

**Salmat Limited**  
**ABN 11 002 724 638**  
**Appendix 4E**

**Annual Financial Report**  
**For the year ended 30 June 2005**

**Results for announcement to the market**

<b>Revenues from ordinary activities</b>	<b>up</b>	<b>24.6%</b>	<b>to</b>	<b>\$408.9m</b>
<b>Profit from ordinary activities after tax attributable to members</b>	<b>up</b>	<b>29.4%</b>	<b>to</b>	<b>\$27.1m</b>
<b>Net profit for the year attributable to members</b>	<b>up</b>	<b>29.4%</b>	<b>to</b>	<b>\$27.1m</b>

	<b>Security</b>	<b>per Security</b>
<b>Final Dividend (fully franked)</b>	<b>9.0c</b>	<b>9.0c</b>
Interim Dividend (fully franked)	6.5c	6.5c
Prior Year - Final Dividend	7.0c	7.0c
Record date for determining entitlement to dividends	13 September 2005	
Dividend payment date	4 October 2005	

**Explanation of results**

Refer to the attached ASX announcement for commentary on the results.

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

The information contained in this report is to be read in conjunction with the 2005 Annual Report and any announcements made to the market by Salmat Limited during the year.

Salmat Limited  
ABN 11 002 724 638  
and controlled entities

Annual Financial Report

For the year ended  
30 June 2005

**Contents**

ASX Announcement	4
Statement of Financial Performance	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11

ASX/media release

25 August 2005

**Salmat profit up 29.4%****Final dividend up 29%**

Salmat Limited (ASX: SLM), Australia's leading customer communication group, today announced a net profit after tax of \$27.1 million for the year to 30 June 2005, an increase of 29.4 per cent over 2004 (\$21.0 million). Revenue increased by 24.7 per cent to \$407.5 million (2004: \$326.9 million).

The directors have declared a final dividend of 9.0 cents per share fully franked, up by 29 per cent from 2004 (7.0 cents), payable to shareholders on 4 October. This will bring total dividends for the year to 15.5 cents fully franked (2004: 12 cents).

<b>Results summary for year to</b>	<b>30 June 2005 \$million</b>	<b>30 June 2004 \$million</b>	<b>% increase</b>
Sales revenue	407.5	326.9	24.7
EBITA (Earnings before interest, tax and amortisation)	44.7	35.8	24.9
EBIT (Earnings before interest and tax)	39.1	30.7	27.4
Profit after tax	27.1	21.0	29.4
Earnings per share (cents)	23.3	18.0	29.4
Final dividend per share (cents) – fully franked	9.0	7.0	28.6
Total dividends per share for the year (cents) – fully franked	15.5	12.0	29.2

Salmat's Joint Managing Directors Peter Mattick and Phil Salter said: 'This has been another successful year for Salmat, with our results in line with our guidance to the market in May.

'We achieved the strategic, financial and operational goals we set ourselves a year ago: a satisfactory shareholder return, organic growth in our three divisions, and becoming the market leader in contact centres through the acquisition and integration of SalesForce. Salmat is in a strong position to continue to expand our range of services and our customer base.'

An update on trading conditions will be given at the company's annual general meeting in November.

## **Operational review**

### **Targeted Media**

<b>Results for year to</b>	<b>30 June 2005 \$ million</b>	<b>30 June 2004 \$ million</b>	<b>% increase</b>
Revenue	169.0	154.7	9.3
EBITA before significant items	36.0	34.7	3.8

Targeted Media continued to strengthen its position as the market leader in targeted catalogue distribution in Australia and New Zealand, delivering over four billion catalogues, an increase of 7.7 per cent. It also broadened its customer base.

First half performance was robust but, as anticipated, the growth rate in the second half was lower due to the exceptionally strong second half of 2004 and some print capacity constraints. The year included one less distribution period than 2004, also affecting the revenue growth rate.

The EBITA margin was lower at 21.3 per cent compared with 22.4 per cent in 2004, due mainly to higher freight costs, but remained within the division's sustainable target range.

The division's compound average volume growth rate over four years is 13.5 per cent, with more advertisers appreciating the cost-effectiveness of Salmat's targeted media services based on detailed demographic and socio-economic profiling.

### **Business Process Outsourcing**

<b>Results for year to</b>	<b>30 June 2005 \$ million</b>	<b>30 June 2004 \$ million</b>	<b>% increase</b>
Revenue	141.3	129.6	9.0
EBITA before significant items	13.7	13.7	-

Salmat's BPO division, the market leader in processing essential mail such as bank and credit card statements, increased its total sales revenue by 9.0 per cent in a competitive market. Revenue increased by 10.7 per cent in Australia, where the number of mail packs lodged during the year grew by 4.6 per cent to 596 million.

Australian earnings before significant items were up 5.8 per cent, but earnings in Asia were lower due to the loss of a contract at the end of 2003. Depreciation was higher in the second half as a result of new laser printing and mail insertion equipment acquired as part of a technology refresh and to service contracts due to start in FY2006.

The acquisition of the NSW Government Printing Service in April has broadened Salmat's product range, particularly in the area of digital print-on-demand services.

The division won a five year, \$40 million contract in February 2005 to provide statement processing services to a global credit and charge card company. Implementation of the contract, which covers the Asia-Pacific region, is progressing according to plan and the contract will contribute to FY2006 earnings.

## Contact Centres

Results for year to	30 June 2005 \$ million	30 June 2004 \$ million	% increase
Revenue	97.2	42.6	128.1
EBITA before significant items	3.4	(1.5)	n/a

The Contact Centres division was transformed during the year with the acquisition of Salesforce in January 2005. This has made Salmat the Australian market leader in contact centres, operating 2,300 seats with a utilisation rate of 60 per cent, opening up opportunities to increase both revenue and margins. Salesforce's revenue of \$53 million for the period from 21 January was in line with expectations and integration is proceeding to plan.

The division has recently secured contracts which will add 90 new seats in Sydney and lead to significant expansion of its New Zealand business.

## ClientLogic joint venture

*Results for year to	30 June 2005 \$ million	30 June 2004 \$ million	% increase
Revenue	29.1	16.3	78.5
Profit after tax (not equity accounted)	2.5	(1.1)	n/a
<i>*These results are for 100 per cent of the business.</i>			

The group's 49 per cent owned Philippines joint venture call centre business continued to grow strongly, achieving its first full year profit. It won a number of new major US corporate clients and increased its available seats by 58 per cent to 2,500 with the opening of a new 800 seat call centre.

As a result of this profit turnaround, ClientLogic made its first repayment of its \$12.2 million loan from Salmat ahead of schedule, repaying \$2.3 million. The turnaround also enabled Salmat to release a further \$3.4 million in loan provisions in the second half, following the release of \$2.0 million in the first half.

## Significant items (before tax)

The result included the following significant items:

	\$ million	\$ million
<b>First half</b>		
Release of provision against ClientLogic loan	2.0	
Write-down of software assets	(2.2)	
<b>Total for first half</b>		<b>(0.2)</b>
<b>Second half</b>		
Release of provision against ClientLogic loan	3.4	
Restructuring/integration costs (SalesForce & NSW Government Printing Service acquisitions; closure of plastic wrapping operations in NSW and Victoria)	(1.0)	
Write-down of software assets	(0.1)	
<b>Total for second half</b>		<b>2.3</b>
<b>Total significant items for 2004/5</b>		<b>2.1</b>

## **Balance sheet and cash flow**

Operating cash flow was strong at \$31.2 million, up 13.9 per cent over 2004. Capital expenditure of \$16.3 million was within the company's target range of 4.0-4.5 per cent of revenue.

At 30 June, net debt was \$52.6 million, representing a net debt:equity ratio of 56.6 per cent.

---

***Salmat** is Australia's leading customer communication group. We facilitate our customers' contact with their customers – through targeted catalogue distribution, mail-outs or telephone communication.*

*We have three businesses, all of which are market leaders:*

- ***Targeted Media** delivers advertising catalogues to homes throughout Australia and New Zealand. Detailed demographic analysis enables us to target the consumers most likely to buy particular products, helping our customers to maximise their sales.*
- ***Business Process Outsourcing** processes and mails bank and credit card statements, accounts and other customised, bulk mailings in Australia, Hong Kong, Taiwan and the Philippines. We receive customers' electronic data, process it using smart technology, and print and mail statements, providing significant cost savings.*
- ***Contact Centres** handles inbound and outbound telephone, fax, email and online communications on behalf of our customers, from facilities in Australia and the Philippines. Inbound services include technical support and customer care; while outbound services include telemarketing, direct sales and customer retention. We also facilitate business-to-business and business-to-consumer conversations through a range of sales support services.*

*Over 26 years we have built a 3,600 strong team, experienced in contributing to our customers' growth through helping them to communicate effectively with their customers. This experience, together with our proprietary systems and technology and our strong customer relationships, secures Salmat's position as Australia's – and increasingly the region's – leader in customer communication services.*

-- ends --

For more information about the Salmat Group, please visit Salmat's website at [www.salmat.com.au](http://www.salmat.com.au).

*For further information, please contact:*

*Peter Mattick  
Joint Managing Director  
+612 9928 6500*

*Philip Salter  
Joint Managing Director  
+612 9928 6500*

*Ashley Fenton  
Chief Financial Officer  
+612 9928 6500*

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Revenues from ordinary activities</b>	<b>2</b>	<b>408,885</b>	<b>328,094</b>	<b>42,771</b>	<b>41,613</b>
Employee benefits expense		(168,222)	(116,263)	(18,707)	(17,342)
Depreciation and amortisation expense	3	(20,929)	(15,992)	(4,781)	(2,913)
Borrowing costs expense	3	(1,747)	(26)	(1,728)	(26)
Freight and distribution		(95,368)	(86,509)	-	-
Materials usage		(24,192)	(24,339)	-	-
Property related expenses		(14,133)	(10,971)	(1,443)	(1,515)
Equipment related expenses		(31,063)	(24,023)	(4,437)	(3,760)
Loan provision write-back		5,402	(2,537)	4,275	(2,468)
Other expenses from ordinary activities		(20,196)	(16,039)	(5,093)	(5,158)
<b>Profit from ordinary activities before income tax expense</b>	<b>3</b>	<b>38,437</b>	<b>31,395</b>	<b>10,857</b>	<b>8,431</b>
Income tax (expense)/benefit relating to ordinary activities	4	(11,330)	(10,440)	4,934	3,171
<b>Net profit attributable to members of the parent entity</b>		<b>27,107</b>	<b>20,955</b>	<b>15,791</b>	<b>11,602</b>
Net exchange difference on translation of financial reports of self-sustaining foreign operations	25b	172	(439)	(7)	(21)
Share issue costs	24a	32	(159)	32	(159)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		204	(598)	25	(180)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>27,311</b>	<b>20,357</b>	<b>15,816</b>	<b>11,422</b>
<b>Basic earnings per share (cents per share)</b>	<b>8</b>	<b>23.3</b>	<b>18.0</b>		
<b>Diluted earnings per share (cents per share)</b>	<b>8</b>	<b>22.6</b>	<b>17.6</b>		

The accompanying notes form part of these financial statements.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Current assets</b>					
Cash assets	10	13,952	16,229	12,911	12,950
Receivables	11	63,029	38,558	-	1,689
Inventories	12	5,759	3,260	-	-
Other	19	3,694	2,612	1,732	1,127
Total current assets		86,434	60,659	14,643	15,766
<b>Non-current assets</b>					
Receivables	11	9,470	2,386	54,353	4,796
Other financial assets	14	9	10	34,233	34,233
Property, plant and equipment	16	39,938	36,420	1,262	159
Deferred tax assets	17	9,282	5,949	7,056	5,624
Intangible assets	18	80,215	26,521	895	-
Total non-current assets		138,914	71,286	97,799	44,812
<b>Total assets</b>		225,348	131,945	112,442	60,578
<b>Current liabilities</b>					
Payables	20	40,847	32,164	13,320	11,482
Current tax liabilities	22	3,835	4,263	1,298	4,051
Provisions	23	8,427	5,162	1,217	1,051
Total current liabilities		53,109	41,589	15,835	16,584
<b>Non-current liabilities</b>					
Payables	20	4,808	1,605	-	12,835
Interest-bearing liabilities	21	66,533	2,072	64,000	-
Deferred tax liabilities	22	573	385	573	385
Provisions	23	6,382	4,907	1,155	956
Total non-current liabilities		78,296	8,969	65,728	14,176
<b>Total liabilities</b>		131,405	50,558	81,563	30,760
<b>Net assets</b>		93,943	81,387	30,879	29,818
<b>Equity</b>					
Contributed equity	24	31,459	30,478	31,459	30,478
Reserves	25	2,628	2,456	(28)	(21)
Retained profits	26	59,856	48,453	(552)	(639)
<b>Total equity</b>		93,943	81,387	30,879	29,818

The accompanying notes form part of these financial statements.



**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers *		538,686	459,358	20,161	20,856
Payments to suppliers and employees *		(490,659)	(417,564)	(25,477)	(24,834)
Dividends received		-	-	21,567	20,000
Interest received		1,087	723	1,043	716
Borrowing costs paid		(679)	(26)	(659)	(26)
Income tax paid		(17,245)	(15,078)	-	-
<b>Net cash provided by operating activities</b>	29	<b>31,190</b>	<b>27,413</b>	<b>16,635</b>	<b>16,712</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of plant and equipment		307	295	-	41
Payment for plant and equipment		(16,273)	(10,924)	-	-
Loans to related entity		(1,936)	(4,271)	(1,936)	(4,269)
Acquisition of businesses	29	(65,020)	(2,019)	-	-
<b>Net cash used in investing activities</b>		<b>(82,922)</b>	<b>(16,919)</b>	<b>(1,936)</b>	<b>(4,228)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		934	-	934	-
Float costs		32	-	32	(159)
Receipt of borrowings		64,464	340	-	-
Dividends paid by parent entity		(15,704)	(12,197)	(15,704)	(12,197)
<b>Net cash provided by/(used in) financing activities</b>		<b>49,726</b>	<b>(11,857)</b>	<b>(14,738)</b>	<b>(12,356)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(2,006)</b>	<b>(1,363)</b>	<b>(39)</b>	<b>128</b>
Cash at 1 July 2004		16,229	17,825	12,950	12,822
Cash acquired with purchase of related entity		74	-	-	-
Effect of exchange rates on cash holdings in foreign currencies		(345)	(233)	-	-
<b>Cash at 30 June 2005</b>	10	<b>13,952</b>	<b>16,229</b>	<b>12,911</b>	<b>12,950</b>

\* Includes receipts and payments relating to postage disbursements and is inclusive of goods and services tax.

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 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 2004 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 intercompany 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 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.

**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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5%
Plant and equipment	5.0% to 33.0%

e. **Leases**

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 at each reporting period. 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 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**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 average rates for 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 31 to the financial statements. The value of the equity-based compensation scheme described in note 31 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

q. **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.

r. **Earnings per Share (EPS)**

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.

s. **Impacts of Adopting the Australian Equivalents to International Financial Reporting Standards**

The company is preparing for and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated and restatements to the opening balance sheet at 1 July 2004.

Salmat management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing Salmat's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

Users of the financial statements should note, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes. The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- Ongoing work being undertaken by the AIFRS project team;
- Potential amendments to AIFRS and interpretation thereof being issued by the standard-setters and IFRIC; and
- Emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

Management has decided to apply the exemption provided in AASB1, which permits entities not to apply the requirements of AASB132 Financial Instruments: Presentation and Disclosures and AASB139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. Salmat is in the process of determining the impact that adopting the standards would have on the financial statements of the Group.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows:

**i. AASB2: Share-Based Payments**

Share-based compensation forms part of the remuneration of employees of Salmat. Salmat does not currently recognise an expense for any share-based compensation granted. Under AIFRS, Salmat will be required to recognise an expense for such share-based compensation. Share-based compensation will be measured at the fair value of the equity instrument determined at grant date and recognised over the expected vesting period of the equity instrument. A reversal of the expense will be permitted to the extent non-market based vesting conditions are not met. The entity will not retrospectively recognise share-based payments vested before 1 January 2005 as permitted under AIFRS first time adoption exemptions.

The effect of these changes are:

*At 1 July 2004:*

An increase in the share-based payments component of equity of \$250k with a corresponding reduction in retained earnings will be recorded.

*During 2004/05:*

The impact on the income statement has been to record a share-based payments expense of \$380k, with a corresponding increase in the share based payments components of equity.

**ii. AASB3: Business Combinations**

Historically, the acquisition of an entity has been accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased have initially been recognised at their fair values in the consolidated accounts.

For all business combinations occurring prior to 1 July 2004, the company will use the AIFRS first time adoption exemption under AASB1 to "grandfather" those past acquisitions rather than re-open purchase price allocations. No new intangibles will be brought to account for those historical acquisitions. Tax adjustments maybe required.

Salmat has assessed its impairment testing policy and tested all intangible assets for impairment as at transition and at 30 June 2005.

**iii. AASB112: Income Taxes**

Currently, Salmat adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, Salmat will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Specific work continues to progress in the area of income tax and there are certain items that still require resolution. The net transitional adjustments that will arise from the change in method of accounting for income taxes from an income statement approach to a balance sheet approach have not been finalised.

**iv. AASB116: Property, Plant and Equipment**

Under current AGAAP, the cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Properties, which are currently carried at deemed cost, will remain as such on transition to AIFRS. The company will use the AIFRS first time adoption exemption to measure land and buildings at the date of transition at fair value (based on previous revaluations) and use that fair value as the deemed cost as stated in the accounts at 30 June 2004.

The effect of this is:

*At 1 July 2004:*

On transition to AIFRS, the existing asset revaluation reserve will be transferred to retained earnings, resulting in an increase in retained earnings of \$4,117k.

*During 2004/05:*

There is no impact on the current year comparatives.

**v. AASB119: Employee Benefits – Defined Benefit Superannuation Plan**

Under AASB 119: Employee Benefits, employers are required to recognise the net surplus or deficit in their defined benefit superannuation plans as assets or liabilities based on the difference between the accrued benefits and the net market value of plan assets. This will result in a change in the economic entity's current accounting policy, which does not record an asset relating to any net surplus and a liability is only recognised as a net deficit where a present legal obligation exists. The economic entity has elected to recognise actuarial gains and losses in the income statement in accordance with the corridor approach.

The effect of this is:

*At 1 July 2004:*

The impact of this change in the accounting policy will be the recognition of a \$266k non-current liability, with a corresponding adjustment to retained earnings as a decrease of \$266k.

*During 2004/05:*

A decrease in profit of \$54k will be recorded, as the net difference between the market value of the plan's assets and the plan's accrued benefits fluctuates.

**vi. AASB121: The Effects of Changes in Foreign Exchange Rates**

Under AIFRS, all entities will be translated using the current rate method. As such, the income statement will no longer be exposed to currency movements on assets and liabilities held by subsidiaries.

The foreign currency translation reserve for all foreign operations, through adoption of an election (AASB1: AIFRS first time adoption) on transition to AIFRS, will be reset to zero.

The effect of this is:

*At 1 July 2004:*

The existing foreign currency translation reserve (currently in deficit) will be transferred to retained earnings, resulting in a decrease in retained earnings of \$1,807k.

*During 2004/05:*

There is no impact on the current year comparatives.

**vii. AASB127: Consolidations**

In December 2004, the AASB followed its equivalent UIG international body (SIC) by adopting amendments to UIG Interpretation 112 "Consolidation – Special Purpose Entities". The effect of the scope amendments is to include equity compensation plans. The amendment requires the company that has established employee benefit trusts for the purposes of a share-based payment plan to consolidate them.

The effect of this is:

*At 1 July 2004:*

There is a reclassification of equity instruments, however, there is no impact on the group's equity position.

*During 2004/05:*

There is no impact on the current year income statement comparatives.

**viii. AASB136: Impairment of Assets**

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price (fair value less costs to sell) and value in use. In determining the recoverable amount, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The economic entity has assessed its impairment testing policy and tested all intangible assets for impairment as at transition and at 30 June 2005.

The effect of this is:

*At 1 July 2004:*

Testing of goodwill at 1 July 2004 indicated that Philippines goodwill was being carried in excess of its recoverable amount. Accordingly, a reduction in the goodwill carrying amount of \$1,254k has been charged to retained earnings.

*During 2004/05:*

Goodwill amortised in 2004/05 of \$5,411k will be reversed resulting in a corresponding increase in profit in that period.

**ix. AASB137: Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The group has leased properties in various locations across Australia, Asia and New Zealand. In most instances, Salmat is required to "make-good" the premises to the original state they were in when Salmat signed the lease. Under AIFRS, Salmat is required to record a provision if it can be reliably estimated and measured. The assets recognised in the balance sheet will be amortised over the initial estimated life of the lease.

Deferred acquisition costs recognised in the balance sheet as a "non-current creditor" at face value are required to be discounted.

The effects of this are:

*At 1 July 2004:*

Upon transition to AIFRS, a lease "make-good" provision will be recognised in the balance sheet for \$2,155k. A charge to retained earnings will be made of \$293k (being prior amortisation), with the balance of \$1,862k being recorded as a fixed asset.

The provision for deferred acquisition costs will be discounted by \$163k compared to AGAAP to current values with a corresponding credit to retained earnings.

*During 2004/05:*

Following the acquisition of Salesforce in January 2005, additional lease "make-good" provisions and corresponding fixed assets have been recorded in the balance sheet of \$484k. The amortisation charge associated with total "make-good" provisions for 2004/05 totals \$363k.

The current period discount of deferred acquisition costs amounts to \$193k and has been recognised as a credit to the profit.

**x. AASB138: Intangible Assets**

This Standard defines an intangible asset as an identifiable non-monetary asset without physical substance. Salmat has identified one intangible asset at transition date, relating to a business acquisition in March 2003 (refer to note 18). This represents the amortised deferred purchase price of the business.

Following the acquisition of Salesforce in January 2005, an intangible asset has been recognised for \$3,949k representing the future value of specific customers under contract at the time of acquisition. This will be amortised to the income statement over a period of three years, being the estimate of discounted cashflows contracted from those customers.

Intangible assets with indefinite lives must be tested for impairment annually regardless of whether impairment indicators are present and more frequently where indicators are present.

The economic entity has assessed its impairment testing policy and tested all intangible assets for impairment as at transition and at 30 June 2005.

The company currently amortises goodwill arising on acquisitions on a straight-line basis over a maximum of 20 years.

Under AIFRS, intangible assets with indeterminate useful lives are no longer amortised, but are subject to an ongoing impairment assessment, with carrying values adjusted accordingly.

The effect of this is:

*At 1 July 2004:*

There is no impact on the opening balance sheet.

*During 2004/05:*

An amortisation charge of \$658k will be recognised in the income statement in respect of Salesforce "customers under contract".



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

Note	Salmat Group 2005 \$000	Salmat Limited 2005 \$000
<b>Reconciliation of Equity reported under AGAAP to Equity under AIFRS</b>		
Total Equity reported under AGAAP at 1 July 2004	81,387	29,818
Key transitional adjustments:		
– Income tax balances *	1s(iii) -	-
– Recognition of defined benefit superannuation liability	1s(v) (266)	-
– Impairment of Philippines goodwill	1s(viii) (1,254)	-
– Recognise lease “make-good” provision	1s(ix) (293)	(45)
– Movement in deferred acquisition liability	1s(ix) 163	-
Total transition adjustments	<u>(1,650)</u>	<u>(45)</u>
<b>Total Equity under AIFRS at 1 July 2004</b>	<u>79,737</u>	<u>29,773</u>
<b>Reconciliation of Net Profit before Tax reported under AGAAP to Net Profit under AIFRS</b>		
Net profit before tax reported under AGAAP for the year ended 30 June 2005	27,107	15,791
Key transitional adjustments:		
– Share based payments	1s(i) (380)	(380)
– Reversal of amortisation of Goodwill	1s(viii) 5,411	-
– Movement in defined benefit plan liability	1s(v) (54)	-
– Amortisation of goodwill, intangible recognised on acquisition	1s(x) (658)	-
– Recognition of lease “make-good” provision	1s(ix) (88)	-
– Amortisation of lease “make-good” provision	1s(ix) (275)	(42)
– Movement in deferred acquisition liability	1s(ix) 193	-
Total transition adjustments	<u>4,149</u>	<u>(422)</u>
<b>Net profit before tax under AIFRS for the year ended 30 June 2005</b>	<u>31,256</u>	<u>15,369</u>

\* Specific work continues to progress in the area of income tax and there are certain items that still require resolution. The net transitional adjustments that will arise from the change in method of accounting for income taxes from an income statement approach to a balance sheet approach have not been finalised.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 2 Revenue</b>				
<b>Operating activities</b>				
– service revenue	407,491	326,865	-	-
– dividends received, wholly-owned subsidiaries	-	-	21,567	20,000
– interest received, other persons	1,087	723	1,043	716
– other revenue	-	211	-	-
– management fees received	-	-	20,161	20,856
	<u>408,578</u>	<u>327,799</u>	<u>42,771</u>	<u>41,572</u>
<b>Non-operating activities</b>				
– proceeds on disposal of plant and equipment	307	295	-	41
	<u>307</u>	<u>295</u>	<u>-</u>	<u>41</u>
<b>Total revenue</b>	<u>408,885</u>	<u>328,094</u>	<u>42,771</u>	<u>41,613</u>

**Note 3 Profit from Ordinary Activities**

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

**a. Expenses:**

Borrowing costs:

– other persons

1,747 26 1,728 26

**Total borrowing costs**

1,747 26 1,728 26

Depreciation of non-current assets:

– buildings

350 260 2 1

– plant and equipment

14,398 10,655 4,773 2,912

– leased plant and equipment

578 11 6 -

**Total depreciation**

15,326 10,926 4,781 2,913

Amortisation of non-current assets:

– goodwill

5,411 4,865 - -

– other

192 201 - -

**Total amortisation**

5,603 5,066 - -

**Total depreciation and amortisation**

20,929 15,992 4,781 2,913

Bad and doubtful debts:

– trade debtors

377 417 - -

**Total bad and doubtful debts**

377 417 - -

Rental expense on operating leases

– minimum lease payments

8,142 5,397 1,335 1,510

Research and development costs

701 603 - -

**b. Net Gains/(Losses)**

Net gain on disposal of non-current assets:

– plant and equipment

41 115 - 58

Foreign currency translation gains/(losses)

71 (23) 191 167

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Note 3</b>	<b>Profit from Ordinary Activities (continued)</b>			
<b>c. Significant Items included in Expenses</b>				
The following significant expense items are relevant in explaining the financial performance:				
Write off software assets	3	2,308	-	2,308
Reversal of Loan Provision	2	(5,402)	2,537	(4,275)
Integration and Restructure Costs	4	990	-	260
Write-off of goodwill	1	-	1,471	-

<sup>1</sup> 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 Philippine BPO business has been reduced by \$1.5m. The future amortisation period on this business has been reduced from five years to three years.

<sup>2</sup> During the period, following a substantial improvement in the performance of the 49% owned Philippine call centre joint venture (ClientLogic Philippines), the group reversed provisions against its loans due from the joint venture. This reversal (net of the foreign exchange impact) favourably impacted the net profit by \$5.4 million. As the original provision was treated as non-deductible for tax purposes, no tax benefit has been brought to account in the full year result relating to this item.

<sup>3</sup> Following a re-assessment of the expected future benefits to be generated, certain software assets have been written down by \$2.3 million. Income tax expense of \$0.7 million has been brought to account in the full year result relating to this item.

<sup>4</sup> Integration costs associated with the acquisition of businesses (refer note 29b) during the year, and the closure of the plastics division in NSW and Victoria. Income tax expense of \$0.3 million has been brought to account in the full year result relating to this item.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 4</b>				
<b>Income Tax Expense</b>				
<b>The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:</b>				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2004:30%)	11,531	9,419	3,257	2,529
Add:				
Tax effect of:				
— non-deductible amortisation	1,650	1,448		-
— other non-allowable items	189	222	35	64
— provision for non-recoverable loans	(1,770)	735	(1,432)	740
— withholding tax	(64)	118	(64)	-
Under provision for income tax in prior year	(67)	110		-
	11,469	12,052	1,796	3,333
Less:				
Tax effect of:				
— rebateable fully franked dividends	-	-	6,470	6,000
— amortisation of float costs	248	271	271	271
— effect of lower tax rate applicable to foreign entities	(269)	(269)	-	-
— other	59	200	(11)	233
— recoupment of prior year tax losses not previously brought to account	101	1,410	-	-
<b>Income tax expense/(benefit) attributable to profit from ordinary activities before income tax</b>	<b>11,330</b>	<b>10,440</b>	<b>(4,934)</b>	<b>(3,171)</b>
Allocation of income tax expense to wholly-owned subsidiaries under the Tax Sharing Agreement	(16,265)	(13,611)		
Income tax attributable to parent entity	(4,934)	(3,171)		

**Note 5**      **Directors' and Executives' Remuneration**

The Corporations Regulations 2005 (No. 4) allows listed companies to transfer certain AASB 1046 Directors and Executive Remuneration disclosures from the notes to the financial report to the 'Remuneration Report' section in the Directors' report. Salmat has taken this option and all required details of Directors' and Executive remuneration are now disclosed in the Remuneration Report section of the Directors report. The other disclosures required by AASB 1046 that are included in the Directors report but are not exempted from being included in the Financial Report under the Corporations Regulations as amended are duplicated below.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**a. Options**

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

	Balance 1.7.04	Granted as Remuneration	Options Exercised	Balance 30.6.05	Represented by:	
					Total Exercisable at 30.6.05	Total Unexercisable at 30.6.05
<b>Directors</b>						
Richard Lee				-	-	-
Peter Mattick	500,000	165,000		665,000	166,666	498,334
Philip Salter	500,000	165,000		665,000	166,666	498,334
John Thorn				-	-	-
Ian Elliott				-	-	-
<b>Specified Executives</b>						
Stephen Bardwell	125,000	40,000	(41,666)	123,334	-	123,334
David Besson	250,000	80,000	(83,333)	246,667	-	246,667
Peter Boyle	250,000	80,000	(83,333)	246,667	-	246,667
Ashley Fenton	250,000	80,000	(83,333)	246,667	-	246,667
Chris Meakins	125,000	40,000	(41,666)	123,334	-	123,334
	2,000,000	650,000	(333,331)	2,316,669	333,332	1,983,337

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 \$4.41 cents. Currently, this expense is not recognised in the financial statements.

During the year, 333,331 shares were issued by virtue of the exercise of an option at an average exercise price of \$2.10.

**b. Shareholdings**

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.04	Net Change*	Balance 30.6.05
<b>Parent Entity Directors</b>			
Richard Lee	302,000	8,894	310,894
Peter Mattick	34,288,238	356,414	34,644,652
Philip Salter	34,409,338	20,000	34,429,338
John Thorn	50,000	27,307	77,307
Ian Elliott	-	4,868	4,868
<b>Specified Executives</b>			
Stephen Bardwell	388,688	(265,354)	123,334
David Besson	879,129	(789,345)	89,784
Peter Boyle	844,105	(115,631)	728,474
Ashley Fenton	8,400	26,933	35,333
Chris Meakins	753,315	(216,095)	537,220
	71,923,213	(942,009)	70,981,204

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

	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 6 Auditors' Remuneration</b>				
Remuneration of the auditor of the parent entity for:				
– auditing or reviewing the financial report	249	248	-	27
– other services	56	34	-	-
Remuneration of other auditors of subsidiaries for:				
– auditing or reviewing the financial report of subsidiaries	112	78	-	-

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 7</b>	<b>Dividends</b>				
<b>a. Paid during the year</b>					
Final fully franked ordinary dividend of 7.0 cents per share franked at the tax rate of 30% paid on 1 October 2004.		8,131	6,389	8,131	6,389
Interim fully franked ordinary dividend of 6.5 cents (2004: 5.0 cents) per share franked at the tax rate of 30% paid on 28 March 2005 (2004: 30%).		7,573	5,808	7,573	5,808
<b>Total dividends paid</b>	26	15,704	12,197	15,704	12,197
<b>b. Dividends not recognised at year-end</b>					
Proposed final fully franked dividend of 9.0 cents (2004: 7.0 cents) per share franked at a tax rate of 30% (2004: 30%)		10,497	8,131	10,497	8,131
<b>c. Franking credits</b>					
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% (2004: 30%)		57,470	44,836	57,470	44,836
— Franking credits that will arise from the payment of income tax payable as at the end of the financial year		5,085	4,261	5,085	4,261
<b>Franking account balance at year-end</b>		62,555	49,097	62,555	49,097

	Note	Salmat Group	
		2005 \$000 Actual	2004 \$000 Actual
<b>Note 8</b>	<b>Earnings per Share</b>		
<b>a. Reconciliation of Earnings to Net Profit</b>			
Net profit		27,107	20,955
Adjustments to net profit for the purpose of calculating EPS		-	-
<b>Earnings used in the calculation of dilutive EPS</b>		27,107	20,955
<b>b.</b>			
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		116,386	116,158
Weighted average number of options outstanding		3,520	2,785
<b>Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS</b>		119,906	118,943
<b>c. Classification of securities</b>			
The following securities have been classed as potential ordinary shares			
— options outstanding		3,520	2,785

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000

**Note 9 Net Tangible Asset Backing**

Net tangible asset backing per ordinary share	11.8c	47.2c		
---	-------	-------	--	--

**Note 10 Cash Assets**

Cash at bank	13,935	16,213	12,910	12,949
Cash on hand	17	16	1	1
<b>Total cash</b>	<b>13,952</b>	<b>16,229</b>	<b>12,911</b>	<b>12,950</b>

**Note 11 Receivables**

**Current**

Trade debtors	62,626	39,584	-	1,677
Provision for doubtful debts	(617)	(1,175)	-	-
	62,009	38,409	-	1,677
Other debtors	1,020	149	-	12
<b>Total current receivables</b>	<b>63,029</b>	<b>38,558</b>	<b>-</b>	<b>1,689</b>

**Non-Current**

Amounts receivable from:

— related parties	9,860	9,360	54,353	11,770
— provision for recoverability, related parties	(390)	(6,974)	-	(6,974)

<b>Total non-current receivables</b>	<b>9,470</b>	<b>2,386</b>	<b>54,353</b>	<b>4,796</b>
--------------------------------------	--------------	--------------	---------------	--------------

**Note 12 Inventories**

**Current**

Raw materials at net realisable value	2,488	1,919	-	-
Work in progress at cost	3,271	1,341	-	-
<b>Total inventories</b>	<b>5,759</b>	<b>3,260</b>	<b>-</b>	<b>-</b>

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**Note 13 Associated Companies**

Interests are held in the following associated companies

Name	Principal Activities	Ownership Interest		Carrying Amount of Investment	
		2005 %	2004 %	2005 \$000	2004 \$000
Unlisted: ClientLogic Philippines, Inc	Call Centre Operation	49	49	-	-

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

Note	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>a. Retained Earnings Attributable to Associate</b>				
Share of associate's profit/(loss) from ordinary activities before income tax expense	1,463	(72)	-	-
Share of associate's income tax (expense)/benefit	-	-	-	-
Share of associate's profit/(loss) from ordinary activities after income tax	1,463	(72)	-	-
Share of accumulated losses at beginning of the financial year	(2,993)	(2,727)	-	-
Effect of exchange rates on opening balance	240	(194)	-	-
<b>Share of accumulated losses at end of the financial year</b>	<b>(1,290)</b>	<b>(2,993)</b>	-	-
<b>b. Share of Aggregate Assets, Liabilities and Performance of Associates</b>				
Current Assets	4,322	3,559	-	-
Non-Current Assets	6,969	8,660	-	-
<b>Total Assets</b>	<b>11,291</b>	<b>12,219</b>	-	-
Current Liabilities	4,307	5,746	-	-
Non-Current Liabilities	7,750	8,615	-	-
<b>Total Liabilities</b>	<b>12,057</b>	<b>14,361</b>	-	-
Net Assets	(766)	(2,142)	-	-
<b>Net profit/(loss) from ordinary activities after income tax of associates</b>	<b>1,463</b>	<b>(72)</b>	-	-

**Note 14 Other Financial Assets**

**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		189	190	-	-
Less: Provision for write-down to recoverable amount		180	180	-	-
		9	10	-	-
<b>Total other financial assets</b>		<b>9</b>	<b>10</b>	<b>34,233</b>	<b>34,233</b>



**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**Note 15      Controlled Entities**

		Country of Incorporation	Percentage Owned (%)	
			2005	2004
<b>Parent Entity</b>				
Salmat Limited	3			
<b>Subsidiaries of Salmat Limited</b>	1			
Salmat Document Management Solutions Pty Limited	3	Australia	100	100
Billserv Australia Pty Limited	2	Australia	-	100
Salmat Data Solutions Pty Limited	3	Australia	100	100
Monteson Holdings Pty Limited		Australia	100	100
Salmat Targeted Media Pty Ltd (formerly Salmat Letterbox Delivery Services Pty Limited)	3	Australia	100	100
Salmat Teleservices Pty Limited	3	Australia	100	100
Pardrive Pty Limited		Australia	100	100
Letterbox Distribution Network Pty Limited (formerly Pardrive No. 2 Pty Ltd)		Australia	100	100
Salmat International Pty Limited		Australia	100	100
SalesForce Australia Pty Limited	3	Australia	100	-
SalesForce Services Pty Limited		Australia	100	-
Deltarg Distribution Systems Limited		New Zealand	100	100
SalesForce New Zealand Limited		New Zealand	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

<sup>1</sup> All shareholdings represent 100% ownership in the ordinary shares of the entity. No further class of shares exist.

<sup>2</sup> This company was voluntarily deregistered during the year.

<sup>3</sup> Refer to Deed of Cross Guarantee note, below.

**Deed of Cross Guarantee**

Pursuant to a subsection 340(1) order, 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 30 June 2005. The effect of the deed is that Salmat Limited has guaranteed to pay any deficiency in the event of winding up of any specified controlled entity. The controlled entities have also given a similar guarantee in the event that Salmat Limited is wound up.

Financial information in relation to:	Parties to Deed of Cross Guarantee	
	2005 \$000	2004 \$000
<b>i. Statement of Financial Performance</b>		
Profit from ordinary activities before income tax	37,199	32,358
Income tax expense relating to ordinary activities	(10,467)	(9,391)
<b>Profit from ordinary activities after income tax expense</b>	<b>26,732</b>	<b>22,967</b>
<b>ii. Retained Profits</b>		
Retained profits at the beginning of the financial year	50,384	39,614
Profit from ordinary activities after income tax expense	26,732	22,967
Dividends paid	(15,704)	(12,197)
Change of entities within Cross Guarantee	2,163	-
<b>Retained profits at the end of the financial year</b>	<b>63,575</b>	<b>50,384</b>

	<b>Parties to Deed of Cross Guarantee</b>	
	<b>2005 \$000</b>	<b>2004 \$000</b>
<b>iii. Statement of Financial Position</b>		
Current assets		
Cash assets	12,450	12,962
Receivables	56,987	36,359
Inventories	5,442	3,059
Other	3,788	2,261
<b>Total current assets</b>	<b>78,667</b>	<b>54,641</b>
Non-current assets		
Receivables	29,852	12,803
Investments	-	2,193
Property, plant and equipment	27,646	35,488
Deferred tax assets	9,122	5,624
Intangible assets	73,618	18,421
<b>Total non-current assets</b>	<b>140,238</b>	<b>74,529</b>
<b>Total assets</b>	<b>218,905</b>	<b>129,170</b>
Current liabilities		
Payables	37,567	29,666
Current tax liabilities	3,709	4,051
Provisions	8,224	6,677
<b>Total current liabilities</b>	<b>49,500</b>	<b>40,394</b>
Non-current liabilities		
Payables	-	1,960
Interest bearing liabilities	64,000	-
Deferred tax liabilities	573	385
Provisions	10,449	2,092
<b>Total non-current liabilities</b>	<b>75,022</b>	<b>4,437</b>
<b>Total liabilities</b>	<b>124,522</b>	<b>44,831</b>
<b>Net assets</b>	<b>94,383</b>	<b>84,339</b>
Equity		
Contributed equity	31,458	30,478
Reserves	(650)	3,477
Retained profits	63,575	50,384
<b>Total equity</b>	<b>94,383</b>	<b>84,339</b>

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 16</b>				
<b>Property Plant and Equipment</b>				
Freehold land				
— at deemed cost	4,350	4,350	-	-
	4,350	4,350	-	-
Buildings				
— at deemed cost	8,858	8,858	-	-
Accumulated depreciation	(2,768)	(2,419)	-	-
	6,090	6,439	-	-
Plant and equipment				
At cost	116,164	87,767	3,154	159
Accumulated depreciation	(86,666)	(62,136)	(1,892)	-
	29,498	25,631	1,262	159
<b>Total property, plant and equipment</b>	<b>39,938</b>	<b>36,420</b>	<b>1,262</b>	<b>159</b>

**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
<b>Economic Entity:</b>				
Balance at the beginning of year	4,350	6,439	25,631	36,420
Additions	-	-	16,273	16,273
Additions through acquisition of entity	-	-	2,828	2,828
Disposals	-	-	(269)	(269)
Depreciation expense	-	(349)	(14,977)	(15,326)
Net exchange difference on translation of financial reports of foreign operations	-	-	12	12
<b>Carrying amount at the end of year</b>	<b>4,350</b>	<b>6,090</b>	<b>29,498</b>	<b>39,938</b>

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 LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Note 17      Deferred Tax Assets</b>				
Future income tax benefit	9,282	5,949	7,056	5,624
<b>a.    The future income tax benefit is made up of the following estimated tax benefits:</b>				
– tax losses	528	964	-	964
– timing differences	8,754	4,985	7,056	4,660
	9,282	5,949	7,056	5,624
<b>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</b>				
– tax losses	897	1,137	-	338
<b>Note 18      Intangible Assets</b>				
Goodwill at cost	104,544	44,220	895	-
Accumulated amortisation	(24,426)	(18,240)	-	-
	80,118	25,980	895	-
Other intangibles at cost	1,118	1,118	-	-
Accumulated amortisation	(1,021)	(577)	-	-
	97	541	-	-
<b>Total intangible assets</b>	80,215	26,521	895	-
<b>Note 19      Other Assets</b>				
<b>Current</b>				
Prepayments	2,918	1,836	1,715	1,127
Recoverable deposits	776	776	17	-
<b>Total other assets</b>	3,694	2,612	1,732	1,127

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Salmat Group		Salmat Limited	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 20</b>				
<b>Payables</b>				
<b>Current</b>				
Unsecured liabilities				
Trade creditors	20,851	21,860	10,480	10,584
Sundry creditors and accrued expenses	19,996	10,304	2,840	898
<b>Total current payables</b>	40,847	32,164	13,320	11,482
<b>Non-current</b>				
Unsecured liabilities				
Trade creditors	4,808	1,605	-	-
Amounts payable to:				
— wholly-owned subsidiaries	-	-	-	12,835
<b>Total non-current payables</b>	4,808	1,605	-	12,835
<b>Note 21</b>				
<b>Interest Bearing Liabilities</b>				
<b>Non-current</b>				
Secured liabilities				
— Bank Loans	66,533	2,072	64,000	-
<b>Total non current interest bearing liabilities</b>	66,533	2,072	64,000	-
<b>Borrowing facilities available at balance date</b>				
Secured bank overdraft <sup>1</sup>	5,000	5,000	5,000	5,000
Secured Loan facility <sup>1</sup>	95,000	50,000	95,000	50,000
Guarantee facilities <sup>1</sup>	30,000	30,000	30,000	30,000
<b>Total borrowing facilities available</b>	130,000	85,000	130,000	85,000
<b>Borrowing facilities utilised at balance date</b>				
Secured Loan Facility	64,000	-	64,000	-
Guarantee facilities	23,462	20,861	23,462	17,772
<b>Total borrowing facilities utilised</b>	87,462	20,861	87,462	17,772
<b>Borrowing facilities unutilised at balance date</b>				
Secured bank overdraft	5,000	5,000	5,000	5,000
Secured Loan facility	31,000	50,000	31,000	50,000
Guarantee facilities	6,538	9,139	6,538	12,228
<b>Total borrowing facilities unutilised</b>	42,538	64,139	42,538	67,228

<sup>1</sup> This facility is secured by a deed of negative pledge and guarantee over the assets of certain group companies.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Note 22</b>	<b>Tax Liabilities</b>			
<b>Current</b>				
Provision for income tax	3,835	4,263	1,298	4,051
<b>Non-current</b>				
Provision for deferred income tax	573	385	573	385

**Note 23**      **Provisions**

<b>Current</b>					
Employee entitlements	23a	8,427	5,162	1,217	1,051
<b>Total current provisions</b>		8,427	5,162	1,217	1,051
<b>Non-current</b>					
Employee entitlements	23a	6,382	4,553	1,155	956
Other	23b	-	354	-	-
<b>Total non-current provisions</b>		6,382	4,907	1,155	956

**a. Employee benefits**

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

Provision for employee benefits

— current	8,427	5,162	1,217	1,051
— non-current	6,382	4,553	1,155	956
	14,809	9,715	2,372	2,007

Accrued wages and salaries, bonus and on-costs <sup>1</sup>

	5,500	4,250	1,949	1,524
--	-------	-------	-------	-------

<b>Aggregate employee benefits</b>	20,309	13,965	4,321	3,531
------------------------------------	--------	--------	-------	-------

<sup>1</sup> 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**

Balance at the beginning of the year	354	1,023	-	-
Movements during the year	(354)	(669)	-	-

<b>Carrying amount at the end of year</b>	-	354	-	-
---	---	-----	---	---

	<b>No.</b>	No.	<b>No.</b>	No.
<b>c. Number of FTE employees at year-end</b>	3,632	2,311	152	172

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 24</b>					
<b>Contributed Equity</b>					
Fully paid ordinary shares	24a	31,459	30,478	31,459	30,478
<b>Total contributed equity</b>		<b>31,459</b>	<b>30,478</b>	<b>31,459</b>	<b>30,478</b>
<b>a. Ordinary shares</b>		<b>2005 \$000</b>	<b>2005 000 No.</b>	2004 \$000	2004 000 No.
At the beginning of the reporting period		30,478	116,158	30,637	116,158
Shares issued during the year					
— Options exercised by employees	31c	949	452	-	-
— Issued to Directors during the year		-	25	-	-
Transaction costs relating to share issues		32	-	(159)	-
<b>At reporting date</b>		<b>31,459</b>	<b>116,635</b>	<b>30,478</b>	<b>116,158</b>

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 31.
- ii. For information relating to share options issued to executive directors during the financial year, refer to Note 31.
- iii. At 30 June 2005 there were 3.5 million 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 31.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Salmat Group		Salmat Limited	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Note 25</b>	<b>Reserves</b>				
Asset revaluation	25a	4,118	4,118	-	-
Foreign currency translation	25b	(1,490)	(1,662)	(28)	(21)
<b>Total reserves</b>		<b>2,628</b>	<b>2,456</b>	<b>(28)</b>	<b>(21)</b>

**a. Asset revaluation reserve movement**

Opening balance		4,118	4,118	-	-
Revaluation increment on freehold land and buildings		-	-	-	-
<b>Closing balance</b>		<b>4,118</b>	<b>4,118</b>	<b>-</b>	<b>-</b>

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.

**b. Foreign currency translation reserve movement**

Opening balance		(1,662)	(1,223)	(21)	-
Adjustment arising from the translation of foreign controlled entities' financial statements		172	(439)	(7)	(21)
<b>Closing balance</b>		<b>(1,490)</b>	<b>(1,662)</b>	<b>(28)</b>	<b>(21)</b>

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 26 Retained Profits/(Accumulated Losses)**

Retained profits/(accumulated losses) at the beginning of the financial year		48,453	39,695	(639)	(44)
Net profit attributable to the members of the parent entity		27,107	20,955	15,791	11,602
Dividends paid	7	(15,704)	(12,197)	(15,704)	(12,197)
<b>Retained profits/(accumulated losses) at the end of the financial year</b>		<b>59,856</b>	<b>48,453</b>	<b>(552)</b>	<b>(639)</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Note 27</b>	<b>Commitments for Expenditure</b>			
<b>a. Contracted capital expenditures</b>	Estimated aggregate amount of contracts for purchase of plant and equipment not provided for in the accounts			
– not later than 1 year	10,689	7,999	2,164	736
<b>Total contracted capital expenditures</b>	<b>10,689</b>	<b>7,999</b>	<b>2,164</b>	<b>736</b>
<b>b. Non-cancellable operating lease commitments</b>	Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable (net of GST)				
– not later than 1 year	12,979	6,366	1,624	378
– later than 1 year but not later than 5 years	26,900	15,714	3,637	1,003
– later than 5 years	28,505	1,347	8,580	-
<b>Total non-cancellable operating lease commitments</b>	<b>68,384</b>	<b>23,427</b>	<b>13,841</b>	<b>1,381</b>
Aggregate expenditure commitments comprise:				
Amounts not provided for				
– rental commitments	68,384	23,427	13,841	1,381
	<b>68,384</b>	<b>23,427</b>	<b>13,841</b>	<b>1,381</b>

**Note 28**      **Contingent Liabilities**

**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. SDMS denies any wrongdoing and will defend the charges vigorously.

On 4 August 2004, all parties entered not guilty pleas to the charges. A status update hearing was held in January 2005, and approved an application to have the matter heard in the WA Supreme Court.

The defendants' applications for a permanent stay of the proceedings are listed for hearing commencing on 24 October 2005. It is expected that, if this matter proceeds to trial, it will not be set down to take place until 2006.

As a consequence of normal business operations, on occasions Salmat Limited receives communications in relation to potential future claims from third parties. Salmat Limited maintains insurance cover to minimise the potential financial effects of such items.

**Note 28 Segment Reporting**

**Business Segments**

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

Targeted Media delivers advertising catalogues to homes throughout Australia and New Zealand. Detailed demographic analysis enables us to target the consumers most likely to buy particular products, helping our customers to maximise their sales.

Business Process Outsourcing processes and mails bank and credit card statements, accounts and other customised, bulk mailings in Australia, Hong Kong, Taiwan and the Philippines. We receive customers' electronic data, process it using smart technology, and print and mail statements, providing significant cost savings.

Contact Centre handles inbound and outbound telephone, fax, email and online communications on behalf of our customers, from facilities in Australia and the Philippines. Inbound services include technical support and customer care; while outbound services include telemarketing, direct sales and customer retention. We also facilitate business-to-business and business-to-consumer conversations through a range of sales support services.

**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.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**Primary Reporting - Business Segments**

<b>2005</b>	<b>BPO \$000</b>	<b>Targeted Media \$000</b>	<b>Contact Centre \$000</b>	<b>Admin \$000</b>	<b>Eliminations \$000</b>	<b>Salmat Group \$000</b>
<b>REVENUE</b>						
External Sales	141,272	169,010	97,208	-	-	407,490
Other segments	1,015	423	-	-	(1,438)	-
Total sales revenue	142,287	169,433	97,208	-	(1,438)	407,490
Other revenue	94	200	57	1,043	-	1,394
<b>Total revenue from ordinary activities</b>	<b>142,381</b>	<b>169,633</b>	<b>97,265</b>	<b>1,043</b>	<b>(1,438)</b>	<b>408,884</b>
<b>RESULT</b>						
EBITA before significant items	13,654	36,005	3,376	(10,532)	93	42,596
Significant items:						
— Write-off software assets						(2,308)
— Reversal of loan provision						5,402
— Integration and restructure costs						(990)
Amortisation expense						(5,603)
Net Interest income						(660)
Profit from ordinary activities before income tax expense						38,437
Income Tax Expense						(11,330)
<b>Net profit after tax</b>						<b>27,107</b>
<b>ASSETS</b>						
Segment assets	82,062	46,448	(2,197)	89,754	-	216,067
Unallocated assets <sup>1</sup>						9,282
<b>Total assets</b>						<b>225,349</b>
<b>LIABILITIES</b>						
Segment liabilities	22,772	6,851	10,561	22,814	-	62,998
Unallocated <sup>1</sup>						68,408
<b>Total liabilities</b>						<b>131,406</b>
<b>OTHER</b>						
Acquisitions of plant and equipment	9,909	1,530	2,058	2,776	-	16,273
Depreciation of segment assets	6,718	967	2,688	4,953	-	15,326
Amortisation of segment assets	2,453	1,846	1,304	-	-	5,603
Other non-cash segment expenses	(78)	(3)	-	(5,433)	-	(5,514)

<sup>1</sup> 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.

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

2004	BPO \$000	Targeted Media \$000	Contact Centre \$000	Admin \$000	Eliminations \$000	Salmat Group \$000
<b>REVENUE</b>						
External Sales	129,599	154,654	42,612	-	-	326,865
Other segments	3,560	743	-	-	(4,303)	-
Total sales revenue	133,159	155,397	42,612	-	(4,303)	326,865
Other revenue	237	203	-	789	-	1,229
<b>Total revenue from ordinary activities</b>	133,396	155,600	42,612	789	(4,303)	328,094
<b>RESULT</b>						
EBITA before significant items	13,728	34,690	(1,473)	(8,677)	34	38,302
Significant items:						
— Loan provision (related party)						(2,537)
Amortisation expense						(5,066)
Net Interest expense						697
Profit from ordinary activities before income tax expense						31,395
Income Tax Expense						(10,440)
<b>Net profit after tax</b>						20,955
<b>ASSETS</b>						
Segment assets	70,532	53,371	(12,198)	14,285	-	125,990
Unallocated assets						5,949
<b>Total assets</b>						131,939
<b>LIABILITIES</b>						
Segment liabilities	18,480	9,857	2,093	13,408	-	43,838
Unallocated						6,720
<b>Total liabilities</b>						50,558
<b>OTHER</b>						
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

**Secondary reporting — Geographical Segments**

Geographical location:	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Australia	380,259	302,680	204,324	118,186	14,592	10,637
New Zealand	15,078	11,231	2,749	1,056	154	185
Asia	12,153	12,954	8,994	6,748	1,527	102
Other <sup>1</sup>	-	-	9,282	5,949	-	-
	407,490	326,865	225,349	131,939	16,273	10,924

<sup>1</sup> Assets shown against each segment exclude future income tax benefits.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Note 29 Cash Flow Information</b>				
<b>a. Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax</b>				
Profit from ordinary activities after income tax	27,107	20,955	15,791	11,602
Non-cash flows in profit from ordinary activities				
Amortisation	5,603	5,066	-	-
Depreciation	15,326	10,926	4,781	2,913
Unrealised foreign exchange movements	(71)	23	(191)	(167)
Provision for non-recoverable loans	(5,402)	2,537	(4,275)	2,468
Profit on sale of plant and equipment	(41)	(115)	-	(58)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) in trade and term debtors	(17,530)	(6,778)	1,740	(625)
(Increase)/decrease in inventories	(2,499)	35	-	-
(Increase) in other current assets	(1,082)	(457)	(605)	(1,126)
(Increase)/decrease in future income tax benefit	(3,334)	(1,942)	3,380	(5,024)
Increase/(decrease) in trade creditors and accruals	8,620	(2,676)	(1,786)	2,328
Increase in employee benefits	5,077	1,786	365	7
Increase/(decrease) in income taxes payable	(428)	(1,670)	(2,753)	4,009
Increase/(decrease) in deferred taxes payable	188	(44)	188	385
Exchange rate changes on opening cash balances	(344)	(233)	-	-
<b>Cash flows from operations</b>	<b>31,190</b>	<b>27,413</b>	<b>16,635</b>	<b>16,712</b>

**b. Acquisition of Businesses**

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:

Purchase consideration	4,700	4,500	-	-
Cash consideration	3,320	2,736	-	-
Deferred consideration	1,380	1,764	-	-
Assets and liabilities held at acquisition date:				
Inventories	540	47	-	-
Property, plant and equipment	351	701	-	-
	891	748	-	-
Goodwill	3,809	3,752	-	-

**SALMAT LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Salmat Group</b>		<b>Salmat Limited</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>c. Acquisition of Entities</b>				
On 21 January 2005, the Salmat Group acquired all of the issued shares in SalesForce Australia Pty Limited, SalesForce Services Pty Limited and SalesForce New Zealand Limited.				
Details of these transactions are:				
Purchase consideration	64,900	-	-	-
Cash consideration	61,700	-	-	-
Deferred consideration	3,200	-	-	-
Assets and liabilities held at acquisition date:				
Receivables	14,570	-	-	-
Other current assets	531	-	-	-
Property, plant and equipment	2,447	-	-	-
Creditors	(7,085)	-	-	-
Provisions	(1,575)	-	-	-
	8,888	-	-	-
Goodwill	56,012	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**Note 30 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:

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
Accrued benefits	443	1,099
Net market value of plan assets	123	513
Underfunding of net market value of plan assets over accrued benefits	(320)	(586)
Vested benefits	443	588

The above amounts were measured as at 30 June 2005.

**Note 31 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.

	<b>2005</b>	2004
	<b>000</b>	000
	<b>No.</b>	No.
Opening balance	99	122
Employees who have left the company	(18)	(23)
<b>Closing balance</b>	<b>81</b>	<b>99</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**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.

	<b>2005 000 No.</b>	2004 000 No.
Opening balance	2,179	2,542
Granted to employees at IPO (issue price \$1.90)	25	-
Transfers / Disposals	(100)	(335)
Acquisitions	44	33
Employees who have left the company	(180)	(61)
<b>Closing balance</b>	<b>1,968</b>	<b>2,179</b>

**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.

	<b>2005 000 No.</b>	2004 000 No.	<b>Weighted Average Exercise Price 2005 \$</b>	2004 \$
Opening balance	2,785	2,815	\$2.30	\$2.30
Granted	1,246	-	\$4.54	-
Exercised	(452)	-	\$2.10	-
Employees who have left the company	(56)	(30)	\$2.30	-
<b>Closing balance</b>	<b>3,523</b>	<b>2,785</b>	<b>\$3.12</b>	<b>\$2.30</b>

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 2005 was \$4.72 (2004: \$3.71).



---

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

---

**Note 32 Events subsequent to Reporting Date**

On 25 August 2005, the Directors declared a final dividend for 2005 of 9.0 cents per ordinary share (amounting to \$10.5m) franked to 100% at 30% corporate tax rate. A record date of 13 September 2005 has been set, with the dividend due to be paid on 4 October 2005.

**Note 33 Related Party Transactions**

	<b>2005</b>	2004
	<b>\$</b>	<b>\$</b>

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:

**Peter Mattick or related entities**

— Provision of printing services to the group	2,144,715	2,504,041
— Provision of automotive services to the group	44,377	182,866

---

**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
— Call centre services provided to Colliers Jardine	-	461,773

---

**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 34 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	Non-Interest Bearing \$000	Total \$000
<b>2005</b>					
Financial Assets					
Cash	10	4.72	13,952	-	13,952
Receivables	11	-	-	63,029	63,029
Recoverable deposits	19	-	-	776	776
Amounts owing by related entities	11	6.50	9,427	43	9,470
<b>Total Financial Assets</b>			<b>23,379</b>	<b>63,848</b>	<b>87,227</b>
Financial Liabilities					
Bank loans and overdrafts	21	5.85	66,533	-	66,533
Trade and sundry creditors	20	-	-	40,847	40,847
<b>Total Financial Liabilities</b>			<b>66,533</b>	<b>40,847</b>	<b>107,380</b>
<b>2004</b>					
Financial Assets					
Cash	10	4.75	16,229	-	16,229
Receivables	11	-	-	38,558	38,558
Recoverable deposits	19	-	-	776	776
Amounts owing by related entities	11	6.50	2,157	229	2,386
<b>Total Financial Assets</b>			<b>18,386</b>	<b>39,563</b>	<b>57,949</b>
Financial Liabilities					
Bank loans and overdrafts	21	2.09	2,072	-	2,072
Trade and sundry creditors	20	-	-	32,164	32,164
<b>Total Financial Liabilities</b>			<b>2,072</b>	<b>32,164</b>	<b>34,236</b>

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

**d. Derivative Financial Instruments**

Forward Exchange Contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for the anticipated future foreign currency receivables

At balance date, the details of outstanding foreign exchange contracts are:

	<b>2005</b>	<b>2004</b>	<b>Average Exchange Rates</b>	
	<b>\$000</b>	<b>\$000</b>	<b>2005</b>	<b>2004</b>
			<b>US\$</b>	<b>US\$</b>
Forward Exchange Contracts (US\$)				
Less than 6 months	1,823	-	0.7735	-
6 months to 1 year	1,964	-	0.7665	-
FX Collar				
> 1 year	5,915	-	0.7570	-
	<u>9,702</u>	<u>-</u>		