.30
1,001 to 5,000	1,278	3,393,127	2.12
5,001 to 10,000	366	2,755,206	1.72
10,001 to 100,000	290	7,212,709	4.51
100,001 and Over	32	145,966,263	91.34
Total	3,091	159,812,799	100.00

There were 561 holders of less than a marketable parcel of shares.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT 5 SEPTEMBER 2014

Name	Units	% issued capital
TEAMNEWS PTY LIMITED	34,917,120	21.85%
TEAMDATE PTY LIMITED	29,415,964	18.41%
J P MORGAN NOMINEES AUSTRALIA LIMITED	17,957,105	11.24%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	11,585,889	7.25%
CITICORP NOMINEES PTY LIMITED	11,280,879	7.06%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	9,072,409	5.68%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,350,289	4.60%
NATIONAL NOMINEES LIMITED	5,694,888	3.56%
MR PHILIP JOHN SALTER	5,099,113	3.19%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,423,784	2.77%
BT PORTFOLIO SERVICES LIMITED <SALTER FAMILY S/FUND A/C>	1,469,019	0.92%
BKI INVESTMENT COMPANY LIMITED	1,089,951	0.68%
SANDHURST TRUSTEES LTD <SISF A/C>	1,030,000	0.64%
PACIFIC CUSTODIANS PTY LIMITED SLM PLANS CTRL A/C	756,371	0.47%
MATTICK FAMILY RETIREMENT & PENSION FUND NO 2 PTY LTD <MATTICK FAM S/FUND NO2 A/C>	546,284	0.34%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	541,507	0.34%
MATTICK FAMILY RETIREMENT & PENSION FUND PTY LTD <MATTICK FAM S/FUND NO1 A/C>	531,826	0.33%
DARRELL JAMES HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	500,000	0.31%
PACIFIC CUSTODIANS PTY LIMITED <DEFERRED ESP TST A/C>	421,513	0.26%
TEAMNEWS PTY LTD <MATTICK FAMILY A/C>	364,522	0.23%

SUBSTANTIAL SHAREHOLDERS AS AT 5 SEPTEMBER 2014

Name	Units	% issued capital
TEAMNEWS PTY LIMITED	34,917,120	21.85%
TEAMDATE PTY LIMITED	29,415,964	18.41%
J P MORGAN NOMINEES AUSTRALIA LIMITED	17,957,105	11.24%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	11,585,889	7.25%
CITICORP NOMINEES PTY LIMITED	11,280,879	7.06%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	9,072,409	5.68%

Directory

SALMAT LIMITED

ABN 11 002 724 638

REGISTERED OFFICE

Level 3, 116 Miller Street
North Sydney NSW 2060

Telephone: (02) 9928 6500

Facsimile: (02) 9928 6652

www.salmat.com.au

DIRECTORS

Peter Mattick Chairman

Fiona Balfour Non-executive Director (Independent)

Ian Elliot Non-executive Director (Independent)

Richard Lee Non-executive Director (Independent)

Philip Salter Non-executive Director

John Thorn Lead Independent Director

COMPANY SECRETARY

Stephen Bardwell

AUDITORS

PricewaterhouseCoopers

Darling Park Tower 2, 201 Sussex Street,
GPO BOX 2650, Sydney NSW 1171

BANKERS

Australia and New Zealand Banking Group Limited

National Australia Bank

Westpac Banking Corporation

SHARE REGISTRY

Link Market Services

Locked Bag A14
Sydney South NSW 1235

Telephone: 1300 554 474 or (02) 8280 7111

Facsimile: (02) 9287 0303

www.linkmarketservices.com.au

STOCK EXCHANGE LISTING

Salmat Limited shares are listed on
the Australian Securities Exchange.

ASX code: SLM

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at:

10.00am Friday 21 November 2014

Museum of Sydney

Corner Bridge and Phillip Streets
Sydney NSW 2000

Please refer to the formal Notice of Meeting for full details.

KEY DATES

Final dividend payment 18 September 2014

Annual General Meeting 21 November 2014

Half year results February 2015

Interim dividend April 2015

Full year results and dividend announcement August 2015

The Australian Securities Exchange will be
notified of any changes to these dates.

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