

SALMAT LIMITED
 (ABN 11 002 724 638)
Appendix 4E

Preliminary Final Report
YEAR ENDED 30 JUNE 2003

For announcement to the market

	\$A'000
Revenues from ordinary activities	288,010
Profit from ordinary activities after tax attributable to members	16,493
Net profit for the period attributable to members	16,493

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	5.5c	5.5c
Total Dividend (Incl. Interim)	8.5c	8.5c
Record Date for determining entitlements to dividends		1 October 2003
Dividend payment date		31 October 2003
Has the dividend been declared		Yes

Annual Meeting	
The Annual Meeting will be held as follows:	
Place	The Perth Room Level 3, Sofitel Wentworth Hotel 61 – 101 Philip Street, SYDNEY NSW
Date	Wednesday, 22 nd October 2003
Time	10:00am
Approximate date the Annual Report will be available	29 th September 2003

SALMAT LIMITED and controlled entities**Statement of Financial Performance**

For the year ended 30 June 2003

		Salmat Group		Salmat Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
REVENUE FROM ORDINARY ACTIVITIES	2	288,010	248,622	17,741	16,234
Employee related expenses		(95,879)	(87,666)	(12,960)	(11,842)
Borrowing costs expense	3	(1,268)	(2,929)	(411)	(995)
Depreciation and amortisation expenses	3	(14,828)	(16,965)	-	-
Other expenses from ordinary activities		(149,632)	(132,237)	(30)	(26)
Share of net (losses) of associates accounted for using the equity method		-	(588)	-	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		26,403	8,237	4,340	3,371
Income tax (expense)/benefit relating to ordinary activities	4	(9,910)	(4,639)	6	12
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SALMAT LIMITED		16,493	3,598	4,346	3,383
Net exchange difference on translation of financial report of self-sustaining foreign operations	24	(1,223)	-	-	-
Increase in retained profits and reserves on adoption of new Accounting Standard	25	(163)	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(1,386)	-	-	-
TOTAL CHANGES IN EQUITY FROM NON-OWNER RELATED TRANSACTIONS ATTRIBUTABLE TO MEMBERS OF SALMAT LIMITED		15,107	3,598	4,346	3,383
Basic earnings per share (cents per share)	8	15.1	n/a		
Diluted earnings per share (cents per share)	8	15.1	n/a		
Notional earnings per share (cents per share)	8	14.2	n/a		

The statement of financial performance should be read in conjunction with the accompanying notes

SALMAT LIMITED and controlled entities**Statement of Financial Position**

As at 30 June 2003

		Salmat Group		Salmat Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash assets	9	17,825	14,466	12,822	14,439
Receivables	10	31,928	28,175	-	-
Inventories	11	3,295	1,960	-	-
Other	12	2,163	1,600	-	-
Total current assets		55,211	46,201	12,822	14,439
NON-CURRENT ASSETS					
Receivables	10	207	2,589	-	-
Investments accounted for using the equity method	13	-	1,169	-	-
Other financial assets	14	18	-	34,233	34,233
Property, plant and equipment	16	36,592	35,903	-	-
Deferred tax assets	17	5,083	3,178	600	522
Intangible assets	18	28,146	17,858	-	-
Total non-current assets		70,046	60,697	34,833	34,755
TOTAL ASSETS		125,257	106,898	47,655	49,194
CURRENT LIABILITIES					
Payables	19	34,718	28,399	9,155	8,244
Interest bearing liabilities	20	-	30,279	-	20,492
Current tax liabilities	21	6,208	1,160	42	71
Provisions	22	5,002	6,161	954	2,793
Total current liabilities		45,928	65,999	10,151	31,600
NON-CURRENT LIABILITIES					
Payables	19	-	-	5,865	17,519
Interest bearing liabilities	20	1,730	6,956	-	-
Deferred tax liabilities	21	428	642	-	-
Provisions	22	3,950	2,339	1,046	948
Total non-current liabilities		6,108	9,937	6,911	18,467
TOTAL LIABILITIES		52,036	75,936	17,062	50,067
NET ASSETS		73,221	30,962	30,593	(873)
EQUITY					
Contributed equity	23	30,637	-	30,637	-
Reserves	24	2,895	4,118	-	-
Retained profits/(accumulated losses)	25	39,689	26,844	(44)	(873)
TOTAL EQUITY		73,221	30,962	30,593	(873)

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

SALMAT LIMITED and controlled entities**Statement of Cash Flows**

For the year ended 30 June 2003

		Salmat Group		Salmat Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		422,947	386,799	14,256	13,034
Payments to suppliers and employees		(374,125)	(349,970)	(11,542)	(10,808)
Dividends received		-	-	3,485	3,200
Interest received		512	375	-	-
Borrowing costs paid		(1,268)	(2,929)	(411)	(995)
Research and development expenditure		(865)	(800)	-	-
Income tax paid		(8,024)	(4,271)	-	-
Net cash provided by operating activities	32	39,177	29,204	5,788	4,431
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		1,376	2,227	-	-
Loans from/(to) related entity		(3,405)	22	(6,557)	9,312
Payment for plant and equipment		(8,763)	(7,748)	-	-
Net cash (used in)/provided by investing activities		(10,792)	(5,499)	(6,557)	9,312
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		25,000	-	25,000	-
Float costs		(4,363)	-	(4,363)	-
Principal and residual payments under finance leases		(18,342)	(11,180)	-	-
Repayment of borrowings		(24,603)	(3,350)	(16,000)	-
Dividends paid		(5,485)	(1,200)	(5,485)	(1,200)
Net cash (used in) financing activities		(27,793)	(15,730)	(848)	(1,200)
NET INCREASE (DECREASE) IN CASH HELD		592	7,975	(1,617)	12,543
CASH AT END OF THE FINANCIAL YEAR					
Cash at beginning of the financial year		14,355	6,380	14,439	1,896
Cash acquired with purchase of associate company		3,959	-	-	-
Effect of exchange rates on cash holdings in foreign currencies		(1,081)	-	-	-
CASH AT END OF THE FINANCIAL YEAR	32	17,825	14,355	12,822	14,439

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

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Salmat Limited and controlled entities and Salmat Limited as an individual parent entity. Salmat Limited is a listed public company, incorporated and domiciled in Australia.

It is recommended that this financial report be read in conjunction with any public announcements made by Salmat Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, the current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies have been consistently applied by the entities in the economic entity, except where there is a change in accounting policy and are consistent with those applied in the 30 June 2002 annual report.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial reports. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by Salmat Limited. Control exists where Salmat Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Salmat Limited to achieve the objectives of Salmat Limited. A list of controlled entities are contained in Note 15 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

b. Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 tax 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.

c. 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.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Property, Plant and Equipment

Property, plant and equipment are measured on a cost basis, net of accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity 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.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	5% to 33%
Leased plant and equipment	5% to 40%

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

f. Investments

Investments are measured on the cost basis. The carrying amount of investments is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount of the investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

g. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. They are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

h. Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of a joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 13.

The economic entity's interest in joint venture entities is brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of expected future benefit of the investment, not exceeding 20 years. The balances and periods of expected benefit are reviewed bi-annually. Any balance representing future benefits, the realisation of which is considered to be no longer probable, is written off. Where there is a change in the period of expected future benefit, amortisation rates are altered from the effective date to the re-assessment.

Other

Other intangibles (such as the cost of acquiring letterbox distribution routes or commercial services revenue streams) are recorded at cost and are amortised over the period of expected future benefit, not to exceed five years.

j. Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted to the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken to the foreign currency translation reserve.

In accordance with AASB1012 "Foreign Currency Translation", effective 1 January 2003, the Hong Kong business of Salmat Asia Limited was deemed to be an integrated operation following a re-assessment of the business operations by the Directors. In previous periods, a foreign exchange gain of \$82,000 had been taken to the Foreign Currency Translation Reserve. Following the change in classification, a foreign exchange gain of \$545,000 has been credited to the net profit.

k. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries and annual leave that will be settled after one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The value of the equity-based compensation scheme described in note 28 has not been recognised as an employee benefits expense in accordance with current accounting standards.

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

l. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation in for the current year.

m. Cash

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than 14 days to maturity.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associated entities are accounted for in accordance with the equity method of accounting.

Government grant revenue is recognised when the relevant criteria have been met and there is virtual certainty that the income will be received.

o. Goods and Services Tax (GST)

Revenue and expenses are stated net of the amount of Goods and Services Tax.

Trade debtors and trade creditors in the Statement of Financial Position are shown inclusive of GST.

p. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000.

q. Change in Accounting Policy

During the year, the economic entity changed its accounting policy in regard to employee benefits in order to comply with Accounting Standard AASB 1028 "Employee Benefits". The financial effect of this change in accounting policy has been to recognise \$130,000 as expense in the profit from ordinary activities for the year. The change ensures measurement of employee benefits using remuneration rates that the economic entity expects to pay when the obligation is settled. Opening retained earnings were adjusted by \$163,000.

The economic entity has applied the revised Accounting Standards AASB1012 "Foreign Currency Translation" and AASB1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002. There was no impact on the opening retained profits at 1 July 2002 or on the net profit for the year to 30 June 2003.

r. Contributed Equity

Issued and paid-up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

s. Earnings per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted-average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The Executive Performance Option Plan with 2.8m options remaining unconverted at year-end is not included in basic, dilutive or notional EPS as the issue of shares is contingent upon future events. As at reporting date, conditions which would result in the issue of shares had not been achieved (refer to Note 28).

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

SALMAT GROUP**SALMAT ENTITY****2003**

2002

2003

2002

\$'000

\$'000

\$'000

\$'000

2. REVENUE**Operating activities**

Sales	285,411	245,645	-	-
Interest received - other persons	512	375	-	-
Dividends received – controlled entity	-	-	3,485	3,200
Management fees received – controlled entity	-	-	14,256	13,034
Other	711	375	-	-
	<u>286,634</u>	<u>246,395</u>	<u>17,741</u>	<u>16,234</u>

Non-operating activities

Proceeds on disposal of plant and equipment	1,376	2,227	-	-
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Total Revenue

	288,010	248,622	17,741	16,234
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3. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax has been arrived at after including:

(a) Expenses

Borrowing costs:

Other persons	561	1,368	411	995
Lease finance charges	707	1,561	-	-

Total borrowing costs

	<u>1,268</u>	<u>2,929</u>	<u>411</u>	<u>995</u>
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Depreciation of non-current assets:

Buildings	156	156	-	-
Plant and equipment	7,093	3,550	-	-
Leased plant and equipment	5,120	8,848	-	-

Total Depreciation

	<u>12,369</u>	<u>12,554</u>	<u>-</u>	<u>-</u>
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Amortisation of intangibles:

Goodwill	2,394	4,411	-	-
Other	65	-	-	-

Total Amortisation

	<u>2,459</u>	<u>4,411</u>	<u>-</u>	<u>-</u>
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Total Depreciation and Amortisation expense

	<u>14,828</u>	<u>16,965</u>	<u>-</u>	<u>-</u>
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Revision of Goodwill Amortisation treatment

In accordance with AASB1013 "Accounting for Goodwill", a re-assessment of the expected period of future benefit attached to certain goodwill amounts was made with effect from 1 January 2003. As a result, the amortisation period attached to Goodwill on Salmat's Asian businesses has been reduced from 20 years to between 5 and 10 years. The impact of this change is to increase the current year amortisation charge by \$552,000.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP**SALMAT ENTITY****2003**
\$'0002002
\$'000**2003**
\$'0002002
\$'000

3. PROFIT FROM ORDINARY ACTIVITIES (Continued)

Bad and doubtful debts:

(Reduction)/increase in provision for doubtful debts	(437)	163	-	-
Bad debts written off	182	299	-	-
	(255)	462	-	-
Provision for employee entitlements	4,939	4,754	1,014	809
Provision for related party loans	2,788	1,880	-	-
Operating lease rental – minimum lease payments	6,474	4,904	-	-
Research and development costs	865	800	-	-
(b) Losses/(gains)				
Net (gain) on sale of non-current assets	(484)	(247)	-	-
Net foreign currency loss	311	301	13	-
(c) Significant expenses				
Write-off of goodwill	-	3,225	-	-

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP

2003
\$'000

2002
\$'000

SALMAT ENTITY

2003
\$'000

2002
\$'000

4. TAXATION

The prima facie tax payable on the profit from operating activities before income tax is reconciled to the income tax expense/(benefit) as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2002: 30%)

	7,921	2,471	1,302	1,011
Tax effect of permanent differences				
Non-allowable items	178	178	-	-
Timing differences and tax losses written off	-	14	-	-
Amortisation of goodwill	738	356	-	-
Write off of goodwill	-	968	-	-
Other items	(20)	(172)	-	-
Under/(over) provision of income tax in prior year	555	27	-	(63)
Withholding tax	289	-	-	-
Non-deductible share of losses in associated companies	-	349	-	-
Provision for non recoverable loans	597	564	-	-
Research & development claim	(91)	(2)	-	-
Utilisation of prior year tax losses	-	(104)	-	-
S46 dividend rebate	-	-	(1,044)	(960)
Amortisation of float costs	(264)	-	(264)	-
Effect of lower tax rate applicable to foreign income	7	(10)	-	-
Income tax expense/(benefit) attributable to profit from ordinary activities	9,910	4,639	(6)	(12)

The income tax expense/(benefit) comprises amounts attributable to:

Economic entity	9,910	4,463	(6)	(12)
Associated entities	-	176	-	-
	9,910	4,639	(6)	(12)

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP		SALMAT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

5. DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Directors' Remuneration ^[2]

Income paid or payable to all Directors of each entity in the economic entity by the entities of which they are Directors and any related parties

1,615	1,644	1,615	1,644
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Number of parent entity Directors whose income (including superannuation contributions) from the parent entity or any related parties falls within the following bands:

	No.	No.
\$0,000-\$9,999	1	-
\$50,000-\$59,999	1	-
\$110,000-\$119,999	1	-
\$720,000-\$729,999	2	-
\$780,000-\$789,999	-	1
\$870,000-\$879,999	-	1

(b) Executives' Remuneration ^[2]

Remuneration received or due and receivable by executive officers of the economic entity (domiciled in Australia), from entities in the economic entity and any related entities for management of the affairs of the economic entity, whose remuneration is \$100,000 or more^[1]

2,267	2,053	2,267	2,053
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Number of executive officers whose income falls within the following bands:

	No.	No.	No.	No.
\$240,000-\$249,999	1	1	1	1
\$250,000-\$259,999	1	-	1	-
\$270,000-\$279,999	-	1	-	1
\$290,000-\$299,999	-	1	-	1
\$300,000-\$309,999	2	1	2	1
\$350,000-\$359,999	1	-	1	-
\$360,000-\$369,999	-	1	-	1
\$390,000-\$399,999	1	1	1	1
\$410,000-\$419,999	1	-	1	-

^[1] For the purposes of this disclosure, an Executive Officer has been defined as a person who has direct strategic control over, and is responsible for the operational management of, the Salmat Group (i.e. the Senior Management team).

^[2] Options are granted to executive directors and officers under the Salmat Executive Performance Option Plan, details of which are set out in note 28(c).

^[3] The term "Director" and "Executive" have been treated as mutually exclusive for the purpose of this disclosure.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP**2003** 2002
\$'000 \$'000**SALMAT ENTITY****2003** 2002
\$'000 \$'000**6. AUDITORS' REMUNERATION**

Remuneration received or due and receivable by the auditor of the parent entity (WHK Audit & Assurance) for:

Auditing and reviewing the financial report	236	166	25	18
Tax advice	34	35	1	1
Other services	36	-	36	-
	<u>306</u>	<u>201</u>	<u>62</u>	<u>19</u>

Remuneration of other auditors of subsidiaries for:

Auditing or reviewing the financial report of subsidiaries	84	35	-	-
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7. DIVIDENDS**(a) Dividends paid during the year** ^[1]

Pre-IPO dividends paid to founding shareholders

Prior year final dividend paid	2,000	1,200	2,000	1,200
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Post-IPO dividends

2003 interim dividend of 3c per share	3,485	-	3,485	-
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Dividends paid as per Statement of Cash Flows

	<u>5,485</u>	<u>1,200</u>	<u>5,485</u>	<u>1,200</u>
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(b) Dividends not recognised at year-end

In addition to the above dividends, since year-end the Directors have recommended the payment of a final dividend of 5.5 cents per share for 2003. The aggregate amount of the proposed dividend expected to be paid on 31 October 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year-end, is^[1]

	<u>6,389</u>	<u>-</u>	<u>6,389</u>	<u>-</u>
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(c) Dividend franking account ^[2]

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years

	<u>44,299</u>	<u>35,055</u>	<u>194</u>	<u>223</u>
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^[1] All dividends franked to 100% at 30% corporate tax rate.

^[2] As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000

8. EARNINGS PER SHARE

	2003 Actual	2003 Notional ^[1]
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(a) Reconciliation of Earnings to Net Profit

Net profit after tax attributable to members of Salmat Limited	16,493	16,493
Adjustments to net profit for the purpose of calculating EPS	-	-
Earnings used in the calculation of basic EPS	16,493	16,493

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

	Quantity '000	Quantity '000
Weighted average number of shares on issue used to calculate basic EPS	109,530	116,158
Effect of dilutive securities - weighted average number of options outstanding ^[2]	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	109,530	116,158

Prior year balances have not been disclosed. Due to the substantially different shareholdings in the company before and after the IPO, comparisons to the prior year are not meaningful.

^[1] To provide meaningful EPS values, the EPS calculation uses the level of average number of ordinary shares on issue subsequent to the IPO process (November 2002) as the denominator of the EPS calculation. The numerator includes full year earnings.

^[2] Refer to note 1(s)

9. CASH

Cash on hand	32	34	13	20	-
Cash at bank	32	17,791	14,453	12,802	14,439
Total Cash		17,825	14,466	12,822	14,439

10. RECEIVABLES

Current

Trade debtors	32,590	28,584	-	-
Less: allowance for doubtful debts	(900)	(1,337)	-	-
	31,690	27,247	-	-
Other debtors	238	928	-	-
Total Current Receivables	31,928	28,175	-	-

Non-Current

Loans – related entity	4,875	4,469	-	-
Less: allowance for non recoverable loans	(4,668)	(1,880)	-	-
Total Non-Current Receivables	207	2,589	-	-

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP		SALMAT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

11. INVENTORIES

Raw materials	2,122	1,670	-	-
Work in progress	1,173	290	-	-
Total Inventories	3,295	1,960	-	-

12. OTHER ASSETS

Current

Prepayments	1,827	1,466	-	-
Recoverable deposits	336	134	-	-
Total Other Assets	2,163	1,600	-	-

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Unlisted associated entities

Equity accounted investments	-	1,169	-	-
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(b) Interests are held in the following associated companies

Name and Principal Activities	Ownership Interest		Economic Entity Carrying Amount Of Investment	
	2003	2002	2003	2002
	%	%	\$'000s	\$'000s
Salmat Philippines Corporation – Document Management ^[1] (Formerly Jardine Salmat Corporation)	100	50	-	1,169
Salmat Asia Limited – Document Management ^[1] (Formerly Jardine Salmat Limited)	100	50	-	-
Contact World – Call Centre Operation (balance date 31 December)	49	49	-	-
Billserv Australia Pty Ltd – Electronic Bill Presentation ^[2]	100	50	-	-
Balance per note 13(a)			-	1,169

^[1] With effect from 1 July 2002, the Salmat group acquired 100% of Jardine Salmat Corporation and Jardine Salmat Ltd. In consideration for the remaining 50% interest in the above entities, Jardine Matheson Corporation acquired a 4% shareholding in Salmat Limited. The equity accounted values of these businesses carried forward from 2002 forms part of the current year investment (wholly-owned) in these businesses.

^[2] Effective 30 June 2003, the Salmat group acquired 100% of Billserv Australia Pty Ltd.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP**2003** 2002
\$'000 \$'000**SALMAT ENTITY****2003** 2002
\$'000 \$'000**13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)****(c) Movement in equity accounted investment in associated companies**

At beginning of financial year	1,169	2,765	-	-
Add: share of associated companies net (losses) after income tax	-	(765)	-	-
Less: dividend revenue from associated companies	-	(831)	-	-
Less: acquisition of Jardine group of companies	(1,169)	-	-	-
Value of equity accounted investments	-	1,169	-	-

(d) Summarised presentation of assets, liabilities and profit and loss of Jardine Salmat Corporation^[1]Current assets

Cash	-	2,667	-	-
Receivables	-	1,196	-	-
Total current assets	-	3,863	-	-

Non-current assets

Property, plant and equipment	-	481	-	-
Total assets	-	4,344	-	-

Current liabilities

Accounts payable	-	1,912	-	-
Provisions	-	1,611	-	-
Total current liabilities	-	3,523	-	-

Non-current liabilities

Borrowings	-	41	-	-
Total liabilities	-	3,564	-	-
Net assets	-	780	-	-

Equity

Share capital	-	190	-	-
Retained profits	-	590	-	-
Total equity	-	780	-	-

^[1] In 2002, Jardine Salmat Corporation was the only equity investment with positive net assets. All other investments had been reduced to \$Nil, and as such the assets and liabilities of Salmat's share of these associates are not disclosed.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP

2003 2002
\$'000 \$'000

SALMAT ENTITY

2003 2002
\$'000 \$'000

14. OTHER FINANCIAL ASSETS

Non-Current

Unlisted shares in:

Controlled entities at cost	-	-	34,233	34,233
Other listed corporations – at cost	198	180	-	-
Less: provision for diminution	(180)	(180)	-	-
	18	-	-	-
Total Other Financial Assets	18	-	34,233	34,233

15. INVESTMENTS IN CONTROLLED ENTITIES ^[1]

	Country of Incorporation	Ownership Interest %	
Salmat Document Management Solutions Pty Limited*	Australia	100	100
Billserv Australia Pty Limited	Australia	100	50
Salmat Data Solutions Pty Limited*	Australia	100	100
Salmat Spending Patterns Pty Limited	Australia	100	100
Salmat.Com.Au Pty Limited	Australia	100	100
Monteson Holdings Pty Limited	Australia	100	100
Salmat Letterbox Delivery Services Pty Limited*	Australia	100	100
Salmat Teleservices Pty Limited	Australia	100	100
Pardrive Pty Limited	Australia	100	100
The Online Mail Exchange Pty Limited	Australia	100	100
Online Bill View Services Pty Limited	Australia	100	100
Salmat International Pty Limited* (formerly Salmat Pty Limited)	Australia	100	100
Deltarg Distribution Systems Limited	New Zealand	100	100
Salmat Asia Limited (formerly Jardine Salmat Limited)	Hong Kong	100	50
Salmat Mauritius Limited	Mauritius	100	50
Salmat Asia Pacific Pte Limited	Singapore	100	100
Salmat Philippines Corporation (formerly Jardine Salmat Corporation)	The Philippines	100	50
Salmat (China) Limited	Hong Kong	100	100

^[1] All shareholdings represent a 100% ownership in the ordinary shares of the entity. No further class of shares exist.

* Pursuant to class order 98/1418, relief has been granted to Salmat Limited from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial reports for the designated Australian incorporated companies. As a condition of the class order, Salmat Limited entered into a Deed of Cross Guarantee on 11 April 2003. The effect of the deed is that Salmat Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity. The controlled entities have also given a similar guarantee in the event that Salmat Limited is wound up. Refer note 34 for full particulars of the deed of cross guarantee.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

	SALMAT GROUP		SALMAT ENTITY	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
16. PROPERTY, PLANT & EQUIPMENT				
Freehold land – at deemed cost	4,350	4,350	-	-
Buildings - at deemed cost	6,252	6,252	-	-
Less: accumulated depreciation	(454)	(298)	-	-
	5,798	5,954	-	-
Leasehold improvements - at cost	40	40	-	-
Less: accumulated depreciation	(10)	(6)	-	-
	30	34	-	-
Plant and equipment - at cost	82,640	46,477	-	-
Less: accumulated depreciation	(56,226)	(37,368)	-	-
	26,414	9,109	-	-
Leased plant and equipment – at cost	-	32,279	-	-
Less: accumulated amortisation	-	(15,823)	-	-
	-	16,456	-	-
Total Property, Plant & Equipment	36,592	35,903	-	-

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year, is set out below:

SALMAT GROUP

	Land	Buildings	Leasehold Imp's	Plant & Equip't	Leased Plant & Equip't	Total Property, Plant & Equipment
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the beginning of the financial year	4,350	5,954	34	9,109	16,456	35,903
Impact of operation acquisition	-	-	-	3,116	-	3,116
Additions	-	-	-	10,008	1,071	11,079
Transfers	-	-	-	12,407	(12,407)	-
Disposals	-	-	-	(892)	-	(892)
Depreciation/Amortisation expense	-	(156)	(4)	(7,089)	(5,120)	(12,369)
Net foreign currency difference arising on translation of financial statements of self-sustaining foreign operations	-	-	-	(245)	-	(245)
Balance at the end of the financial year	4,350	5,798	30	26,414	-	36,592

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP**2003** 2002
\$'000 \$'000**SALMAT ENTITY****2003** 2002
\$'000 \$'000**17. DEFERRED TAX ASSETS****Non-Current**

Future income tax benefit – timing differences	5,083	3,178	600	522
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18. INTANGIBLE ASSETS**Non-Current**

Goodwill – at cost	40,468	29,054	-	-
Less: accumulated amortisation	(13,375)	(11,196)	-	-
	<u>27,093</u>	<u>17,858</u>	-	-

Other intangibles – at cost	1,118	-	-	-
Less: accumulated amortisation	(65)	-	-	-
	<u>1,053</u>	<u>-</u>	<u>-</u>	<u>-</u>

Total Intangible Assets	<u>28,146</u>	<u>17,858</u>	<u>-</u>	<u>-</u>
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19. PAYABLES**Current**

Trade creditors	20,731	13,128	9,155	7,933
Other creditors and accruals	13,987	15,271	-	311
Total Current Payables	<u>34,718</u>	<u>28,399</u>	<u>9,155</u>	<u>8,244</u>

Non-Current

Loans – related entity	-	-	5,865	17,519
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20. INTEREST BEARING LIABILITIES**Current**

Unsecured bank overdraft	-	111	-	-
Secured Loan facility borrowings				
Lease liabilities ^[2]	-	9,426	-	-
Loans – other	-	20,390	-	-
Loans – related parties	-	352	-	20,492
Total Current Interest Bearing Liabilities	<u>-</u>	<u>30,279</u>	<u>-</u>	<u>20,492</u>

Non-Current

Bank bills	-	1,500	-	-
Secured loan facility borrowings				
Other loans ^[1]	1,730	-	-	-
Lease liabilities ^[2]	-	5,456	-	-
Total Non-Current Interest Bearing Liabilities	<u>1,730</u>	<u>6,956</u>	<u>-</u>	<u>-</u>

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000

20. INTEREST BEARING LIABILITIES (continued)**Total borrowing facilities available at balance date:**

Unsecured bank overdraft ^[1]		5,000	1,802	5,000	1,500
Unsecured Loan facility ^[1]		50,000	9,335	50,000	3,135
Guarantee facilities ^[1]		30,000	12,548	30,000	12,548
		<u>85,000</u>	<u>23,685</u>	<u>85,000</u>	<u>17,183</u>

Borrowing facilities utilised at balance date:

Unsecured bank overdraft	32	-	111	-	-
Guarantee facilities		17,783	12,548	16,053	12,548
		<u>17,783</u>	<u>12,659</u>	<u>16,053</u>	<u>12,548</u>

Borrowing facilities unutilised at balance date:

Unsecured bank overdraft		5,000	1,691	5,000	1,500
Unsecured Loan facility		50,000	9,335	50,000	3,135
Guarantee facilities		12,217	-	13,947	-
		<u>67,217</u>	<u>11,026</u>	<u>68,947</u>	<u>4,635</u>

^[1] A loan facility (comprising overdraft, revolving bill facility and guarantee facility) was concluded during the year between Salmat Limited and the company's Australian bankers. This facility is secured by a deed of negative pledge and guarantee over the assets of certain group companies. The Directors' have no reason to believe that such facilities will not be extended or replaced with similar facilities at the end of the current three-year agreement.

^[2] Lease liabilities are secured by a charge over the leased assets.

21. TAX LIABILITIES**Current**

Provision for income tax		6,208	1,160	42	71
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Non-Current

Provision for deferred income tax		428	642	-	-
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SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

22. PROVISIONS

Current

Dividends ^[1]		-	2,000	-	2,000
Employee benefits		5,002	4,161	954	793
Total Current Provisions		5,002	6,161	954	2,793

Non-Current

Employee benefits		2,927	2,339	1,046	948
Other		1,023	-	-	-
Total Non-Current Provisions		3,950	2,339	1,046	948

^[1] Refer to note 31 for current year dividend.

Movements in Provisions

(a) Dividends

Balance at the beginning of the financial year		2,000	-	2,000	-
Provided during the year		3,485	2,000	3,485	2000
Dividends paid during the year		(5,485)	-	(5,485)	-
Balance at the end of the financial year		-	2,000	-	2,000

(b) Other

Balance at the beginning of the financial year		-	-	-	-
Movements during the year		1,023	-	-	-
Balance at the end of the financial year		1,023	-	-	-

23. CONTRIBUTED EQUITY

Fully paid ordinary shares		30,637	-	30,637	-
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Fully paid ordinary shares carry one vote per share and carry the right to dividends

	2003		2002	
	\$'000	Qty	\$'000	Qty
Movement in ordinary shares on issue				
Balance at the beginning of the financial year	-	100	-	100
Issued to founding shareholders	-	9,500	-	-
Issued to Jardine Matheson Corporation in consideration for acquisition of 50% interest in Jardine Salmat Limited and Jardine Salmat Corporation	10,000	400	-	-
Share split (10,055 for 1)	-	100,540,000	-	-
Issued during the year pursuant to the Salmat Limited prospectus dated 18 October 2003	25,000	13,157,895	-	-
Transaction costs relating to share issues	(4,363)	-	-	-
Issued under Employee Share Plan		28	-	-
Balance at the end of the financial year	30,637	116,157,895	-	100

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP		SALMAT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

23. CONTRIBUTED EQUITY (continued)

Share Options

During the financial year, 2.8m options were granted in three equal tranches with terms as follows:

Tranche	Exercise Price	1 st Exercise Date
1	\$2.10	18 October 2004
2	\$2.30	18 October 2005
3	\$2.50	18 October 2006

The options granted are exercisable on or before 18 October 2007. Refer Note 28(c) for more details.

24. RESERVES

Asset revaluation	4,118	4,118	-	-
Foreign currency translation	(1,223)	-	-	-
Total Reserves	2,895	4,118	-	-

(a) Asset revaluation reserve

Balance at the beginning of the financial year	4,118	4,118	-	-
Movements during the year	-	-	-	-
Balance at the end of the financial year	4,118	4,118	-	-

Amounts relate to revaluation of freehold land and buildings prior to the adoption of AASB 1041 "Revaluation of Non-Current Assets". These amounts will be transferred to retained earnings on disposal of the revalued freehold land and buildings

(b) Foreign currency translation reserve

Balance at the beginning of the financial year	-	-	-	-
Exchange rate differences on translation of controlled entities	(1,223)	-	-	-
Balance at the end of the financial year	(1,223)	-	-	-

Exchange differences relating to the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1.

(c) Capital profits reserve

Opening balance	-	335	-	335
Movements during the year	-	(335)	-	(335)
Balance at the end of the financial year	-	-	-	-

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
25. RETAINED PROFITS					
Balance at the beginning of the financial year		26,844	26,111	(873)	(1,391)
Net profits attributable to members of the parent entity		16,493	3,598	4,346	3,383
Transfers from reserves		-	335	-	335
Adjustment to opening retained earnings on initial adoption of revised AASB 1028 "Employee Benefits" (per Note 1)		(163)	-	(32)	-
Dividends provided for or paid		(3,485)	(3,200)	(3,485)	(3,200)
Balance at the end of the financial year		39,689	26,844	(44)	(873)

26. AGGREGATE EMPLOYEE BENEFITS

Aggregate liability for employee benefits, including on-costs, recognised and included in the financial statements:

Provision for employee benefits	22				
Current		5,002	4,161	954	793
Non-current		2,927	2,339	1,046	948
		7,929	6,500	2,000	1,741
Accrued wages and salaries, bonus and on-cost*		2,223	1,535	-	-
Aggregate liability for employee benefits		10,152	8,035	2,000	1,741

* Accrued wages & salaries are included in the current trade payables balance as disclosed in note 19 of this financial report

Employees

FTE Headcount		2,026	1,550	154	148
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27. SUPERANNUATION

The consolidated entity contributes to a number of superannuation funds of the accumulating benefit type for which no actuarial assessments have been made and which were established to provide benefits for employees and their dependents on retirement, resignation, disablement or death. The funds include company sponsored funds and multi-employer industry funds. Benefits are provided in the form of lump sum payments subject to applicable preservation rules. The consolidated entity contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis.

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

SALMAT GROUP		SALMAT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

28. EMPLOYEE OWNERSHIP PLANS

As part of the initial public offering, the company provided management and employees with the following opportunities to participate in the ownership of the company. Each of these was disclosed in the IPO prospectus.

(a) 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. An initial offer was made by Salmat to qualifying employees on the basis that the company will match (at no cost to the employee) the contribution made by an employee, such contributions being limited to a maximum of \$500 each.

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

	Qty
	'000
Balance at the beginning of the year	-
Acquired by employees at IPO (issue price \$1.90)	139
Employees who have left the company	(17)
Balance at the end of the year	<u>122</u>

(b) 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.

	Qty
	'000
Balance at the beginning of the year	-
Granted to employees at IPO (issue price \$1.90)	2,450
Acquired by employees	147
Employees who have left the company	(55)
Balance at the end of the year	<u>2,542</u>

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

SALMAT GROUP		SALMAT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

28. EMPLOYEE OWNERSHIP PLANS (continued)**(c) Executive Performance Option Plan**

The Salmat Executive Performance Option Plan allows the company to grant options over shares to key executives. The Board may offer options 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 options is an amount equal to the exercise price, but payment is deferred until the options are exercised. Options may generally not be transferred. Quotation of options on ASX will not be sought. However, the company will apply for official quotation of shares issued on the exercise of options. Shares issued on the exercise of options will rank equally with other shares of the company.

The exercise price applicable to the option shall, at the discretion of the Directors, be determined by reference to:

- In the case of options issued prior to the company being listed on ASX, the price at which Shares are offered under this Prospectus; or
- In other cases, the weighted average market price of Shares during the five trading days up to and including the date of grant of the option or such other date or period as the Board considers appropriate.

An option 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 option 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.

Share options do not carry any voting rights or the right to dividends.

	2003	
	Number of Options	Weighted average exercise price
	'000	
Balance at the beginning of the year	-	-
Granted	2,820	\$2.30
Employees who have left the company (forfeited)	(5)	-
Balance at the end of the year	<u>2,815</u>	<u>\$2.30</u>

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
29. COMMITMENTS FOR EXPENDITURE					
(a) Contracted capital expenditure					
Estimated aggregate amount of contracts for purchase of plant and equipment not provided for in the accounts					
not later than 1 year		3,410	4,169	1,809	-
		<u>3,410</u>	<u>4,169</u>	<u>1,809</u>	<u>-</u>
(b) Non-cancellable operating leases					
Minimum lease payments					
not later than 1 year		5,589	4,910	382	-
later than 1 year but not later than 5 years		15,983	14,663	1,296	-
later than 5 years		1,879	4,842	-	-
		<u>23,451</u>	<u>24,415</u>	<u>1,678</u>	<u>-</u>
Aggregate expenditure commitments comprise:					
Amounts provided for					
surplus lease space (current)	19	509	581	-	-
Amounts not provided for					
rental commitments		22,942	23,834	1,678	-
		<u>23,451</u>	<u>24,415</u>	<u>1,678</u>	<u>-</u>
(c) Finance leases					
Commitments under finance leases are payable					
not later than 1 year		-	10,188	-	-
later than 1 year but not later than 5 years		-	5,705	-	-
			<u>15,893</u>		
Less: future finance charges		-	(1,011)	-	-
		<u>-</u>	<u>14,882</u>	<u>-</u>	<u>-</u>
Lease liabilities provided for in the financial statements					
Current liability	20	-	9,426	-	-
Non-current liability	20	-	5,456	-	-
Total Finance Lease Liabilities		<u>-</u>	<u>14,882</u>	<u>-</u>	<u>-</u>

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

SALMAT GROUP**2003** 2002
\$'000 \$'000**SALMAT ENTITY****2003** 2002
\$'000 \$'000**30. CONTINGENT LIABILITIES****Deed of Cross Guarantee**

Refer to Note 34 for full particulars of the Deed of Cross Guarantee.

Legal Proceedings

Salmat Document Management Solutions Pty Ltd (SDMS) has been charged in the Western Australia court of Petty Sessions with fraud under section 83(1) of the Proceeds of Crime Act (Cth) 1987 against the Australian Postal Commission with respect to lodgements of mail of an SDMS customer in Western Australia between January 1995 and September 1998. It is alleged that the financial loss to the Australian Postal Commission was \$281,107. SDMS denies any wrongdoing and will defend the charges vigorously.

Joint Venture Agreement

Upon signing the new Joint Venture agreement on 30 June 2003 with Service Zone Inc, Salmat were required to advance \$0.9m to Contact World. Further advances of \$1.48m will be contributed by Salmat to match the advances of Service Zone.

31. EVENTS SUBSEQUENT TO BALANCE DATE

On 1 September 2003, the Directors declared a final dividend for 2003 of 5.5 cents per ordinary share (amounting to \$6.4m) franked to 100% at 30% corporate tax rate. A record date of 1 October 2003 has been set with the dividend due to be paid on 31 October 2003.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

	Note	SALMAT GROUP		SALMAT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
32. CASH FLOW INFORMATION					
(a) Reconciliation of cash					
Cash on hand	9	34	13	20	-
Cash at bank	9	17,791	14,453	12,802	14,439
Bank overdraft	20	-	(111)	-	-
Cash held at the end of the financial year		17,825	14,355	12,822	14,439
(b) Reconciliation of net cash flow from operating activities to net profit					
Profit from ordinary activities after income tax		16,493	3,598	4,346	3,383
Non-cash flows in profit from ordinary activities:					
Amortisation of intangibles		2,459	4,411	-	-
Amortisation of leased assets		5,120	8,848	-	-
Depreciation		7,249	3,706	-	-
Write-off of investment		-	1	-	-
Equity accounting adjustment – withholding tax		555	-	-	-
Unrealised foreign exchange movements		311	1	-	-
Adjustment to opening balance of employee entitlements to incorporate changes to AASB1028 "Employee Benefits"		(163)	-	(32)	-
Provision for non-recoverable loans		2,788	1,880	-	-
Share of associated companies operating profit after tax		-	1,596	-	-
(Profit) on sale of plant and equipment		(484)	(247)	-	-
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries:					
(Increase)/decrease in current receivables		(3,011)	446	-	-
(Increase)/decrease in other current assets		(563)	195	-	-
(Increase)/decrease in inventories		(1,335)	484	-	-
(Decrease) in creditors - related entities		-	-	-	(1,271)
Increase in creditors and accrued expenses		6,318	3,819	1,232	2,267
Increase in employee entitlements		1,592	273	193	65
(Increase)/decrease in net timing differences		(1,702)	(318)	78	(20)
Increase/(decrease) in provision for income tax		4,631	511	(29)	7
Exchange rate changes on opening cash balances		(1,081)	-	-	-
Cash flows from operations		39,177	29,204	5,788	4,431

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

SALMAT GROUP**2003** 2002
\$'000 \$'000**SALMAT ENTITY****2003** 2002
\$'000 \$'000

(c) Acquisition of Entities

During the year 50% of previously associated entities Jardine Salmat Limited and Jardine Salmat Corporation were acquired.

Details of this transaction are:

Purchase consideration	10,084	-	-	-
Cash consideration	-	-	-	-
Equity consideration	10,084	-	-	-
Cash outflow	-	-	-	-

Assets and liabilities held at acquisition date:

Cash	3,959	-	-	-
Receivables	5,493	-	-	-
Inventories	219	-	-	-
Plant and equipment	2,927	-	-	-
Liabilities	(14,143)	-	-	-
	(1,545)	-	-	-
Goodwill on consolidation	11,629	-	-	-
	10,084	-	-	-

(d) Acquisition of Entities

During the year 50% of a previously associated entity, Billserv Australia Pty Limited, was acquired.

Details of this transaction are:

Purchase consideration	-	-	-	-
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Assets and liabilities held at acquisition date:

Cash	10	-	-	-
Receivables	85	-	-	-
Liabilities	(125)	-	-	-
	(30)	-	-	-

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

33. RELATED PARTY TRANSACTIONS

Directors of the chief entity

Details of Directors in office at the end of the financial year and the beneficial interest of each Director in the contributed equity of the company at that date are as follows:

	Ordinary Shares		Share Options	
	2003 Qty	2002 Qty ^[1]	2003 Qty	2002 Qty
Richard Lee	262,000	-	-	-
Philip Salter	34,935,338	48,264,000	500,000	-
Peter Mattick	34,288,238	48,264,000	500,000	-
Robert Sutton	91,000	-	-	-

^[1] These share quantities have been adjusted for the share movements in note 23.

Details of Directors' remuneration received, or due and receivable, during the financial year is set out in Note 5.

The following dealings between the group and Directors and Director-related entities were made in the ordinary course of business on normal commercial terms and conditions:

Philip Salter or related entities acquired motor vehicles that were previously owned by the group. The transaction value was \$118,000.

Director-related entities of Philip Salter received loan repayments from the group of \$51,090 during the year. There are no loans outstanding at the end of the financial year from Mr Salter or any Director-related entity.

Director-related entities of Philip Salter received repayment of loans previously advanced to the group of \$250,000 during the year. There are no loans outstanding at the end of the financial year from the group to Mr Salter or any Director-related entity.

Philip Salter and related entities disposed of 13,421,053 shares in the company as part of the Initial Public Offering in December 2002. The transaction value was \$25.5m.

Peter Mattick or related entities acquired motor vehicles that were previously owned by the group. The transaction value was \$115,800.

Director-related entities of Peter Mattick provided printing services to the group of \$1,852,872 (2002: \$2,262,741) and automotive services of \$118,628.

Director-related entities of Peter Mattick received loan repayments from the group of \$51,090 during the year. There are no loans outstanding at the end of the financial year from Mr Mattick or any Director-related entity.

Director-related entities of Peter Mattick and Philip Salter provided conference and accommodation facilities to the group. The value of the transaction was \$11,752.

Peter Mattick and related entities disposed of 13,421,053 shares in the company as part of the Initial Public Offering in December 2002. The transaction value was \$25.5m.

Robert Sutton is Chairman in Australia of the Jardine Matheson Group. Salmat paid brokerage fees to Jardine Lloyd Thompson of \$66,000 (2002: \$55,440). Salmat provided call centre services to Colliers International to the value of \$341,735.

The Salmat group acquired a further 50% investment in two overseas entities (which operate in the Philippines, Hong Kong and Taiwan) from the Jardine Matheson Group (a Director-related entity of Robert Sutton) in consideration for a 4% shareholding in Salmat Limited. This was diluted to 3.5% after the ASX listing. Refer to note 32 for further details.

Controlled entities

During the year the company advanced and repaid loans, sold and purchased services and provided accounting and administrative assistance to related entities and its wholly owned controlled entities. All transactions with related entities and with wholly owned controlled entities are made on commercial terms and conditions, except for loans that are non-interest bearing. Refer to note 15 for further details.

The amount of management fees and dividends between the chief entity and controlled entities are included at Note 2.

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

34. DEED OF CROSS GUARANTEE

Salmat Limited and certain controlled entities as indicated in note 15 have entered into a Deed of Cross Guarantee which provides that all parties to the Deed will guarantee to each creditor, payment in full of any debt of each company participating in the Deed on winding up of that company. In addition, as a result of Class Order 98/1418 issued by the Australian Securities and Investments commission, the controlled entities (other than Salmat Limited) are relieved from the requirement to prepare financial statements.

Statements of Financial Position for the closed group	\$'000
CURRENT ASSETS	
Cash assets	12,831
Receivables	22,914
Inventories	3,111
Other	1,677
Total current assets	40,533
NON-CURRENT ASSETS	
Receivables	40,723
Property, plant and equipment	33,705
Deferred tax assets	4,317
Intangible assets	16,972
Total non-current assets	95,717
TOTAL ASSETS	136,250
CURRENT LIABILITIES	
Payables	29,906
Current tax liabilities	5,889
Provisions	4,265
Total current liabilities	40,060
NON-CURRENT LIABILITIES	
Deferred tax liabilities	428
Provisions	3,956
Total non-current liabilities	4,384
TOTAL LIABILITIES	44,444
NET ASSETS	91,806
EQUITY	
Contributed equity	30,634
Reserves	3,903
Retained profits	57,269
TOTAL EQUITY	91,806

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

34. DEED OF CROSS GUARANTEE (Continued)

Statements of Financial Performance for the closed group	\$'000
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	28,385
Income tax expense relating to ordinary activities	(8,585)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE CLOSED GROUP	19,800
Retained profits at the beginning of the financial year	41,117
Dividends provided for or paid	(3,485)
Decrease in retained profits on adoption of new Accounting Standard	(163)
Retained profits at the end of the financial year	57,269

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

35. FINANCIAL INSTRUMENTS**(a) Interest rate risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Note	Weighted Average Interest Rate	Floating interest rate \$'000	Fixed Interest maturing in:		Non- Interest Bearing \$'000	Total \$'000
				Less than 1 year \$'000	1 to 5 Years \$'000		
2003							
Financial Assets							
Cash	9	4.57	17,825	-	-	-	17,825
Trade debtors (net) & other debtors	10	-	-	-	-	31,928	31,928
Recoverable deposits	12	-	-	-	-	336	336
Amounts owing by related entities	10	-	-	-	-	207	207
Total financial assets			17,825	-	-	32,471	50,296
Financial Liabilities							
Bank loans and overdrafts – secured	20	4.51	1,730	-	-	-	1,730
Trade creditors & other creditors	19	-	-	34,718	-	-	34,718
Total financial liabilities	-	-	1,730	34,718	-	-	36,448
2002							
Financial Assets							
Cash	9	4.47	14,466	-	-	-	14,466
Trade debtors (net) & other debtors	10	-	-	-	-	28,175	28,175
Recoverable deposits	12	-	-	-	-	134	134
Amounts owing by related entities	10	-	-	-	-	2,589	2,589
Total financial assets			14,466	-	-	30,898	45,364
Financial Liabilities							
Bank loans and overdrafts – unsecured	20	6.35	1,611	-	-	-	1,611
Trade creditors & other creditors	19	-	-	28,399	-	-	28,399
Amounts owing to - related parties	20	-	-	-	-	352	352
- other parties	20	-	-	20,390	-	-	20,390
Lease liabilities	20	7.96	-	9,426	5,456	-	14,882
Total financial liabilities			1,611	58,215	5,456	352	65,634

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**

For the year ended 30 June 2003

35. FINANCIAL INSTRUMENTS (Continued)**(b) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net fair values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

(d) Hedge contracts

In June 1999 the parent entity entered an interest rate hedge contract to fix a wholesale rate cap of 6% on a loan of \$16 m due to a third party. The cost of the hedge contract was being amortised on a straight-line basis over the term of the contract that was settled during the current financial year.

SALMAT LIMITED and controlled entities

Notes to the Financial Statements

For the year ended 30 June 2003

36. SEGMENT INFORMATION

(a) Business Segments

The economic entity delivers its customer communications services to its clients through its Business Process Outsourcing and Customer Contact Solutions divisions as set out in the following table.

Business Process Outsourcing	Document Management and Data Solutions <ul style="list-style-type: none"> • Electronic digital printing • Mail processing and inserting • Data formatting and analysis • Archiving and retrieval of data • Data management and segmentation
Customer Contact Solutions	Customer Targeting and Delivery <ul style="list-style-type: none"> • Distribution of leaflets, brochures and catalogues • Demographic/socio-economic profiling and customer targeting • Database analysis Voice Services and Call Centre Operations <ul style="list-style-type: none"> • Inbound and outbound teleservices • Outsourced call centre operation

(b) Financial Performance by Business Segment

	Business Process Outsourcing	Customer Contact Solutions	Admin	Eliminations	Economic Entity Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2003					
REVENUE					
External sales	128,507	156,904	-	-	285,411
Other segments	3,530	626	-	(4,156)	-
Total Sales Revenue	132,037	157,530	-	(4,156)	285,411
Other revenue	453	555	215	-	1,223
Gross proceeds – sale of fixed assets	633	743	-	-	1,376
Total Revenue from Ordinary Activities	133,123	158,828	215	(4,156)	288,010
RESULTS					
Earnings before interest, tax and amortisation	16,482	21,084	(7,948)	-	29,618
Amortisation expense					(2,459)
Net interest expense					(756)
Tax					(9,910)
Profit after tax					16,493

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

36. SEGMENT INFORMATION (Continued)

	Business Process Outsourcing	Customer Contact Solutions	Admin	Eliminations	Economic Entity Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2002					
REVENUE					
External sales	109,759	135,886	-	-	245,645
Other segments	1,720	6,378	-	(8,098)	-
Total Sales Revenue	111,479	142,264	-	(8,098)	245,645
Other revenue	57	-	693	-	750
Gross proceeds – sale of fixed assets	1,623	267	337	-	2,227
Total Revenue from Ordinary Activities	113,159	142,531	1,030	(8,098)	248,622
RESULTS					
Earnings before interest, tax and amortisation	14,338	8,527	(7,663)	-	15,202
Amortisation expense					(4,411)
Net interest expense					(2,554)
Tax					(4,639)
Profit after tax					3,598

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

36. SEGMENT INFORMATION (Continued)**(c) Financial Position by Business Segment**

	Business Process Outsourcing	Customer Contact Solutions	Admin	Other^[1]	Economic Entity Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2003					
Segment Assets	53,992	19,549	46,633	5,083	125,257
Segment Liabilities	17,980	7,360	18,330	8,366	52,036
Net Segment Assets	36,012	12,159	28,303	(3,283)	73,221
Other segment information					
Acquisition of plant and equipment	3,156	1,775	6,148		11,079
Depreciation	7,186	2,176	3,007		12,369
Non-cash expenses other than depreciation and amortisation	(628)	2,548	440		2,360
2002					
Segment Assets	36,075	17,134	50,511	3,178	106,898
Segment Liabilities	10,822	6,079	19,998	39,037	75,936
Net-segment Assets	25,253	11,055	30,513	(35,859)	30,962
Other segment information					
Acquisition of plant and equipment	10,082	1,167	1,977		13,226
Depreciation	6,457	2,989	3,108		12,554
Non-cash expenses other than depreciation and amortisation	183	1,965	248		2,396

^[1] Assets and liabilities shown against each segment exclude future income tax benefits, tax provisions and assets and liabilities that relate to the group's financial activities.

SALMAT LIMITED and controlled entities**Notes to the Financial Statements**For the year ended 30 June 2003

36. SEGMENT INFORMATION (Continued)**(d) Financial Performance by Geographic Segment**

	Australia		New Zealand		Asia		Economic Entity Total	
	\$'000		\$'000		\$'000		\$'000	
	2003	2002	2003	2002	2003	2002	2003	2002
Segment Revenue	257,981	235,682	8,973	9,963	18,457	-	285,411	245,645

(e) Financial Position by Geographic Segment

	Australia		New Zealand		Asia		Economic Entity Total	
	\$'000		\$'000		\$'000		\$'000	
	2003	2002	2003	2002	2003	2002	2003	2002
Segment Assets	99,134	102,733	981	987	20,059	-	120,174	103,720
Other assets ^[1]							5,083	3,178
Total assets							125,257	106,898

Other segment information

Acquisition of plant and equipment	10,932	13,191	50	35	97	-	11,079	13,226
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^[1] Assets shown against each segment exclude future income tax benefits and assets that relate to the group's financial activities.

37. COMPANY DETAILS

The registered office and principal place of business of the company is

Salmat Limited
14-16 Chandos St
St Leonards NSW 2065

SALMAT LIMITED and controlled entities**APPENDIX 4E - COMPLIANCE STATEMENT**

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards applicable to the ASX.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on accounts to which one of the following applies.
- (Tick one)
- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | The financial statements have been audited. | <input type="checkbox"/> | The financial statements have been subject to review. |
| <input type="checkbox"/> | The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> | The financial statements have <i>not</i> yet been audited or reviewed. |
- 5 The entity has a formally constituted audit committee.

Stephen G Bardwell
Company Secretary

Date: 1st September, 2003