SALMAT LIMITED

Appendix 4E

Annual Financial Report
For the year ended 30 June 2004

Results for announcement to the market

Revenues from ordinary activities	**up**	**13.9%**	**to**	**$328.1m**
Profit from ordinary activities after tax attributable to members	**up**	**27.0%**	**to**	**$21.0m**
Net profit for the year attributable to members	**up**	**27.0%**	**to**	**$21.0m**

Dividends (distributions)	**Amount per Security**	**Franked amount per Security**
Final dividend	**7.0c**	**7.0c**
Interim dividend	5.0c	5.0c
Prior year - final dividend	5.5c	5.5c
Record date for determining entitlement to dividends		6-Sep-2004
Dividend payment date		1-Oct-2004

This report gives a true and fair view of the matters disclosed and is based upon accounts which have been audited.

Explanation of results

Refer to the attached media release for commentary on the results.

The information contained in this report is to be read in conjunction with any announcements made to the market by Salmat Limited during the year.

Salmat Limited
and its controlled entities
Annual Financial Report
For the year ended
30 June 2004

Contents

SALMAT LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	Salmat Group		Salmat Limited	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
Revenues from ordinary activities	**2**	**328,094**	**288,010**	**41,613**	**17,741**
Employee benefits expense		(116,263)	(101,473)	(17,342)	(12,960)
Depreciation and amortisation expense	3	(15,992)	(14,828)	(2,913)	-
Borrowing costs expense	3	(26)	(1,268)	(26)	(411)
Freight and distribution		(86,509)	(71,777)	-	-
Materials usage		(24,339)	(23,338)	-	-
Property related expenses		(10,971)	(11,422)	(1,515)	-
Equipment related expenses		(24,023)	(22,230)	(3,760)	-
Other expenses from ordinary activities		(18,576)	(15,271)	(7,626)	(30)
Profit from ordinary activities before income tax expense	**3**	**31,395**	**26,403**	**8,431**	**4,340**
Income tax (expense)/benefit relating to ordinary activities	4	(10,440)	(9,910)	3,171	6
Net profit attributable to members of the parent entity		**20,955**	**16,493**	**11,602**	**4,346**
Net exchange difference on translation of financial reports of self-sustaining foreign operations	25	(439)	(1,223)	(21)	-
Share issue costs	24	(159)	(4,363)	(159)	(4,363)
Decrease in retained profits on adoption of new Accounting Standard	26	-	(163)	-	(32)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(598)	(5,749)	(180)	(4,395)
Total changes in equity other than those resulting from transactions with owners as owners		**20,357**	**10,744**	**11,422**	**(49)**
Basic earnings per share (cents per share)	8	**18.0**	**15.1**		
Diluted earnings per share (cents per share)	8	**17.6**	**15.1**		
Notional earnings per share (cents per share)	8	**-**	14.2		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Salmat Group		Salmat Limited	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
Current assets					
Cash assets	10	16,229	17,825	12,950	12,822
Receivables	11	38,552	31,928	1,689	-
Inventories	12	3,260	3,295	-	-
Other	19	2,612	2,163	1,127	-
Total current assets		60,653	55,211	15,766	12,822
Non-current assets					
Receivables	11	2,386	207	4,796	-
Other financial assets	14	10	18	34,233	34,233
Property, plant and equipment	16	36,420	36,592	159	-
Deferred tax assets	17	5,949	5,083	5,624	600
Intangible assets	18	26,521	28,146	-	-
Total non-current assets		71,286	70,046	44,812	34,833
Total assets		131,939	125,257	60,578	47,655
Current liabilities					
Payables	20	32,164	34,718	11,482	9,155
Current tax liabilities	22	4,263	6,208	4,051	42
Provisions	23	5,162	5,002	1,051	954
Total current liabilities		41,589	45,928	16,584	10,151
Non-current liabilities					
Payables	20	1,605	-	12,835	5,865
Interest-bearing liabilities	21	2,072	1,730	-	-
Deferred tax liabilities	22	385	428	385	-
Provisions	23	4,907	3,950	956	1,046
Total non-current liabilities		8,969	6,108	14,176	6,911
Total liabilities		50,558	52,036	30,760	17,062
Net assets		81,381	73,221	29,818	30,593
Equity					
Contributed equity	24	30,478	30,637	30,478	30,637
Reserves	25	2,456	2,895	(21)	-
Retained profits	26	48,447	39,689	(639)	(44)
Total equity		81,381	73,221	29,818	30,593

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Note	Salmat Group		Salmat Limited	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
Cash flows from operating activities					
Receipts from customers *		459,358	422,947	20,856	14,256
Payments to suppliers and employees *		(417,564)	(374,990)	(24,834)	(11,542)
Dividends received		-	-	20,000	3,485
Interest received		723	512	716	-
Borrowing costs paid		(26)	(1,268)	(26)	(411)
Income tax paid		(15,078)	(8,024)	-	-
Net cash provided by operating activities	30a	27,413	39,177	16,712	5,788
Cash flows from investing activities					
Proceeds from sale of plant and equipment		295	1,376	41	-
Payment for plant and equipment		(10,924)	(8,763)	-	-
Loans to related entity		(4,271)	(3,405)	(4,269)	(6,557)
Acquisition of businesses	30d	(2,019)	-	-	-
Net cash used in investing activities		(16,919)	(10,792)	(4,228)	(6,557)
Cash flows from financing activities					
Proceeds from issue of shares		-	25,000	-	25,000
Float costs		-	(4,363)	(159)	(4,363)
Principal and residual payments under finance lease		-	(18,342)	-	-
Receipt/(repayment) of borrowings		340	(24,603)	-	(16,000)
Dividends paid by parent entity		(12,197)	(5,485)	(12,197)	(5,485)
Net cash (used in) financing activities		(11,857)	(27,793)	(12,356)	(848)
Net (decrease)/increase in cash held		**(1,363)**	**592**	**128**	**(1,617)**
Cash at 1 July 2003		17,825	14,355	12,822	14,439
Cash acquired with purchase of related entity		-	3,959	-	-
Effect of exchange rates on cash holdings in foreign currencies		(233)	(1,081)	-	-
Cash at 30 June 2004	10	16,229	17,825	12,950	12,822

** Includes amounts relating to postage disbursements.*

The accompanying notes form part of these financial statements.

Note 1 Statement of Significant Accounting Policies

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

This 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 accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounts of controlled entities are prepared for the same period as Salmat Limited. 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 2003 annual report.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. 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 is 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 controlled entities have entered or left the economic entity or left the economic entity during the year, their 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 is based on the profit from ordinary activities 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 a 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 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

Salmat Limited has formed a consolidated group for income tax purposes, effective on and from 1 July 2003, with each of its wholly owned Australian controlled entities. The entities within the group have entered a tax sharing agreement whereby Salmat Limited has agreed to compensate each of the wholly owned Australian controlled entities for the carrying value of their deferred tax balances as at 1 July 2003, and each controlled entity will compensate Salmat Limited for the amount of tax payable that would be calculated as if the controlled entity was a tax paying entity.

As a result of the formation of a consolidated group for tax purposes, the recoupment of certain tax losses, which have not previously been recognized as a future income tax benefit, is now regarded as virtually certain. Accordingly, a benefit relating to these losses, amounting to $1.41m, has been brought to account in the current period.

Salmat Limited will formally notify the Australian Taxation Office of its adoption of the tax consolidation regime at the time of lodgement of the 2004 tax return.

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.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any 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 these 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 their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building 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 depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	5.0% to 33.0%
Leased plant and equipment	5.0% to 40.0%

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**

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

i. **Intangibles**

Goodwill

Purchased goodwill and goodwill on consolidation are 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 tangible 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 are reviewed bi-annually. Any balance representing future benefits for which the realisation is considered to be no longer probable are written off. Where there is a change in the period of expected future benefit, amortisation rates are altered from the effective date of 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 year 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 at 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 directly to the foreign currency translation reserve.

k. **Employee Entitlements**

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 entitlements arising from wages and salaries and annual leave which 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 (long service leave) payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

The company operates an ownership-based remuneration scheme through the employee option plan and the employee share scheme, details of which are provided in note 32 to the financial statements. The value of the equity-based compensation scheme described in note 32 has not been recognised as an employee benefits expense in accordance with current accounting standards.

l. **Comparative Figures**

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

n. **Revenue**

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

When rendering services under contract and both the contract outcome can be reliably measured 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.

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 associates 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)**

Revenues and expenses are recognised net of the amount of GST.

Receivables and payables 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 prior 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 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.

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.

During the year, the company became aware of certain adjustments which were required to be made relating to the costs of the 2002 IPO. These were reflected as adjustments to the current year equity balance.

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.

t. **Adoption of Australian Equivalents to International Financial Reporting Standards**

The group is currently preparing for the introduction of International Financial Reporting Standards (IFRS). The first financial report to be compiled under IFRS will be the Half Yearly report for the six months to 31 December 2005. This will, however, require the production of financial data for comparative purposes for the six months to 31 December 2004.

The group's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the group's transition to IFRS. To date, the following works have been carried out:
— A review of each IFRS standard has been completed to determine if the implementation will impact the reported financial performance, financial position, or level of disclosures currently undertaken by the group.
— Where IFRS standards will impact the group, an assessment has been made of this impact.
— Where IFRS standards will impact the group, work plans have been developed to enable the group to arrive at the final adjustment amounts, incremental disclosure availability, and to implement of any necessary changes to group accounting processes prior to the commencement of IFRS on 1 July 2005.

The following outlines the key differences in accounting policies that are expected to arise from adopting IFRS, and the effect on the Salmat Group:

Share-based payments
Implementation of IFRS is expected to impact on retained earnings at 1 July 2005. Insignificant impact on reported earnings for 2005 and 2006 years.

As part of the Initial Public Offering of Salmat Limited shares (2 December 2002), plans were put in place (Deferred Employee Share Plan and Executive Performance Option Plan) whereby certain Directors' and Executives received shares and options. The impact of shares awarded was recorded against contributed equity. The impact of options has not been brought to account as no options have vested at balance date. Under IFRS, the cost attached to these awards of shares / options are to be expensed over the vesting period.

Business Combinations
The systematic amortisation of goodwill, which currently results in a charge being recorded annually against operating results, will not be recorded after 1 July 2005.

Under IFRS, intangible assets with indeterminate effective lives are no longer amortised, but are subject to an ongoing impairment assessment, with carrying values adjusted accordingly. The group's current practices of assessing impairment substantially comply with IFRS requirements, and as such no write-down in the value of goodwill is expected as a result of IFRS implementation.

Income Tax
IFRS is expected to impact retained earnings at 1 July 2005, with potentially new tax assets and liabilities to be recognised.

A comprehensive balance sheet focused approach to calculating tax expenses, assets and liabilities will be adopted. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its value in a tax-based balance sheet. It is expected that the implementation of IFRS in this area may require the group to carry higher levels of deferred tax assets and liabilities.

Property, Plant and Equipment
Implementation of IFRS is expected to impact on retained earnings at 1 July 2005 through a transfer of amounts currently held in asset revaluation reserves.

Land and buildings are currently valued at deemed cost. This treatment was adopted under AASB 1041 "Revaluation of Non-current Assets", which was applied from 30 June 1999. Deemed cost includes revaluation adjustments recorded prior to that time.

Post-employment benefits
Implementation of IFRS may lead to recognition of certain surpluses and / or deficits on retirement benefit schemes within the group's Asian operations. This is not expected to have a significant impact on retained earnings.

The Australian businesses within the group provide for the retirement of their employees through contributions to funds of an accumulation benefit type, which will not be impacted by IFRS. Certain Asian businesses provide for the retirement of their employees through defined benefit plans. The actuarial status of these plans is currently being reviewed. However, any adjustment in respect of these plans under IFRS is not expected to be material.

The effect of Changes in Foreign Exchange Rates
Implementation of IFRS is expected to impact on retained earnings at 1 July 2005 through a transfer of amounts currently held in foreign currency translation reserves. The implementation of IFRS will also reduce volatility of earnings after 1 July 2005 as gains and losses on consolidation of certain Asian businesses, which are currently included in operating earnings, will be recorded against reserves.

Currently the group translates foreign subsidiaries on consolidation under both the self-sustaining (adjustment to reserves) and integrated (adjustment to operating earnings) methods. To comply with IFRS, the balance of the foreign currency translation reserve will be adjusted against retained earnings at 1 July 2004. After that time, all adjustments on translation of overseas subsidiaries will be made against reserves.

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Note 2 Revenue				
Operating activities				
— service revenue	326,865	285,411	-	-
— dividends received, wholly-owned subsidiaries	-	-	20,000	3,485
— interest received, other persons	723	512	716	-
— other revenue	211	711	-	-
— management fees received	-	-	20,856	14,256
	327,799	286,634	41,572	17,741
Non-operating activities				
— proceeds on disposal of plant and equipment	295	1,376	41	-
	295	1,376	41	-
Total revenue	328,094	288,010	41,613	17,741

Note 3 Profit from Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

a. Expenses:				
Borrowing costs:				
— lease finance charges	-	707	-	-
— other persons	26	561	26	411
Total borrowing costs	26	1,268	26	411
Depreciation of non-current assets:				
— buildings	260	156	1	-
— plant and equipment	10,655	7,093	2,912	-
— leased plant and equipment	11	5,120	-	-
Total depreciation	10,926	12,369	2,913	-
Amortisation of non-current assets:				
— goodwill	4,865	2,394	-	-
— other	201	65	-	-
Total amortisation	5,066	2,459	-	-
Total depreciation and amortisation	15,992	14,828	2,913	-
Bad and doubtful debts:				
— trade debtors	417	(255)	-	-
Total bad and doubtful debts	417	(255)	-	-
Rental expense on operating leases				
— minimum lease payments	5,397	6,474	1,510	-
Provision for related party loans	2,306	2,788	2,468	-
Research and development costs	603	865	-	-
b. Net Gains/(Losses)				
Net gain on disposal of non-current assets:				
— plant and equipment	115	484	58	-
Foreign currency translation gains/(losses)	(23)	(311)	167	(13)
c. Significant Revenues and Expenses				
The following significant expense items are relevant in explaining the financial performance:				
Write-off of goodwill [1]	1,471	-	-	-

[1] *In accordance with AASB1013 "Accounting for Goodwill", a re-assessment of the carrying value and expected period of future benefits attached to certain goodwill amounts was made at 30 June 2004. As a result, the carrying value of goodwill on Salmat's Philippines BPO business has been reduced by $1,471,000. The future amortisation period on this business has been reduced from five years to three years.*

Note 4 Income Tax Expense

a. The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2003:30%)	9,419	7,921	2,529	1,302
Add:				
Tax effect of:				
— non-deductible amortisation	1,448	738	-	-
— other non-allowable items	222	178	64	-
— provision for non-recoverable loans	735	597	740	-
— withholding tax	118	289	-	-
Under provision for income tax in prior year	110	555	-	-
	12,052	10,278	3,333	1,302
Less:				
Tax effect of:				
— rebateable fully franked dividends	-	-	6,000	1,044
— research and development	-	91	-	-
— amortisation of float costs	271	264	271	264
— effect of lower tax rate applicable to foreign entities	(269)	(7)	-	-
— other	200	20	233	-
Recoupment of prior year tax losses not previously brought to account	1,410	-	-	-
Income tax expense/(benefit) attributable to profit from ordinary activities before income tax	10,440	9,910	(3,171)	(6)
Allocation of income tax expense to wholly-owned subsidiaries under the Tax Sharing Agreement	(13,611)	-		
Income tax attributable to parent entity	(3,171)	9,910		

Note 5 Directors' and Executives' Remuneration

a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors

Richard Lee	Non-Executive Chairman
Peter Mattick	Joint Managing Director
Philip Salter	Joint Managing Director
Robert Sutton	Non-Executive Director, deceased 10 June 2004
John Thorn	Non-Executive Director

Specified Executives

Stephen Bardwell	Company Secretary
David Besson	Divisional Director, Business Process Outsourcing
Peter Boyle	Divisional Director, Customer Contact Division
Ashley Fenton	Chief Financial Officer
Chris Meakins	Chief Technology Officer

b. Parent Entity Directors' Remuneration

2004	Salary $000	Bonus $000	Directors Fees $000	Super-annuation $000	**Total** $000	**Shares Issued** Qty	Amortised Cost $000	**No. of Options Issued** Qty
Richard Lee	-	-	95	9	104	-	16	-
Peter Mattick	440	250	-	85	775	-	-	-
Philip Salter	475	250	-	50	775	-	-	-
Robert Sutton	-	-	60	5	65	-	15	-
John Thorn	-	-	50	5	55	-	-	-
	915	500	205	154	1,774	-	31	-

2003	Salary $000	Bonus $000	Directors Fees $000	Super-annuation $000	Total $000	Shares Issued * Qty	Amortised Cost $000	No. of Options Issued Qty
Richard Lee	-	-	96	9	105	25,000	9	-
Peter Mattick	440	200	-	85	725	-	-	500,000
Philip Salter	475	200	-	50	725	-	-	500,000
Robert Sutton	-	-	39	3	42	25,000	9	-
John Thorn	-	-	-	-	-	-	-	-
	915	400	135	147	1,597	50,000	18	1,000,000

** Shares were valued at the IPO issue price. The value is amortised over the service period of the Salmat Exempt Employee Share Plan (refer note 32). Amortisation is included for disclosure purposes only. It is not included in the Statement of Financial Performance as it does not result in a cost to Salmat Limited.*

c. Specified Executives' Remuneration

2004	Salary $000	Bonus $000	Non-Cash Benefits $000	Super-annuation $000	**Total** $000	**Shares Issued** Qty	Cost $000	**No. of Options Issued** Qty
Stephen Bardwell	194	40	36	42	312	-	-	-
David Besson	210	140	75	35	460	-	-	-
Peter Boyle	240	130	55	25	450	-	-	-
Ashley Fenton	232	70	38	20	360	-	-	-
Chris Meakins	178	40	44	50	312	-	-	-
	1,054	420	248	172	1,894	-	-	-

2003	Salary $000	Bonus $000	Non-Cash Benefits $000	Super-annuation $000	Total $000	Shares Issued * Qty	Cost $000	No. of Options Issued Qty
Stephen Bardwell	206	40	29	25	300	317,632	604	125,000
David Besson	179	100	80	35	394	740,527	1,407	250,000
Peter Boyle	214	120	55	25	414	740,527	1,407	250,000
Ashley Fenton	198	93	38	24	353	-	-	250,000
Chris Meakins	166	40	44	50	300	-	-	125,000
	963	393	246	159	1,761	1,798,686	3,418	1,000,000

Non-cash benefits include the provision of motor vehicles.

** The cost associated with the share issue in 2003 is included for disclosure purposes only. It is not included in the Statement of Financial Performance as it does not result in a cost to Salmat Limited.*

d. Options

Number of Options held by Specified Directors & Executives at balance date:

	Options Held	Represented by: Total Exercisable at 30.6.04	Total Unexercisable at 30.6.04
Directors			
Richard Lee	-	-	-
Peter Mattick	500,000	-	500,000
Philip Salter	500,000	-	500,000
Robert Sutton	-	-	-
John Thorn	-	-	-
Specified Executives			
Stephen Bardwell	125,000	-	125,000
David Besson	250,000	-	250,000
Peter Boyle	250,000	-	250,000
Ashley Fenton	250,000	-	250,000
Chris Meakins	125,000	-	125,000
	2,000,000	-	2,000,000

All options listed were issued during the previous financial year. There were no options issued during the current financial year.

Options were issued under the Executive Performance Option Plan. Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. The average value attributed to the each option using this pricing model at grant date was 17 cents. Currently, this expense is not recognised in the financial statements.

e. Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.03	Ceasing Directorship	Net Change*	**Balance 30.6.04**
Parent Entity Directors				
Richard Lee	262,000	-	40,000	302,000
Peter Mattick	34,288,238	-	-	34,288,238
Philip Salter	34,395,338	-	70,000	34,465,338
Robert Sutton	91,000	(91,000)		-
John Thorn	50,000	-	-	50,000
Specified Executives				
Stephen Bardwell	569,158	-	(180,470)	388,688
David Besson	1,138,429	-	(259,300)	879,129
Peter Boyle	1,196,579	-	(352,474)	844,105
Ashley Fenton	8,400	-	-	8,400
Chris Meakins	616,315	-	137,000	753,315
	72,615,457	(91,000)	(545,244)	71,979,213

* Net change refers to shares purchased or sold by continuing Directors during the financial year.

	Salmat Group **2004** **$000**	Salmat Group 2003 $000	Salmat Limited **2004** **$000**	Salmat Limited 2003 $000
Note 6 Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	248	236	27	25
— tax advice	34	34	-	1
— other services	-	36	-	36
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	78	84	-	-

	Note	Salmat Group **2004** **$000**	Salmat Group 2003 $000	Salmat Limited **2004** **$000**	Salmat Limited 2003 $000
Note 7 Dividends					
a. Paid during the year					
Final fully franked ordinary dividend of 5.5 cents per share franked at the tax rate of 30%.		6,389	-	6,389	-
Final fully franked ordinary dividend (pre-IPO) paid to founding shareholders		-	2,000	-	2,000
Interim fully franked ordinary dividend of 5.0 cents (2003: 3.0 cents) per share franked at the tax rate of 30% (2003: 30%)		5,808	3,485	5,808	3,485
Total dividends paid	26	12,197	5,485	12,197	5,485
b. Dividends not recognised at year-end					
Proposed final fully franked dividend of 7.0 cents (2003: 5.5 cents) per share franked at a tax rate of 30% (2003: 30%)		8,131	6,389	8,131	6,389
c. Franking credits					
The amount of franking credits available for the subsequent financial year are:					
— Franking account balance as at the end of the financial year at 30% (2003: 30%)		44,836	37,884	44,836	130
— Franking credits that will arise from the payment of income tax payable as at the end of the financial year		4,261	6,415	4,261	64
Franking account balance at year-end		49,097	44,299	49,097	194

Franking credits available at 30 June 2003 of $44.1m were transferred to the parent entity on 1 July 2003 when Salmat Limited formed a tax consolidated group.

	Salmat Group **2004** **$000** **Actual**	Salmat Group 2003 $000 Actual	Salmat Group 2003 $000 Notional
Note 8 Earnings per Share			
a. **Reconciliation of Earnings to Net Profit**			
Net profit	20,955	16,493	16,493
Adjustments to net profit for the purpose of calculating EPS	-	-	-
Earnings used in the calculation of dilutive EPS	20,955	16,493	16,493
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	116,158	109,530	116,158
Weighted average number of options outstanding	2,785	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	118,943	109,530	116,158
c. **Classification of securities**			
The following securities have been classed as potential ordinary shares			
— options outstanding	2,785	-	-

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Note 9 Net Tangible Asset Backing				
Net tangible asset backing per ordinary share	47.2c	38.8c		
Note 10 Cash Assets				
Cash at bank	16,213	17,791	12,949	12,802
Cash on hand	16	34	1	20
Total cash	16,229	17,825	12,950	12,822
Note 11 Receivables				
Current				
Trade debtors	39,584	32,590	1,677	-
Provision for doubtful debts	(1,175)	(900)	-	-
	38,409	31,690	1,677	-
Other debtors	143	238	12	-
Total current receivables	38,552	31,928	1,689	-
Non-Current				
Amounts receivable from:				
— related parties	9,360	4,875	11,770	-
— provision for doubtful debts, related parties	(6,974)	(4,668)	(6,974)	-
Total non-current receivables	2,386	207	4,796	-
Note 12 Inventories				
Current				
Raw materials at cost	1,919	2,122	-	-
Work in progress at cost	1,341	1,173	-	-
Total inventories	3,260	3,295	-	-

Note 13 Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Ownership Interest		Carrying Amount of Investment	
		2004	2003	**2004**	2003
		%	%	**$000**	$000
Unlisted:					
ClientLogic Philippines, Inc (formerly Contact World, Inc)	Call Centre Operation	49	49	-	-

The reporting date of ClientLogic Philippines, Inc is 31 December.

	Note	Salmat Group		Salmat Limited	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
a. Movements during the Year in Equity Accounted Investment in Associated Companies					
Balance at beginning of the financial year		-	1,169	-	-
Less: Acquisition of Jardine group of companies		-	(1,169)	-	-
Balance at end of the financial year		-	-	-	-
b. Retained Earnings Attributable to Associate					
Share of associate's loss from ordinary activities before income tax expense		(72)	(1,922)	(72)	(1,922)
Share of associate's income tax (expense)/benefit		-	-	-	-
Share of associate's loss from ordinary activities after income tax		(72)	(1,922)	(72)	(1,922)
Share of accumulated losses at beginning of the financial year		(2,727)	(805)	(2,727)	(805)
Effect of exchange rates on opening balance		(194)	-	(194)	-
Share of accumulated losses at end of the financial year		(2,993)	(2,727)	(2,993)	(2,727)
c. Share of Aggregate Assets, Liabilities and Performance of Associates					
Current Assets		3,559	2,953	3,559	2,953
Non-Current Assets		8,660	2,414	8,660	2,414
Total Assets		12,219	5,367	12,219	5,367
Current Liabilities		5,746	1,550	5,746	1,550
Non-Current Liabilities		8,615	5,622	8,615	5,622
Total Liabilities		14,361	7,172	14,361	7,172
Net Assets		(2,142)	(1,805)	(2,142)	(1,805)
Net loss from ordinary activities after income tax of associates		**(72)**	**(1,922)**	**(72)**	**(1,922)**

Note 14 Other Financial Assets

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Non-Current					
Unlisted investments, at cost					
— shares in controlled entities	15	-	-	34,233	34,233
		-	-	34,233	34,233
Unlisted investments, at recoverable amount					
— shares in other corporations, at cost		190	198	-	-
Less: Provision for write-down to recoverable amount		180	180	-	-
		10	18	-	-
Total other financial assets		10	18	34,233	34,233

Note 15 Controlled Entities

		Country of Incorporation	Percentage Owned (%) 2004	2003
Parent Entity				
Salmat Limited				
Subsidiaries of Salmat Limited	[1]			
Salmat Document Management Solutions Pty Limited	[3]	Australia	100	100
Billserv Australia Pty Limited		Australia	100	100
Salmat Data Solutions Pty Limited	[3]	Australia	100	100
Salmat Spending Patterns Pty Limited	[2]	Australia	-	100
Salmat.Com.Au Pty Limited	[2]	Australia	-	100
Monteson Holdings Pty Limited		Australia	100	100
Salmat Letterbox Delivery Services Pty Limited	[3]	Australia	100	100
Salmat Teleservices Pty Limited	[3]	Australia	100	100
Pardrive Pty Limited		Australia	100	100
Pardrive No. 2 Pty Limited (formerly The Online Mail Exchange Pty Limited)		Australia	100	100
Online Bill View Services Pty Limited	[2]	Australia	-	100
Salmat International Pty Limited	[3]	Australia	100	100
Deltarg Distribution Systems Limited		New Zealand	100	100
Salmat Asia Limited		Hong Kong	100	100
Salmat Mauritius Limited		Mauritius	100	100
Salmat Asia Pacific Pte Limited		Singapore	100	100
Salmat Philippines Corporation		Philippines	100	100
Salmat (China) Limited		Hong Kong	100	100

[1] *All shareholdings represent 100% ownership in the ordinary shares of the entity. No further class of shares exist.*
[2] *These companies were voluntarily deregistered during the year.*
[3] *Refer to Deed of Cross Guarantee note, below.*

Deed of Cross Guarantee

Pursuant to class order 98/1418, relief has been granted to Salmat Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement 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.

	Parties to Deed of Cross Guarantee 2004 $000	2003 $000
Financial information in relation to:		
i. Statement of Financial Performance		
Profit from ordinary activities before income tax	32,358	22,669
Income tax expense relating to ordinary activities	(9,391)	(8,094)
Profit from ordinary activities after income tax expense	22,967	14,575
ii. Retained Profits		
Retained profits at the beginning of the financial year	39,614	28,687
Profit from ordinary activities after income tax expense	22,967	14,575
Dividends paid	(12,197)	(3,485)
Decrease in retained profits on adoption of new Accounting Standard	-	(163)
Retained profits at the end of the financial year	50,384	39,614

		Parties to Deed of Cross Guarantee	
		2004	2003
		$000	$000
iii.	**Statement of Financial Position**		
	Current assets		
	Cash assets	12,962	12,843
	Receivables	36,359	29,147
	Inventories	3,059	3,098
	Other	2,261	1,722
	Total current assets	54,641	46,810
	Non-current assets		
	Receivables	12,803	14,317
	Investments	2,193	2,193
	Property, plant and equipment	35,488	35,261
	Deferred tax assets	5,624	4,726
	Intangible assets	18,421	16,972
	Total non-current assets	74,529	73,469
	Total assets	129,170	120,279
	Current liabilities		
	Payables	29,666	27,182
	Current tax liabilities	4,051	5,902
	Provisions	6,677	4,732
	Total current liabilities	40,394	37,816
	Non-current liabilities		
	Payables	1,960	5,272
	Deferred tax liabilities	385	428
	Provisions	2,092	2,927
	Total non-current liabilities	4,437	8,627
	Total liabilities	44,831	46,443
	Net assets	84,339	73,836
	Equity		
	Contributed equity	30,478	30,637
	Reserves	3,477	3,585
	Retained profits	50,384	39,614
	Total equity	84,339	73,836

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Note 16 Property Plant and Equipment				
Freehold land				
— at deemed cost	4,350	4,350	-	-
	4,350	4,350	-	-
Buildings				
— at deemed cost	8,858	8,783	-	-
Accumulated depreciation	(2,419)	(2,057)	-	-
	6,439	6,726	-	-
Plant and equipment				
At cost	87,767	80,149	159	-
Accumulated depreciation	(62,136)	(54,633)	-	-
	25,631	25,516	159	-
Total property, plant and equipment	36,420	36,592	159	-

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land $000	Buildings $000	Plant and Equipment $000	**Total $000**
Economic Entity:				
Balance at the beginning of year	4,350	5,798	26,444	36,592
Additions	-	-	10,924	10,924
Disposals	-	-	(180)	(180)
Transfers	-	901	(901)	-
Depreciation expense	-	(260)	(10,666)	(10,926)
Net exchange difference on translation of financial reports of self-sustaining foreign operations	-	-	10	10
Carrying amount at the end of year	4,350	6,439	25,631	36,420

Freehold land and buildings situated in Australia were independently valued by Rushton's at June 2004. The valuation was undertaken at fair market value based on existing use. The value was $16.4m. The valuations were greater than book value by $5.6m and this amount was not taken up in the accounts, as Salmat Limited records land and buildings at deemed cost.

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Note 17 Deferred Tax Assets				
Future income tax benefit	5,949	5,083	5,624	600
a. The future income tax benefit is made up of the following estimated tax benefits:				
— tax losses	964	-	964	-
— timing differences	4,985	5,083	4,660	600
	5,949	5,083	5,624	600
b. Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1b occur				
— tax losses	338	1,748	338	-
Note 18 Intangible Assets				
Goodwill at cost	44,220	40,468	-	-
Accumulated amortisation	(18,240)	(13,375)	-	-
	25,980	27,093	-	-
Other intangibles at cost	1,118	1,118	-	-
Accumulated amortisation	(577)	(65)	-	-
	541	1,053	-	-
Total intangible assets	26,521	28,146	-	-
Note 19 Other Assets				
Current				
Prepayments	1,836	1,827	1,127	-
Recoverable deposits	776	336	-	-
Total other assets	2,612	2,163	1,127	-

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Note 20 Payables				
Current				
Unsecured liabilities				
Trade creditors	21,860	20,731	10,584	9,155
Sundry creditors and accrued expenses	10,304	13,987	898	-
Total current payables	32,164	34,718	11,482	9,155
Non-current				
Unsecured liabilities				
Trade creditors	1,605	-	-	-
Amounts payable to:				
— wholly-owned subsidiaries	-	-	12,835	5,865
Total non-current payables	1,605	-	12,835	5,865
Note 21 Interest Bearing Liabilities				
Non-current				
Secured liabilities				
— Bank Loans	2,072	1,730	-	-
Total interest bearing liabilities	2,072	1,730	-	-
Borrowing facilities available at balance date				
Unsecured bank overdraft [1]	5,000	5,000	5,000	5,000
Unsecured Loan facility [1]	50,000	50,000	50,000	50,000
Guarantee facilities [1]	30,000	30,000	30,000	30,000
Total borrowing facilities available	85,000	85,000	85,000	85,000
Borrowing facilities utilised at balance date				
Guarantee facilities	20,861	17,783	17,772	16,053
Total borrowing facilities utilised	20,861	17,783	17,772	16,053
Borrowing facilities unutilised at balance date				
Unsecured bank overdraft	5,000	5,000	5,000	5,000
Unsecured Loan facility	50,000	50,000	50,000	50,000
Guarantee facilities	9,139	12,217	12,228	13,947
Total borrowing facilities unutilised	64,139	67,217	67,228	68,947

[1] *A Loan facility (comprising overdraft, revolving bill facility and guarantee facility) was concluded during 2003 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.*

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
Note 22 Tax Liabilities				
Current				
Provision for income tax	4,263	6,208	4,051	42
Non-current				
Provision for deferred income tax	385	428	385	-

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Note 23 Provisions					
Current					
Employee entitlements	23a	5,162	5,002	1,051	954
Total current provisions		5,162	5,002	1,051	954
Non-current					
Employee entitlements	23a	4,553	2,927	956	1,046
Other	23b	354	1,023	-	-
Total non-current provisions		4,907	3,950	956	1,046

a. Employee benefits

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

		Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Provision for employee benefits					
— current		5,162	5,002	1,051	954
— non-current		4,553	2,927	956	1,046
		9,715	7,929	2,007	2,000
Accrued wages and salaries, bonus and on-costs	[1]	4,250	3,511	1,524	-
Aggregate employee benefits		13,965	11,440	3,531	2,000

[1] *Accrued wages & salaries are included in the current trade payables balance as disclosed in note 20 of this financial report*

b. Movement in other provisions

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Balance at the beginning of the year	1,023	-	-	-
Movements during the year	(669)	1,023	-	-
Carrying amount at the end of year	354	1,023	-	-

	No.	No.	**No.**	No.
c. Number of employees at year-end	2,311	2,026	172	154

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Note 24 Contributed Equity					
Fully paid ordinary shares	24a	30,478	30,637	30,478	30,637
Total contributed equity		30,478	30,637	30,478	30,637

a. Ordinary shares		2004 $000	2004 No.	2003 $000	2003 No.
At the beginning of the reporting period		30,637	116,157,895	-	100
Shares issued during the year					
— To founding shareholders		-	-	-	9,500
— Employee share plan	32	-	-	-	2,450,000
— 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		(159)	-	(4,363)	-
At reporting date		30,478	116,157,895	30,637	116,157,895

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called.

b. Options

i. For information relating to the Salmat Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 32.

ii. For information relating to share options issued to executive directors during the financial year, refer to Note 32.

iii. At 30 June 2004 there were 2,785,000 unissued ordinary shares for which options were outstanding.

c. Employee share schemes

For more information relating to Salmat Exempt Employee Share Plan and Salmat Deferred Employee Share Plan, including details of shares issued during the financial year, refer to note 32.

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Note 25 Reserves					
Asset revaluation	25a	4,118	4,118	-	-
Foreign currency translation	25b	(1,662)	(1,223)	(21)	-
Total reserves		2,456	2,895	(21)	-

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
a. Asset revaluation reserve movement					
Opening balance		4,118	4,118	-	-
Revaluation increment on freehold land and buildings		-	-	-	-
Closing balance		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.

The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
b. Foreign currency translation reserve movement					
Opening balance		(1,223)	-	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements		(439)	(1,223)	(21)	-
Closing balance		(1,662)	(1,223)	(21)	-

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 1j.

	Note	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Note 26 Retained Profits/(Accumulated Losses)					
Retained profits/(accumulated losses) at the beginning of the financial year		39,689	26,844	(44)	(873)
Net profit attributable to the members of the parent entity		20,955	16,493	11,602	4,346
Adjustment resulting from initial adoption of revised AASB 1028 "Employee Benefits"	1q	-	(163)	-	(32)
Dividends paid	7	(12,197)	(3,485)	(12,197)	(3,485)
Retained profits/(accumulated losses) at the end of the financial year		48,447	39,689	(639)	(44)

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Note 27 Commitments for Expenditure				
a. Contracted capital expenditures				
Estimated aggregate amount of contracts for purchase of plant and equipment not provided for in the accounts				
— not later than 1 year	7,999	3,410	736	1,809
Total contracted capital expenditures	7,999	3,410	736	1,809
b. Non-cancellable operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable (net of GST)				
— not later than 1 year	6,366	5,589	378	382
— later than 1 year but not later than 5 years	15,714	15,983	1,003	1,296
— later than 5 years	1,347	1,879	-	-
Total non-cancellable operating lease commitments	23,427	23,451	1,381	1,678
Aggregate expenditure commitments comprise:				
Amounts provided for				
— surplus lease space [1]	-	509	-	-
Amounts not provided for				
— rental commitments	23,427	22,942	1,381	1,678
	23,427	23,451	1,381	1,678

[1] *The amounts provided for surplus lease space are included in the current trade payables balance as disclosed in note 20 in this financial report.*

Note 28 Contingent Liabilities and Contingent Assets

Deed of Cross Guarantee
Refer to note 15 of the accounts 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. Three of its employees have also been charged in being knowingly concerned with the commission of the alleged offence. It is alleged that SDMS committed a fraud 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 $281,107.87. SDMS denies any wrongdoing and will defend the charges vigorously.

On August 4 2004, SDMS and the three employees entered not guilty pleas to the charges. The matter is held over for a status hearing on 19 January 2005.

Note 29 Segment Reporting

Business Segments

The economic entity delivers communications solutions to its customers through the following businesses:

Business Process Outsourcing (BPO)
Document Management and Data Solutions
— Electronic digital printing
— Mail processing and inserting
— Data formatting and analysis
— Archiving and retrieval of data
— Data management and segmentation

Targeted Media
— Distribution of leaflets, brochures and catalogues
— Demographic/socio-economic profiling and customer targeting
— Database analysis

Customer Contact Solutions (formerly Voice)
— Inbound and outbound teleservices
— Outsourced call centre operation

Accounting Policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses and provisions. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers
Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm’s length. These transfers are eliminated on consolidation.

Primary Reporting - Business Segments

2004	**BPO**	**Targeted Media**	**Customer Contact Solutions**	**Admin**	**Eliminations**	**Salmat Group**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
REVENUE						
External Sales	129,599	160,222	37,044	-	-	326,865
Other segments	3,560	743	-	-	(4,303)	-
Total sales revenue	133,159	160,965	37,044	-	(4,303)	326,865
Other revenue	133	21	-	780	-	934
Proceeds on disposal of plant and equipment	104	182	-	9	-	295
Total segment revenue	133,396	161,168	37,044	789	(4,303)	328,094
Unallocated revenue						-
Total revenue from ordinary activities						328,094
RESULT						
Segment result	13,728	33,825	(608)	(8,630)	(245)	38,070
ClientLogic, Philippines [2]						(2,306)
Amortisation expense						(5,066)
Net Interest income						697
Profit from ordinary activities before income tax expense						31,395
Income Tax Expense						(10,440)
Net profit after tax						20,955
ASSETS						
Segment assets	70,532	33,346	7,827	14,285	-	125,990
Unallocated assets [3]						5,949
Total assets						131,939
LIABILITIES						
Segment liabilities	18,480	9,857	2,093	13,408	-	43,838
Unallocated liabilities [3]						6,720
Total liabilities						50,558
OTHER						
Acquisitions of plant and equipment	4,453	471	779	5,221	-	10,924
Depreciation of segment assets	5,923	871	1,051	3,081	-	10,926
Amortisation of segment assets	3,908	1,158	-	-	-	5,066
Other non-cash segment expenses	(133)	(25)	3	2,356	13	2,214

[1] *In accordance with AASB 1005 "Segment Reporting", the Customer Contact Solutions segment is now regarded as two distinct reportable segments due to their size. This represents a change in disclosure from prior years, in which the Targeted Media and Customer Contact Solutions businesses were included in the single Customer Contact Solutions segment.*

[2] *The segment result for ClientLogic, Philippines represents provisions brought to account in respect of funding provided by Salmat Limited to the joint venture during the period.*

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

2003	BPO $000	Targeted Media $000	Customer Contact Solutions $000	Admin $000	Eliminations $000	Salmat Group $000
REVENUE						
External Sales	128,507	135,078	21,826	-	-	285,411
Other segments	3,530	626	-	-	(4,156)	-
Total sales revenue	132,037	135,704	21,826	-	(4,156)	285,411
Other revenue	453	155	400	215	-	1,223
Proceeds on disposal of plant and equipment	633	743	-	-	-	1,376
Total segment revenue	133,123	136,602	22,226	215	(4,156)	288,010
Unallocated revenue						-
Total revenue from ordinary activities						288,010
RESULT						
Segment result	16,482	27,893	(3,519)	(7,950)	(500)	32,406
ClientLogic, Philippines						(2,788)
Amortisation expense						(2,459)
Net Interest expense						(756)
Profit from ordinary activities before income tax expense						26,403
Income Tax Expense						(9,910)
Net profit after tax						16,493
ASSETS						
Segment assets	63,195	33,341	7,372	16,266	-	120,174
Unallocated assets						5,083
Total assets						125,257
LIABILITIES						
Segment liabilities	17,281	12,883	2,638	10,868	-	43,670
Unallocated liabilities						8,366
Total liabilities						52,036
OTHER						
Acquisitions of plant and equipment	3,156	1,160	615	6,148	-	11,079
Depreciation of segment assets	7,162	994	1,182	3,031	-	12,369
Amortisation of segment assets	1,914	545	-	-	-	2,459
Other non-cash segment expenses	(722)	668	504	2,660	(103)	3,007

Secondary reporting — Geographical Segments

	Segment Revenues from External Customers		**Carrying Amount of Segment Assets**		**Acquisitions of Non-current Segment Assets**	
	2004 $000	2003 $000	**2004 $000**	2003 $000	**2004 $000**	2003 $000
Geographical location:						
Australia	302,680	257,981	118,186	113,780	10,637	10,932
New Zealand	11,231	8,973	1,056	981	185	50
Asia	12,954	18,457	6,748	5,413	102	97
Other [1]	-	-	5,949	5,083	-	-
	326,865	285,411	131,939	125,257	10,924	11,079

[1] *Assets shown against each segment exclude future income tax benefits and assets that relate to the group's financing activities.*

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000

Note 30 Cash Flow Information

a. Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Profit from ordinary activities after income tax	20,955	16,493	11,602	4,346
Non-cash flows in profit from ordinary activities				
Amortisation	5,066	2,459	-	-
Depreciation	10,926	12,369	2,913	-
Equity accounting adjustment - withholding tax	-	555	-	-
Unrealised foreign exchange movements	23	311	(167)	-
Adjustment to opening balance of employee entitlements to incorporate changes to AASB1028 "Employee Benefits"	-	(163)	-	(32)
Provision for non-recoverable loans	2,306	2,788	2,468	-
Profit on sale of plant and equipment	(115)	(484)	(58)	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) in trade and term debtors	(6,547)	(3,011)	(625)	-
(Increase)/decrease in inventories	35	(1,335)	-	-
(Increase) in other current assets	(457)	(563)	(1,126)	-
(Increase)/decrease in future income tax benefit	(1,942)	(1,488)	(5,024)	78
Increase/(decrease) in trade creditors and accruals	(2,676)	6,318	2,328	1,232
Increase in employee benefits	1,786	1,592	7	193
Increase/(decrease) in income taxes payable	(1,670)	4,631	4,009	(29)
Increase/(decrease) in deferred taxes payable	(44)	(214)	385	-
Exchange rate changes on opening cash balances	(233)	(1,081)	-	-
Cash flows from operations	27,413	39,177	16,712	5,788

b. Acquisition of Entities

In July 2002, the remaining 50% of previously associated entities Jardine Salmat Limited and Jardine Salmat Corporation were acquired.

Details of this transaction are:

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
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	-	-
Net purchase consideration	-	10,084	-	-

	Salmat Group		Salmat Limited	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000

c. Acquisition of Entities

In June 2003, the remaining 50% of a previously associated entity, Billserv Australia Pty Limited, was acquired.

Details of this transaction are:

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Purchase consideration	-	-	-	-
Assets and liabilities held at acquisition date:				
Cash	-	10	-	-
Receivables	-	85	-	-
Creditors	-	(125)	-	-
	-	(30)	-	-
Goodwill on consolidation	-	-	-	-
Net purchase consideration	-	(30)	-	-

d. Acquisition of Entities

During the year a number of businesses were acquired which provided additional distribution capabilities and commercial services revenue streams to the group.

Details of these transactions are:

	Salmat Group 2004 $000	Salmat Group 2003 $000	Salmat Limited 2004 $000	Salmat Limited 2003 $000
Purchase consideration	4,500	-	-	-
Cash consideration	2,736	-	-	-
Deferred consideration	1,764	-	-	-
Cash outflow	4,500	-	-	-
Assets and liabilities held at acquisition date:				
Inventories	47	-	-	-
Property, plant and equipment	701	-	-	-
	748	-	-	-
Goodwill	3,752	-	-	-
Net purchase consideration	4,500	-	-	-

Note 31 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.

Defined Benefit Funds
Group companies in the Asian region contribute to a number of retirement benefit schemes of a defined benefit type. At balance date, the position of those schemes is as follows:

	2004 $000
Accrued benefits	1,099
Net market value of plan assets	513
Underfunding of net market value of plan assets over accrued benefits	(586)
Vested benefits	588

The above amounts were measured as at 30 June 2004.

Note 32 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.

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.

	2004 000 No.	2003 000 No.
Opening balance	122	-
Acquired by employees at IPO (issue price $1.90)	-	139
Employees who have left the company	(23)	(17)
Closing balance	99	122

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.

	2004 000 No.	2003 000 No.
Opening balance	2,542	-
Granted to employees at IPO (issue price $1.90)	-	2,450
Transfers / Disposals	(335)	-
Acquisitions	33	147
Employees who have left the company	(61)	(55)
Closing balance	2,179	2,542

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.

			Weighted Average Exercise	
	2004 000 No.	2003 000 No.	**2004 $**	2003 $
Opening balance	2,815	-	$2.30	-
Granted	-	2,820	-	$2.30
Employees who have left the company	(30)	(5)	-	-
Closing balance	2,785	2,815	$2.30	$2.30

Options may only be exercised within the limitations imposed by the *Corporations Act 2001* and the Australian Stock Exchange Listing Rules. Under the Australian Stock 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 2004 was $3.66 (2003: $1.91).

Note 33 Events subsequent to Reporting Date

On 25 August 2004, the Directors declared a final dividend for 2004 of 7.0 cents per ordinary share (amounting to $8.1m) franked to 100% at 30% corporate tax rate. A record date of 7 September 2004 has been set, with the dividend due to be paid on 1 October 2004.

Note 34 Related Party Transactions

	2004 $	2003 $
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	-	118,000
— Received loan repayments from the group. There are no loans outstanding at the end of the financial year	-	51,090
— Received repayment of loans previously advanced to the group. There are no loans outstanding at the end of the financial year.	-	250,000
— Provision of conference and accommodation facilities	-	5,876
— Disposed of 13,421,053 shares in the company as part of the Initial Public Offering in December 2002	-	25,500,001
Peter Mattick or related entities		
— Acquired motor vehicles that were previously owned by the group	-	115,800
— Provision of printing services to the group	2,504,041	1,852,872
— Provision of automotive services to the group	182,866	118,628
— Received loan repayments from the group. There are no loans outstanding at the end of the financial year	-	51,090
— Provision of conference and accommodation facilities	-	5,876
— Disposed of 13,421,053 shares in the company as part of the Initial Public Offering in December 2002	-	25,500,001
Robert Sutton or related entities (deceased 10 June 2004)		
— Chairman in Australia of the Jardine Matheson Group and a member of the Jardine Matheson Group's Asia Pacific Regional Board.		
— Fees paid to Jardine Lloyd Thompson	1,713,597	1,776,897
— Call centre services provided to Colliers Jardine	461,773	-
— In July 2002, the Salmat group acquired a further 50% investment in two overseas entities (which operate in the Philippines, Hong Kong and Taiwan) from Jardine Matheson Corporation in consideration for a 4% shareholding in Salmat Limited	-	-

John Thorn or related entities

— Director in Australia of the National Australia Bank Limited.

— Salmat Limited paid guarantee fees to National Australia Bank under borrowing facility arrangements as listed at note 21.

— Salmat Document Management Solutions Pty Limited provided business process outsourcing services to National Australia Bank Limited.

The fees paid and services provided were no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity at arm's length in the same circumstances.

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.

Note 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:

2004	Note	Weighted Average Interest Rate %	Floating Interest rate $000	Non-Interest Bearing $000	Total $000
Financial Assets					
Cash	10	4.75	16,229	-	16,229
Receivables	11	-	-	38,552	38,552
Recoverable deposits	19	-	-	776	776
Amounts owing by related entities	11	-	-	2,386	2,386
Total Financial Assets			16,229	41,714	57,943
Financial Liabilities					
Bank loans and overdrafts	21	2.09	2,072	-	2,072
Trade and sundry creditors	20	-	-	32,164	32,164
Total Financial Liabilities			2,072	32,164	34,236
2003					
Financial Assets					
Cash	10	4.57	17,825	-	17,825
Receivables	11	-	-	31,928	31,928
Recoverable deposits	19	-	-	336	336
Amounts owing by related entities	11	-	-	207	207
Total Financial Assets			17,825	32,471	50,296
Financial Liabilities					
Bank loans and overdrafts	21	4.51	1,730	-	1,730
Trade and sundry creditors	20	-	-	34,718	34,718
Total Financial Liabilities			1,730	34,718	36,448

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 unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

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.