SALMAT LIMITED

(ABN 11 002 724 638)

Appendix 4E

FULL-YEAR REPORT
For the year ended 30 June 2007

Results for announcement to the market

Revenues from ordinary activities	**Up**	**14.2%**	**to**	**$602.4m**
Profit from ordinary activities after tax attributable to members	**Up**	**69.1%**	**to**	**$44.3m**
Net profit for the period attributable to members	**Up**	**69.1%**	**to**	**$44.3m**

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	**10.0c**	**10.0c**
Interim Dividend (fully franked)	**8.0c**	**8.0c**
Special Dividend (fully franked)	**10.0c**	**10.0c**
Previous corresponding period – final dividend (fully franked)	9.5c	9.5c
Record Date for determining entitlements to dividends		10 September 07
Dividends payment date		28 September 07

Explanation of results

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

The information contained in this report is to be read in conjunction with the 2007 Annual Report and any announcements to the market by Salmat Limited during the period.

SALMAT LIMITED
A.B.N. 11 002 724 628
State of Incorporation/Registration: NSW

ASX/media release **14 August 2007**

Strong Revenue Performance and Significant Strategic Initiatives Position Salmat for Long Term Growth

Salmat Limited (ASX:SLM), Australia's leading force in one-to-one communications, today announced a net profit after tax of $44.3 million for the year to 30 June 2007, an increase of 69.1% over FY2006 ($26.2 million). The result benefited from inclusion of the profit realised in the first half on the sale of the company's 49% interest in the ClientLogic Philippines joint venture, which has been recognised as a significant item.

Net profit before significant items increased by 1.5% to $27.6 million, and was in line with the company's earnings guidance. A strong sales revenue performance was recorded, with a 14.3% increase to $601.9 million (2006: $526.8 million) embracing both organic growth and contributions from recent acquisitions.

The directors have declared a final dividend of 10.0 cents per share fully franked, up by 5.3% from 2006 (9.5 cents), payable to shareholders on 28 September. This will bring total dividends for the year to 18.0 cents fully franked (2006: 16.5 cents). In addition, the company paid a special fully franked dividend of 10 cents per share in March 2007, in recognition of the substantial profit recorded on the ClientLogic sale.

Results summary for year to	30 June 2007 $ million	30 June 2006 $ million	% increase
Sales revenue	601.9	526.8	14.3
EBITA (Earnings before interest, tax and amortisation)	46.9	46.0	2.0
Net profit before significant items	27.6	27.2	1.5
Significant items	16.7	(1.0)	NMF
Profit after tax	44.3	26.2	69.1
Earnings per share (cents)	37.7	22.4	68.3
Final dividend per share (cents) – fully franked	10.0	9.5	5.3
Total dividends per share for the year (cents) – fully franked	18.0	16.5	9.1

Salmat's Joint Managing Directors Peter Mattick and Phil Salter said: 'This has been one of our busiest and most important year's on record with many key operational and strategic initiatives implemented. We're pleased that we finished the year with strong sales growth of over 14% and our earnings in line with guidance.'

'SalesForce registered the standout divisional performance, fuelled by strong organic growth. Business Process Outsourcing is beginning to reflect improved returns from the investment made in new sites, systems and equipment, whereas Targeted Media's earnings, whilst in line with expectations, suffered from a competitive market environment.'

'Of far greater significance, however, are the major strategic steps taken during the year. Our interest in the ClientLogic Philippines joint venture was sold at a substantial profit. We reinvested the proceeds into the high growth areas of interactive digital, through the acquisition of Dialect Interactive, and speech verification solutions, through the acquisition of VeCommerce. Both have strengthened our technological capabilities and broadened our product offerings.'

'Subsequent to year-end we announced a recommended offer for HPA Limited (HPA). This proposed transaction represents a unique opportunity to forge the leading business one-to-one communication force in Australia. There is a strong cultural and strategic fit between Salmat and HPA, and we believe both sets of employees, customers and shareholders will benefit from the union of the two companies.'

‘Another key initiative has been the development of a new digital advertising solution, Lasoo.com.au, which is an aggregated internet site that is fully searchable and browsable for consumers to quickly find what their local retailers are promoting. We believe Lasoo is well positioned to take advantage of the emerging online advertising market.’

'In addition, we recently announced a proposed joint venture with New Zealand Post in the unaddressed mail distribution market in New Zealand. Collectively, we believe that all these strategic steps will materially enhance Salmat’s longer term growth prospects.'

Operational review

Targeted Media

Results for year to	**30 June 2007 $ million**	**30 June 2006 $ million**	**% increase/ (decrease)**
Revenue	181.1	180.0	0.6
EBITA before significant items	29.1	38.5	(24.3)

Targeted Media’s result was in line with expectations and reflects the scale impacts of the loss of a major customer in July 2006 coupled with the price impacts of a competitive market and increased costs of delivery. Despite the challenges faced, the business managed to post a small increase in both volumes and revenues for the year.

Targeted Media continues to improve its service proposition with enhancements to the multi-tiered total accountability model, which are improving distribution transparency and strengthening customer relationships. Ongoing attention to innovation is improving the business’ delivery model and its targeting tools.

The industry outlook remains competitive, overlayed with a continuing soft advertising market.

SalesForce

Results for year to	**30 June 2007 $ million**	**30 June 2006 $ million**	**% increase**
Revenue	243.6	179.9	35.4
EBITA before significant items	16.9	8.4	101.2

SalesForce continues to generate strong results, fed by organic growth from new and existing customers, and its available seats increasing by over 40% to nearly 3,900. The trend in Australia towards the outsourced call centre solution is following the overseas experience, and promises significant long term growth opportunities for this business. SalesForce now offers a full range of contact centre solutions, providing the necessary flexibility to potential and existing customers, and has cemented its position as market leader in the outsourced segment.

Business Process Outsourcing (BPO)

Results for year to	**30 June 2007 $ million**	**30 June 2006 $ million**	**% increase**
Revenue	177.2	166.9	6.2
EBITA before significant items	8.5	7.8	9.0

BPO, the market leader in essential mail processing, posted an encouraging improvement in both revenue and EBITA. Profitability improvements have been brought about as a result of our investments in the business and focus on productivity and efficiency gains.

Returns from the Asian operations continue to improve, with the Hong Kong business moving into profit at the EBITDA level, assisted by increased volume from new customers.

Significant items (after tax)

The EBITA result for FY2007 includes the following significant items, which are not included in the segmental results outlined above:

- Profit on sale of the interest in the ClientLogic Philippines joint venture, of $25.0 million.
- Impairment of goodwill in respect of the Asian operations, of $4.5 million.
- Restructuring and redundancy costs of $2.0 million associated with the set up of our Optimise program.
- Development costs of $1.8 million in respect of the new Lasoo digital advertising solution.

Balance sheet and cash flow

Operating cash flow for the year improved by over 14%, to $32.1 million. This reflected tight working capital control in the face of strong sales growth. Capital expenditure of nearly $16 million, or 2.6% of sales, was $10.8 million lower than FY2006, which was a year of highly intensive investment.

Interest cover at the EBITDA level exceeded 11 times in FY2007, and year-end gearing stood at 41%.

HPAL recommended offer

On 18 July 2007 Salmat announced an offer for all the shares in HPAL Limited (HPA) by way of Scheme of Arrangement. It has been unanimously recommended by the HPA Board, and has received the support of HPA's 50.4% shareholder, Kodak (Australasia). Subject to shareholder approval at the Scheme meeting to be held in mid-October, completion of the transaction is expected shortly thereafter.

The offer values HPA at $318 million. Based on the anticipated uptake of the cash or scrip consideration alternatives on offer, upon conclusion of the transaction Salmat is expected to remain conservatively geared, with net debt of approximately $275 million and interest cover of around 5 times.

***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.*

- ***SalesForce** handles inbound and outbound telephone, fax, email and online communications on behalf of our customers, from facilities in Australia and the New Zealand. 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 28 years we have built a 5,000 plus 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.

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For more information about the Salmat Group, please visit Salmat's website at www.salmat.com.au.

For further information, please contact:

Peter Mattick	*Philip Salter*	*Ashley Fenton*
Joint Managing Director	*Joint Managing Director*	*Chief Financial Officer*
+612 9928 6500	*+612 9928 6500*	*+612 9928 6500*

Salmat Limited

ABN 11 002 724 638

Annual report
for the year ended 30 June 2007

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Salmat Group) consisting of Salmat Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

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

Richard Lee
Peter Mattick
Philip Salter
John Thorn
Ian Elliot

Principal activities
During the year the principal continuing activities of the Salmat Group consisted of:

(a) 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.

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

(c) SalesForce handles inbound and outbound telephone, fax, email and online communications on behalf of our customers, from facilities in Australia and New Zealand. 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.

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

	2007 $'000	2006 $'000
Final ordinary dividend for the year ended 30 June 2006 of 9.5 cents (2005 - 9.0 cents) per fully paid share paid on 3 October 2006	**11,139**	10,498
Interim ordinary dividend for the year ended 30 June 2007 of 8.0 cents (2006 - 7.0 cents) per fully paid share paid on 28 March 2007	**9,416**	8,202
Special dividend for the year ended 30 June 2007 of 10.0 cents per share, fully franked, paid on 28 March 2007	**11,769**	-
	32,324	18,700

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

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

Performance indicators (continued)

Risk management

The group takes a proactive approach to risk management. The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These are detailed in the Corporate Governance Statement, which accompanies this report.

Environmental issues

The Salmat Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Review of operations

A review of Salmat Group operations and the results for the year ended 30 June 2007 are set out in the attached Annual Report.

Significant changes in the state of affairs

There were no significant changes in the nature of the Group's principal activities during the year.

Matters subsequent to the end of the financial year

HPA Acquisition

On 18 July 2007, Salmat Limited announced that it had entered into a Scheme Implementation Agreement with HPAL Limited ("HPAL") in relation to an offer to acquire all shares in HPAL for $2.725 each.

The offer values HPAL at a market capitalisation of approximately $318 million. The acquisition has been unanimously recommended by the Board of HPAL subject to the receipt of an independants expert's report and has the support of HPAL's major shareholder, Kodak (Australasia) Pty Ltd.

The acquisition will be funded via a combination of cash and the issue of new Salmat shares to HPAL shareholders.

Dividends

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $11,774,204 (10 cents per fully paid share) to be paid on 28 September 2007 out of retained profits at 30 June 2007.

New Zealand Joint Venture

On 6 August 2006 Salmat Limited announced it is working on a proposal for a joint venture business with New Zealand Post in unaddressed mail distribution in the New Zealand market.

Salmat and New Zealand Post will contribute the assets of their respective businesses (Deltarg and Letterbox Channel) to a new joint venture company in return for a 50% shareholding in each. The parties will share the establishment costs and initial working capital requirements of the joint venture. The proposed joint venture would combine the strengths of the current businesses while realising a number of operating efficiencies and network synergies.

The proposal is subject to a number of contractual conditions that are yet to be satisfied, and clearance from the New Zealand Commerce Commission.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the Salmat Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Salmat Group's state of affairs in future financial years.

Likely developments and expected results of operations
Additional comments on expected results of certain operations of the Salmat Group are included in this Annual Report under the review of operations.

Further information on likely developments in the operations of the Salmat Group and the expected results of operations have not been included in this ASX preliminary final report because the directors believe it would be likely to result in unreasonable prejudice to the Salmat Group.

Information on directors

Richard Lee. *Non-Executive Chairman (Independent).*
Experience and expertise
Mr Lee is Deputy Chairman of Ridley Corporation Limited and a Non-Executive Director of CSR Limited . He is also a Non-Executive Director of the insurance division of Wesfarmers Limited comprising; Australian International Insurance Limited, Lumley General Insurance Limited and Wesfarmers Federation Insurance Limited.

He is a former Chief Executive of the NM Rothschild Australia Group, and a former Director of NM Rothschild and Sons Limited in London, Singapore and Hong Kong. He also formerly held senior management roles in finance and marketing with CSR Limited.

Special responsibilities
Chairman of the Board.
Member of Audit, Risk and Compliance committee.
Member of Remuneration and Compensation committee.

Interests in shares and options
337,201 ordinary shares in Salmat Limited.

Peter Mattick *Joint Managing Director.*
Experience and expertise
Peter Mattick is a joint founder of Salmat Limited and holds a Bachelor of Commerce Degree from the University of New South Wales.

Mr Mattick is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Australian Institute of Company Directors, a Member of the Commerce Faculty Advisory Board of the University of New South Wales, and a Member of the Advisory Council for the Institute of Neuromuscular Research.

Interests in shares and options
34,642,652 ordinary shares in Salmat Limited.
995,000 options over ordinary shares in Salmat Limited.

Philip Salter *Joint Managing Director.*
Experience and expertise
Philip Salter is a joint founder of Salmat Limited and gained experience in the real estate industry prior to founding Salmat Limited.

Mr Salter is a Board member of the Prince of Wales Medical Research Institute, a member of the Company Directors Association of Australia and a former Director of the Australian Direct Marketing Association.

Interests in shares and options
34,550,638 ordinary shares in Salmat Limited.
995,000 options over ordinary shares in Salmat Limited.

John Thorn *Non-Executive Director (Independent).*
Experience and expertise
Mr Thorn is a Director of Amcor Limited, Caltex Australia Limited and National Australia Bank Limited. He is currently a fellow of the Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors.

Information on directors (continued)
Mr Thorn was formerly the National Managing Partner of PricewaterhouseCoopers in Australia and gained international management experience with PricewaterhouseCoopers global firm and the National Managing Partner until 2003. He was Managing Partner of the firm's audit practice from 1998 to 2002. He has over 20 years experience as a Partner and was responsible for the audit of major international and Australian companies.

Special responsibilities
Chairman of Audit, Risk and Compliance committee.
Member of Remuneration and Compensation committee.

Interests in shares and options
100,601 ordinary shares in Salmat Limited.

Ian Elliot *Non-Executive Director (Independent).*
Experience and expertise
Ian Elliot is a Director of Hills Industries Limited and the National Australia Day Council. He is a former Chairman and CEO of George Patterson Bates.

Mr Elliot is a Fellow of the Australian Institute of Company Directors and a Graduate of the Advanced Management Program at Harvard Business School.

Special responsibilities
Member of Audit, Risk and Compliance committee.
Chairman of Remuneration and Compensation committee.

Interests in shares and options
33,435 ordinary shares in Salmat Limited.

Company secretary
The company secretary is Mr Steve Bardwell. Mr Bardwell has been Company Secretary since October 2002. He has had over 25 years in senior commercial roles, and joined the company as Group Financial Controller in 1989, actively participating in the expansion and development of Salmat in both Australia and Asia.

Prior to listing of the company, he had over ten years experience as Secretary of Salmat Group Companies.

Meetings of directors
The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

			Meetings of committees			
	Full meetings of directors		Audit, Risk and Compliance		Remuneration and Compensation	
	A	B	A	B	A	B
Richard Lee	11	11	4	4	3	3
Philip Salter	11	11	**	**	**	**
Peter Mattick	11	11	**	**	**	**
John Thorn	11	11	4	4	3	3
Ian Elliot	11	11	4	4	3	3

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

** = Not a member of the relevant committee

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration (audited)

Remuneration Policy

The company policy is to remunerate staff in accordance with market rates in alignment with the individual's duties, responsibilities and performance. The process also accesses comparative market information. At Salmat, we have a team of executives, staff and associates with considerable experience and expertise across our businesses. Our achievements are in no small measure due to their hard work and diligence. As we continue to grow, we create opportunities for current staff as well as employment opportunities for new staff.

The application of this policy is administered by the Board through the Remuneration and Compensation Committee. The Committee consults with external advisers on best practice and appropriate market benchmarks, covering the level of remuneration, split between fixed and variable components and both short and long term incentives.

Remuneration and Compensation Committee

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

Committee membership consists of the three independent non-executive directors of Salmat Limited. The chairman of the Committee is Mr Ian Elliot.

The responsibilities of the Committee are as follows:

Review overall remuneration policies and ensure they are in accordance with current best practice.

Determine the remuneration arrangements for the Joint Managing Directors, including their short and long-term incentives. Review and approve the Joint Managing Directors recommendations for the other senior executives nominated by the Joint Managing Directors.

Set and review the performance targets for the Joint Managing Directors. Review and approve the recommended performance targets for other senior executives.

The Committee has retained independent advisers to provide information on current best practice (including remuneration levels) for director and executive remuneration. The Committee reviews this external remuneration advice in the light of the various individual's performance. The Joint Managing Directors attend Committee meetings to review and recommend remuneration levels for other senior staff.

Non-executive Director Remuneration

The remuneration policy for non-executive directors is designed to remunerate them at market levels for their time, commitment and responsibilities. The company is cognisant that it needs to attract and retain well-qualified and experienced directors. In the light of the increased time and legal liability imposed upon directors arising from developments in corporate governance, corporate law and the expectations of shareholders generally, the Remuneration and Compensation Committee retains external advice as to an appropriate level of external director fees.

Non-executive directors are paid a director's fee and participate in a deferred share scheme after serving at least five years as a non-executive director of the company. The non-executive directors do not receive any retirement or performance related benefits.

Non-executive directors' fees are reviewed annually in June.

Remuneration report (continued)

The remuneration details of the board are as follows:

The Chairman received $125,000 per annum.

The two other non-executive directors received $75,000 per annum.

Each of the three non-executive directors received $10,000 for each Board Committee of which they are members; namely the Audit Risk and Compliance Committee and the Remuneration and Compensation Committee.

All director's fees are inclusive of superannuation entitlements.

The deferred share scheme entitlement is a once only purchase. This entitlement vests only after serving five years as a director of the company. It has been set at the cash value of one year's non-executive directors' fees, which was $75,000. The deferred share purchase of the equivalent shares is made following receipt of shareholders approval.

In 2002, the shareholders resolved that the aggregate maximum amount payable to non-executive Directors would not exceed $750,000 per annum.

Senior Executive Remuneration

The remuneration packages of the Joint Managing Directors and executives are constructed to deliver performance and commitment to the company whilst being in line with market for the relevant positions.

Each of the packages include the following:

A fixed component, which may be allocated to cash, benefits (on a fully absorbed cost to company basis) or superannuation.

An amount is also allocated to short-term incentives (STI) based on key performance indicators (KPIs) set for the financial year. The KPIs comprise various measurable goals. The percentage allocated to this component varies according to the relevant position. In the case of the Joint Managing Directors, approximately 35% of their remuneration package is allocated to STI's. STI's are generally linked to financial and strategic outcomes aligned with shareholder returns. These are agreed between the executive and their manager to ensure they are in line with the business targets and goals for the period under review.

A long-term incentive component through issuance of share options is another element considered on an annual basis. The issue of options is to encourage company growth along with retention of key executives.

The remuneration packages are based on advice from external remuneration consultants and take into account both short and long-term incentives set to achieve the outcomes required by the Board. To this end the Board aims to set short-term incentive payments at the 75th percentile of like positions, and reward at this level when superior performance is attained.

Other Benefits

The fixed component of the directors' and senior executives salary may be split between base salary, superannuation or motor vehicle on a fully absorbed cost to company basis including fringe benefits tax, interest cost, amortisation and running costs. There are no other benefits offered at the expense of the company.

Salmat Employee Option Plan

The Salmat Employee Option Plan was initially established following shareholder approval in October 2002. The continuance of this Plan was approved by the shareholders at the November 2005 Annual General Meeting. The company's use of the Option Plan is to offer participation to secure the employment of and retention of key employees whilst aligning their goals with those sought by shareholders. The Board reviews annually an appropriate quantum for issue to the Joint Managing Directors. The Board also reviews recommendations made by the Joint Managing Directors for issue of options to key executives.

The Board administers the Plan in accordance with the Plan Rules. The terms and conditions of the specific grants to participants are detailed in the Plan, refer to part D of this remuneration report.

Remuneration report (continued)

B Details of remuneration (audited)

Amounts of remuneration
Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Salmat Group are set out in the following tables.

The key management personnel of Salmat Limited includes the executive directors as per pages 3 to 4 above and the following executive officers, who are also the highest paid executives of the Group:

- David Besson - Divisional Director, BPO
- Peter Boyle - Divisional Director, Targeted Media
- Ashley Fenton - Chief Financial Officer
- Kevin Panozza - Divisional Director, SalesForce
- Andrew Hume - Chief Operating Officer, SalesForce

Key management personnel of the Salmat Group

2007	Short-term employee benefits			Post employment benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Shares and Options $	Total $
Non-executive directors						
Richard Lee	18,000	-	40,000	87,000	9,512	154,512
John Thorn	-	-	-	95,000	26,306	121,306
Ian Elliot	87,156	-	-	7,844	18,326	113,326
Sub-total non-executive directors	**105,156**	**-**	**40,000**	**189,844**	**54,144**	**389,144**
Executive directors						
Philip Salter	553,473	-	-	96,527	123,262	773,262
Peter Mattick	553,473	-	-	96,527	123,262	773,262
Other key management personnel						
David Besson	330,953	73,480	-	39,047	59,565	503,045
Peter Boyle	300,213	154,000	39,240	30,547	59,565	583,565
Ashley Fenton	377,453	132,600	-	32,547	59,565	602,165
Kevin Panozza	407,861	170,000	-	12,686	67,435	657,982
Andrew Hume	367,314	170,000	-	12,686	62,801	612,801
Total key management personnel compensation	**2,995,896**	**700,080**	**79,240**	**510,411**	**609,599**	**4,895,226**

2006	Short-term employee benefits			Post employment benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus* $	Non monetary benefits $	Super-annuation $	Shares and Options $	Total $
Non-executive directors						
Richard Lee	18,000	-	40,000	87,000	9,512	154,512
John Thorn	66,768	-	13,125	15,107	26,306	121,306
Ian Elliot	49,656	-	37,500	7,844	10,714	105,714
Sub-total non-executive directors	**134,424**	**-**	**90,625**	**109,951**	**46,532**	**381,532**
Executive directors						
Philip Salter	561,007	255,750	-	88,993	82,131	987,881
Peter Mattick	561,007	255,750	-	88,993	82,131	987,881
Other key management personnel						
David Besson	331,500	135,000	-	38,500	39,957	544,957
Peter Boyle	300,760	129,000	39,240	30,000	39,957	538,957
Ashley Fenton	368,752	110,000	9,249	31,999	39,957	559,957
Kevin Panozza	348,819	-	-	72,139	45,843	466,801
Andrew Hume	317,861	100,000	-	12,139	43,525	473,525
Total key management personnel compensation	**2,924,130**	**985,500**	**139,114**	**472,714**	**420,033**	**4,941,491**

Remuneration report (continued)
B Details of remuneration (audited) (continued)

Amounts of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk -STI		At risk - LTI	
	2007	2006	**2007**	2006	**2007**	2006
Executive directors of Salmat Limited						
Phil Salter	**84**	66	**-**	26	16	8
Peter Mattick	**84**	66	**-**	26	16	8
Other key management personnel of Salmat Group						
Dave Besson	**74**	68	**15**	25	12	7
Peter Boyle	**63**	69	**26**	24	10	7
Ashley Fenton	**68**	73	**22**	20	10	7
Kevin Panozza	**64**	90	**26**	-	10	10
Andrew Hume	**62**	70	**28**	21	10	9

C Service agreements (audited)

Joint Managing Directors

The Joint Managing Directors each have a 3-year contract signed in October 2005. The agreements require the Joint Managing Directors to participate in an annual performance review, undertaken by the Board.

There are no specified entitlements payable as a consequence of early termination. Any entitlements would be those arising under relevant employment legislation in NSW at the relevant time.

The contracts provide for a one-year notice period for either party to terminate the agreement. The agreements further provide for termination in the event of continuing illness or incapacity, failure to follow instructions of the Board or a material breach. In this case, the amount to be paid would be any balance of the period of notice not given on termination.

The Joint Managing Directors are restrained from working in a business similar to or in competition with, the business of the company in Australia for a period of twelve months after cessation of employment.

Other Key Management Personnel

Remuneration and other terms of employment for other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, and participation, when eligible, in the Salmat Limited Employee Option Plan.

All contracts with executives may be terminated early by either party with between one and three months notice. The key management personnel are not entitled to receive any additional retirement benefits.

D Share-based compensation (audited)

Options

The Salmat Employee Option Plan was approved by shareholders at a general meeting in October 2002. The company has a strategy of offering participation in the option plan to aid in the attraction and retention of key employees whilst aligning their goals with that of outcomes in line with that of shareholders. The Board reviews annually an appropriate quantum to recommend to shareholders for issue to the Joint Managing Directors. The Board also reviews recommendations made by the Joint Managing Directors for issue to key executives.

The Board oversees the administration of the Plan in accordance with the Plan Rules. The terms and conditions of the specific grants to participants are detailed in the Plan.

Remuneration report (continued)
D Share-based compensation (audited) (continued)

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
Nov 02	Oct 04	Oct 07	$2.10	$0.2200
Nov 02	Oct 05	Oct 07	$2.30	$0.1600
Nov 02	Oct 06	Oct 07	$2.50	$0.1300
Nov 04	Nov 07	Nov 09	$4.41	$0.9476
Apr 05	Nov 07	Nov 09	$5.05	$0.9598
Apr 05	Dec 07	Dec 09	$4.83	$0.9598
Apr 05	Dec 08	Dec 10	$4.83	$0.9598
Nov 05	Nov 08	Nov10	$4.00	$0.6373
Nov 06	Nov 09	Nov 11	$3.41	$0.9584
Nov 06	Nov 09	Nov 11	$3.41	$0.9322
Nov 06	Nov 09	Nov 11	$3.41	$0.9584
Dec 06	Dec 09	Dec 11	$3.80	$0.9997
Dec 06	Dec 09	Dec 11	$3.80	$0.9842

Options granted under the plan carry no dividend or voting rights.

Shares

During the year there were no shares issued to directors (2006: 19,153 shares).

Details of options over ordinary shares in the company provided as remuneration to each director of Salmat Limited and each of the key management personnel of the Salmat Group are set out below. When exercisable, each option is convertible into one ordinary share of Salmat Limited. Further information on the options is set out in note 43.

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	**2007**	2006
Directors of Salmat Limited				
Philip Salter	**165,000**	165,000	**166,667**	166,667
Peter Mattick	**165,000**	165,000	**166,667**	166,667
Other key management personnel of the Salmat Group				
David Besson	**80,000**	80,000	**83,334**	83,333
Peter Boyle	**80,000**	80,000	**83,334**	83,333
Ashley Fenton	**80,000**	80,000	**83,334**	83,333
Kevin Panozza	**80,000**	80,000	**-**	-
Andrew Hume	**60,000**	40,000	**-**	-

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

The model inputs for options granted during the year ended 30 June 2007 included:

(a) options are granted for no consideration (see page 9 above). Vested options are exercisable for a period of two years after vesting
(b) exercise price: Nov 06: $3.41, Dec 06 $3.80
(c) grant date: 8 November 2006 and 5 December 2006
(d) expiry date: 8 November 2011 and 1 December 2011
(e) share price at grant date: 8 Nov 2006: $3.45, 1 Dec 09: $3.91
(f) expected price volatility of the company’s shares: Nov 06: 44.73%, Dec 06: 40.03%
(g) expected dividend yield: 4.671%
(h) risk-free interest rate: 6.015%

Remuneration report (continued)

D Share-based compensation (audited) (continued)

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Salmat Limited and other key management personnel of the Salmat Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2007	2006
Directors of Salmat Limited			
Philip Salter	n/a	**-**	-
Peter Mattick	n/a	**-**	-
Other key management personnel of the Salmat Group			
David Besson	Nov 06	**83,334**	83,333
Peter Boyle	Dec 06	**83,334**	83,333
Ashley Fenton	Nov 06/ May 07	**83,334**	83,333
Kevin Panozza	n/a	**-**	-
Andrew Hume	n/a	**-**	-

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	**Amount paid per share**
Nov 06	$2.50
Dec 06	$2.50
May 07	$2.50

No amounts are unpaid on any shares issued on the exercise of options.

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	Total of columns B-C $
Directors of Salmat Limited				
Philip Salter	15.9%	158,136	-	158,136
Peter Mattick	15.9%	158,136	-	158,136
Other key management personnel of the Salmat Group				
David Besson	11.8%	75,624	75,834	151,458
Peter Boyle	10.2%	75,624	119,168	194,792
Ashley Fenton	9.9%	75,624	107,901	183,525
Kevin Panozza	10.3%	75,624	-	75,624
Andrew Hume	10.3%	56,718	-	56,718

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

Shares under option
Unissued ordinary shares of Salmat Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
Nov 02	Oct 07	$2.10	333,332
Nov 02	Oct 07	$2.30	346,667
Nov 02	Oct 07	$2.50	448,337
Nov 04	Nov 09	$4.41	790,500
Apr 05	Nov 09	$5.05	6,500
Apr 05	Dec 09	$4.83	245,000
Apr 05	Dec 10	$4.83	65,000
Nov 05	Nov 10	$4.00	1,054,000
Nov 06	Nov 11	$3.41	330,000
Nov 06	Nov 11	$3.41	1,060,000
Dec 06	Dec 11	$3.80	210,000
			4,889,336

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options
The following ordinary shares of Salmat Limited were issued during the year ended 30 June 2007 on the exercise of options granted under the Salmat Executive Performance Option Plan. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
Nov 02	$2.10	73,494
Nov 02	$2.30	149,505
Nov 02	$2.50	1,025,015
		1,248,014

Insurance of officers
Professional Indemnity insurance has been undertaken for the financial year ended 30 June 2007 in respect of work performed by current or past principals, partners, Directors and employees.

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

Corporate Governance

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

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

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

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

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

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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

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

Richard Lee - Director

Peter Mattick - Director

Philip Salter - Director

Sydney
14 August 2007

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

Auditor's Independence Declaration to the Directors of Salmat Limited

In relation to our audit of the financial report of Salmat Limited for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Craig Jackson - Partner

Ernst & Young

14 August 2007

Salmat Limited
Income statements
For the year ended 30 June 2007

	Notes	Consolidated **2007** **$'000**	Consolidated 2006 $'000	Parent **2007** **$'000**	Parent 2006 $'000
Revenue from continuing operations	4	**602,401**	527,458	**64,517**	50,816
Employee benefits expense		**(302,946)**	(243,528)	**(17,926)**	(18,423)
Depreciation and amortisation expense	5	**(24,664)**	(17,552)	**(5,235)**	(1,394)
Freight and Distribution		**(109,040)**	(100,576)	**-**	-
Materials Usage		**(48,767)**	(46,759)	**-**	-
Property related expenses		**(22,489)**	(20,277)	**(1,197)**	(1,639)
Equipment related expenses		**(25,309)**	(24,012)	**(3,382)**	(4,361)
Loan provision write-back		**-**	543	**-**	-
Other expenses from ordinary activities		**(34,333)**	(33,685)	**(3,026)**	(3,946)
Finance costs	5	**(6,412)**	(5,179)	**(6,089)**	(4,631)
Share of net profits of associates accounted for using the equity method	38	**1,325**	2,088	**-**	-
Profit on disposal of associate	5	**24,975**	-	**-**	-
Profit before income tax		**54,741**	38,521	**27,662**	16,422
Income tax expense	6	**(10,466)**	(12,300)	**2,941**	5,125
Profit for the year*		**44,275**	26,221	**30,603**	21,547
Profit is attributable to:					
Equity holders of Salmat Limited		**44,275**	26,221	**30,603**	21,547

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	41	**37.7**	22.4
Diluted earnings per share	41	**36.2**	21.7

*Net profit attributable after significant items		**44,275**	26,221
Significant and non recurring items net of tax	5	**(16,763)**	947
Net profit before significant items		**27,512**	27,168

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

		Consolidated		Parent	
	Notes	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Current assets					
Cash and cash equivalents	8	**4,919**	1,464	**2,502**	927
Trade and other receivables	9	**104,147**	89,016	**-**	6,536
Inventories	10	**8,730**	3,335	**-**	-
Other current assets	12	**3,359**	3,562	**1,275**	2,000
Total current assets		**121,155**	97,377	**3,777**	9,463
Non-current assets					
Receivables	13	**-**	639	**88,878**	61,439
Investments accounted for using the equity method	14	**-**	2,089	**-**	-
Retirement benefit asset	26	**205**	-	**-**	-
Other financial assets	15	**-**	-	**34,233**	34,233
Property, plant and equipment	16	**52,166**	53,905	**8,800**	7,792
Deferred tax assets	17	**12,746**	8,728	**1,580**	4,151
Intangible assets	18	**108,447**	84,198	**918**	918
Total non-current assets		**173,564**	149,559	**134,409**	108,533
Total assets		**294,719**	246,936	**138,186**	117,996
Current liabilities					
Trade and other payables	19	**59,860**	46,478	**14,635**	11,371
Current tax liabilities	21	**467**	4,424	**3,146**	4,326
Provisions	20	**16,945**	12,793	**1,870**	1,988
		77,272	63,695	**19,651**	17,685
Non-current liabilities					
Payables	22	**2,159**	1,095	**-**	-
Borrowings	23	**88,651**	69,378	**83,000**	64,000
Provisions	25	**4,729**	5,343	**405**	404
Retirement benefit obligations	26	**-**	671	**-**	-
Deferred tax liabilities	24	**368**	25	**-**	-
Total non-current liabilities		**95,907**	76,512	**83,405**	64,404
Total liabilities		**173,179**	140,207	**103,056**	82,089
Net assets		**121,540**	106,729	**35,130**	35,907
Equity					
Contributed equity	27	**34,019**	32,770	**34,019**	32,770
Reserves	28(a)	**1,858**	1,123	**764**	1,069
Retained profits	28(b)	**85,663**	72,836	**347**	2,068
Total equity		**121,540**	106,729	**35,130**	35,907

The above balance sheets should be read in conjunction with the accompanying notes.

		Consolidated		Parent	
		2007	2006	**2007**	2006
	Notes	**$'000**	$'000	**$'000**	$'000
Actuarial gains (losses) on defined benefit plans		**876**	521	**-**	-
Exchange differences on translation of foreign operations	28	**(89)**	(319)	**(674)**	469
Net income recognised directly in equity		**787**	202	**(674)**	469
Profit for the year		**44,275**	26,221	**30,603**	21,547
Total recognised income and expense for the year		**45,062**	26,423	**29,929**	22,016

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities					
Receipts from customers*		**583,091**	501,468	**26,915**	17,450
Payments to suppliers and employees*		**(527,777)**	(454,708)	**(24,519)**	(24,381)
Dividends received	5	**-**	-	**37,215**	33,200
Interest received		**532**	662	**387**	426
Interest paid		**(6,412)**	(6,021)	**(6,089)**	(5,826)
Income taxes paid		**(17,311)**	(13,319)	**(16,638)**	(12,283)
Net cash inflow from operating activities	40	**32,123**	28,082	**17,271**	8,586
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired	35	**(31,761)**	(4,492)	**-**	(4,492)
Payments for property, plant and equipment		**(15,885)**	(26,808)	**(4,024)**	(7,970)
Proceeds from sale of plant and equipment		**10**	124	**-**	59
Payment of development costs		**(2,408)**	-	**-**	-
Loans repaid from related parties		**4,790**	4,912	**403**	9,221
Proceeds from sale of associate		**28,388**	-	**-**	-
Net cash (outflow) inflow from investing activities		**(16,866)**	(26,264)	**(3,621)**	(3,182)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**1,249**	1,378	**1,249**	1,311
Proceeds from borrowings		**19,273**	2,845	**19,000**	-
Dividends paid to company's shareholders	29	**(32,324)**	(18,700)	**(32,324)**	(18,700)
Net cash inflow (outflow) from financing activities		**(11,802)**	(14,477)	**(12,075)**	(17,389)
Net increase (decrease) in cash and cash equivalents		**3,455**	(12,659)	**1,575**	(11,985)
Cash and cash equivalents at the beginning of the financial year		**1,464**	13,953	**927**	12,912
Effects of exchange rate changes on cash and cash equivalents		**-**	170	**-**	-
Cash and cash equivalents at end of year	8	**4,919**	1,464	**2,502**	927

** Includes receipts and payments relating to postage disbursements.*

The above cash flow statements should be read in conjunction with the accompanying notes.

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Corporate Information

The financial report of Salmat Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 14 August 2007.

Salmat Limited is a company listed by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the segment information note.

Registered Office
14-16 Chandos Street
St Leonards NSW 2066

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Salmat Limited as an individual entity and the consolidated entity consisting of Salmat Limited and its subsidiaries.

(a) Basis of preparation

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

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

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Salmat Limited comply with International Financial Reporting Standards (IFRSs).

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Salmat Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 43.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Salmat Limited and it's subsidiaries.

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

A controlled entity is any entity controlled by Salmat Limited. Control 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.

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

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

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

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

Associates (refer to note 38).

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rates. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Salmat Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

Group companies

The results and financial position of all the Salmat Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

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.

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

Revenue and profit for significant development contracts are recognised on an individual contracy basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenues to be received and costs to complete can be reliably estimated.

Cost includes both variable and fixed costs directly related to specific contracts, and those which can be attributable to contract activity in general and which can be allocated to specific contracts on a reasonable basis. Also included are costs to be incurred under penalty clauses and rectification provisions.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

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

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

Salmat Limited incurs postage on behalf of its customers, which is on-charged to its customers. Salmat Limited has offset all postage costs incurred against postage revenue in the income statement. This method of disclosure does not result in any effect on profit. For cashflow purposes, the amounts are shown as gross receipts and gross payments.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal installments.

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

(f) Income tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

- In respect of taxable temporary differences associated with investments in subsidiaries. associated and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Salmat Group. Details about the tax funding agreement are disclosed in note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Salmat Group as lessee are classified as operating leases (note 33). Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

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

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of non financial assets other than goodwill

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

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

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

(j) Cash and cash equivalents

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

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts where a right of offset exists; and

- Investments in money market instruments with less than 14 days to maturity.

(k) Trade receivables

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

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

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenses.

(m) Investments in associates

The Groups' investment in its associates is accounted for in the financial statements by applying the equity method of accounting. Whilst Salmat Limited has significant influence over this entity; it is neither a subsidiary nor a joint venture. The reporting dates of the associate and Salmat Limited are different, although both use consistent accounting policies.

1 Summary of significant accounting policies (continued)

(m) Investments in associates (continued)

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

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(n) Property, plant and equipment

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

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

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

Depreciation

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

- Buildings	2.5%
- Plant and Equipment	14.0% to 33.0%
- Leasehold Improvements	Over term of lease

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

Impairment

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

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

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

(o) Intangible assets

Other intangible assets represent customer contracts relating to acquisitions. These contracts are amortised to the income statement for periods of 3 to 5 years.

Goodwill

Goodwill on acquisition is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

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

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

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

1 Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Salmat Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(i) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 7 years.

(p) Trade and other payables

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

(q) Borrowings

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

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowing costs are recognised as an expense when incurred.

(r) Provisions

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

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

Other

Salmat Limited has recognised a make-good provision on leased premises when it can be reliably estimated and measured.

(s) Employee benefits

Wages and salaries, annual leave and sick leave

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

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

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

Long service leave

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

Retirement benefit obligations

The Group operates three defined benefit pension schemes, which require contributions to be made to separately administered funds.

The cost of providing benefits under the plans is determined separately for each plan by independent actuarial valuations.

Actuarial gains and losses are recognised immediately in retained earnings.

Employee option plan: Information relating to these schemes is set out in note 42.

(t) Contributed equity

Ordinary shares are classified as equity. (note 27).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Earnings per share

Basic EPS is calculated as net profit attributable to members, divided by the weighted average number of ordinary shares.

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

1 Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

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

(w) Rounding of amounts

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

(x) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Salmat Group's assessment of the impact of these new Australian Accounting Standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Salmat Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Salmat Group's and the parent entity's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Salmat Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Salmat Group's or the parent entity's financial statements.

(iii) AASB 8 Segment Reporting
AASB 8 Segment reporting is applicable to reporting periods commencing on or after 1 January 2009. This may impact the financial and descriptive information disclosed in relation to the Group's reportable segments.

(y) Derivative financial instruments

Salmat Limited used derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rates and foreign currency fluctuations. Such derivative instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Derivatives do not qualify for hedge accounting, and therefore any gains or losses arising from changes in fair value are taken directly to the income statement.

(z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Comparatives in the statement of cashflows have been restated to more accurately reflect the underlying cashflows of the parent entity. No change resulted to consolidated operating cashflow disclosure in the prior year.

(aa) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Financial risk management

The Salmat Group's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Salmat Group's financial risk management program seeks to minimise potential adverse effects on the financial performance of the Salmat Group. The Salmat Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

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

(a) Market risk

(i) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk

The Salmat Group has no significant concentrations of credit risk. The Salmat Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The Salmat Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

(d) Cash flow and fair value interest rate risk

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

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

The Salmat Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Salmat Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Salmat Group borrowed at fixed rates directly. Under the interest rate swaps, the Salmat Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

3 Segment information

(a) Description of segments

Business segments
The Salmat Group 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 ("BPO") 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.

SalesForce handles inbound and outbound telephone, fax, email and other online communications on behalf of our customers, from facilities in Australia, New Zealand 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 venture 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 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 results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arms length. These transfers are eliminated on consolidation.

3 Segment information (continued)

(b) Primary reporting format - business segments

2007	BPO $'000	Targeted Media $'000	SalesForce $'000	Corporate $'000	Consolidated $'000
Segment revenue					
Sales to external customers	177,163	181,069	243,637	-	601,869
Other segments	-	-	-	-	-
Total sales revenue	177,163	181,069	243,637	-	601,869
Other revenue	-	-	-	532	532
Total segment revenue	**177,163**	**181,069**	**243,637**	**532**	**602,401**
Segment result					
EBITA before significant items	**8,480**	**29,130**	**16,825**	**(8,803)**	**45,632**
Amortisation expense					(1,508)
Net interest expense					(5,880)
Share of equity profits					1,325
Profit before tax excluding significant items					39,567
Income tax expense excluding significant items					(12,055)
Profit after tax excluding significant items					27,512
Significant items – net of tax	(4,478)	-	-	21,241	16,763
Profit after tax					**44,275**
Segment assets and liabilities (net of deferred tax balances)					
Segment assets	**74,375**	**45,818**	**139,620**	**22,160**	**281,973**
Segment liabilities	**32,005**	**12,122**	**127,725**	**959**	**172,811**
Other segment information					
Acquisition of plant and equipment	3,925	1,312	7,769	2,879	15,885
Depreciation of segment assets	8,179	1,364	5,830	3,305	18,678
Amortisation of segment assets	-	-	1,474	34	1,508
Other non-cash (revenue)/expense	-	-	-	-	1,325

3 Segment information (continued)

2006	BPO $'000	Targeted Media $'000	SalesForce $'000	Corporate $'000	Consolidated $'000
Segment revenue					
Sales to external customers	166,943	179,956	179,897	-	526,796
Other segments	-	-	-	-	-
Total sales revenue	166,943	179,956	179,897	-	526,796
Other revenue	-	-	-	662	662
Total segment revenue	**166,943**	**179,956**	**179,897**	**662**	**527,458**
Segment result					
EBITA before significant items	**7,820**	**38,476**	**8,421**	**(10,832)**	**43,885**
Amortisation expense					(1,350)
Net interest expense					(4,517)
Share of equity profits					2,088
Profit before tax excluding significant items					40,106
Income tax expense excluding significant items					(12,938)
Profit after tax excluding significant items					27,168
Significant Items - net of tax	(891)	(287)	78	153	(947)
Profit after tax					**26,221**
Segment assets and liabilities (net of deferred tax balances)					
Segment assets	**74,227**	**35,705**	**103,243**	**25,033**	**238,206**
Segment liabilities	**33,401**	**8,363**	**83,221**	**15,197**	**140,182**
Other segment information					
Acquisition of plant and equipment	13,041	707	8,464	7,191	29,403
Depreciation of segment assets	7,939	933	5,012	2,318	16,202
Amortisation of segment assets	34	-	1,316	-	1,350
Other non-cash (revenue)/expense	-	-	-	-	2,088

(c) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Segment assets (net of deferred tax balances)		Acquisitions of plant and equipment	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Australia	**556,967**	490,247	**259,435**	224,408	**14,222**	21,748
New Zealand	**26,067**	20,696	**8,313**	3,075	**892**	1,359
Asia	**18,232**	15,853	**12,905**	10,723	**700**	6,296
Other	**603**	-	**1,320**	-	**71**	-
	601,869	526,796	**281,973**	238,206	**15,885**	29,403

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

4 Revenue

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
From continuing operations				
Sales revenue				
Services	**601,869**	526,796	**-**	-
Interest	**532**	662	**387**	166
Dividends	**-**	-	**37,215**	33,200
Management Fees	**-**	-	**26,915**	17,450
	602,401	527,458	**64,517**	50,816

5 Expenses

Profit before income tax includes the following specific expenses:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Depreciation				
Buildings	**275**	345	**-**	-
Plant and equipment	**18,403**	15,857	**5,235**	1,394
Total depreciation	**18,678**	16,202	**5,235**	1,394
Amortisation				
Customer intangible	**1,474**	1,316	**-**	-
Other intangible	**34**	34	**-**	-
	1,508	1,350	**-**	-
Impairment of goodwill	**4,478**	-	**-**	-
Total amortisation	**5,986**	1,350	**-**	-
Finance costs				
Interest and finance charges paid/payable	**6,412**	5,179	**6,089**	4,631
Net loss (gain) on disposal of plant and equipment	**300**	(21)	**-**	(5)
Rental expense relating to operating leases				
Minimum lease payments	**14,974**	14,370	**-**	480
Foreign exchange gains and losses				
Net foreign exchange losses (gain)	**47**	(266)	**-**	(240)
Defined contribution superannuation expense	**17,620**	14,451	**874**	944
Research	**379**	748	**874**	748

5 Expenses (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Significant items:				
Impairment of goodwill with respect to Asian operations	**4,478**	-	**-**	-
Integration, restructure and redundancy costs	**2,916**	2,128	**-**	333
Reversal of loan provision	**-**	(543)	**-**	-
Development of new business concept	**2,408**	-	**2,409**	-
Gain on sale of ClientLogic	**(24,975)**	-	**-**	-
	(15,173)	1,585	**2,409**	333
Income tax expense	**1,590**	638	**723**	100
Total Significant items	**(16,763)**	947	**1,686**	233

These significant items are relevant in explaining the financial performance:

An impairment charge of $4.5m with regard to goodwill in respect of the Asian operations. The strategic value of the remaining Asian businesses was reviewed following the exit from the company's major investment in the Asian region, ClientLogic Phillipines. This relates to the BPO business segment.

Integration, restructure and redundancy costs - During the year the group incurred intergration and restructure costs associated with improvement initiatives designed to bring long term benefits to the organisation. These costs include external consulting costs, costs of employees working specifically on the initiative, redundancy costs and system improvement costs. including intergration of newly acquired businesses. Income tax of $0.9m (2006: $0.6m) has been brought to account in the full year relating to this item.

Development of new business concept- Product development costs of $2.4m were written off during the year. The group is currently developing a new business initiative in relation to providing new product services to existing customer base. This is seen as an opportunity for Salmat to become a market leader in these services.

6 Income tax expense

(a) Income tax expense

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Current tax	**13,594**	10,075	**(5,446)**	(4,393)
Deferred tax	**(2,948)**	2,225	**2,577**	(732)
Adjustments for current tax of prior periods	**(180)**	-	**(72)**	-
	10,466	12,300	**(2,941)**	(5,125)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Profit from continuing operations before income tax expense	**54,741**	38,521	**27,662**	16,422
Tax at the Australian tax rate of 30% (2006 - 30%)	**16,422**	11,556	**8,299**	4,927
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**250**	208	**114**	104
Other non-allowable items	**1,849**	496	**(125)**	(196)
Provision for non-recoverable loans	**-**	(743)	**-**	-
Under provision for income tax in prior year	**(180)**	-	**(65)**	-
Rebateable fully franked dividends	**-**	-	**(11,164)**	(9,960)
Non assessable capital gain	**(7,875)**	-	**-**	-
Difference in overseas tax rates	**-**	331	**-**	-
Tax losses not recognised	**15**	452	**-**	-
Total income tax expense	**10,481**	12,300	**(2,941)**	(5,125)

6 Income tax expense (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(c) Tax losses				
Tax losses for which no deferred tax asset has been recognized	**4,025**	4,378	**-**	-

All unused tax losses were incurred by non Australian entities that are nor part of the tax consolidated group.

(d) Unrecognised temporary differences

Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised				
Undistributed earnings	**-**	430	**-**	-

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group's foreign subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

(e) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 34(d)).

7 Net Tangible Asset Backing

	Consolidated	
	2007	2006
	Cents	Cents
Net tangible asset backing per ordinary share	**10.4**	19.2

8 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank	**4,898**	1,446	**2,501**	926
Cash on hand	**21**	18	**1**	1
	4,919	1,464	**2,502**	927

(a) Cash on hand

These are non-interest bearing.

(b) Cash at bank

The deposits are bearing floating interest rates between 0.0% and 5.85% (2006: 0.0% and 5.0%).

(c) Facilities

At 30 June 2007, the Group had available $48.6m (2006: $36.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

9 Current assets - Trade and other receivables

Trade receivables	**100,920**	82,845	**-**	-
Provision for doubtful receivables	**(1,300)**	(828)	**-**	-
	99,620	82,017	**-**	-
Related party receivable - associate	**-**	4,537	**-**	4,366
Related party receivable - subsidiary	**-**	-	**-**	2,170
Other receivable	**4,527**	2,462	**-**	-
	104,147	89,016	**-**	6,536

(a) Impaired trade receivables

The Salmat Group has recognised a loss of $200,000 (2006: $108,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

(b) Related party receivables

During the year, $4.5m of receivables were repaid as part of the ClientLogic sale.

Related party transactions have been made on normal commercial terms and conditions and at market rates. The average interest rate on loans during the year was 6.25% (2006: 6.25%).

Outstanding balances are unsecured and are repayable in cash.

10 Current assets - Inventories

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Raw materials				
At cost	**4,180**	2,917	**-**	-
Provision for obsolescence	**(570)**	(145)	**-**	-
	3,610	2,772	**-**	-
Work in progress				
At cost	**5,120**	563	**-**	-
	8,730	3,335	**-**	-

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2007 amounted to $48,767,000 (2006: $33,557,000) and are included in "materials usage" in the income statement.

11 Derivative financial instruments

(i) Interest rate swap contracts

Bank loans of the Salmat Group currently bear an average variable interest rate of 5.9%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Salmat Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The fixed interest rates range between 5.5% and 6.0%.

Swaps currently in place cover approximately 100% of the loan principal outstanding and are timed to expire as each loan repayment falls due.

	2007	2006
	$'000	$'000
Less than 1 year	**75,000**	25,000
1 - 2 years	**-**	40,000
	75,000	65,000

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

(ii) Forward exchange contracts

The Salmat Group 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 Group against unfavourable exchange rate movements for the anticipated future foreign currency receivables.

At balance date, there are no outstanding contracts.

11 Derivative financial instruments (continued)

Details of prior year outstanding contracts are:

Sell US dollars	**Australian dollars**		**Average exchange rate**	
	2007	2006	**2007**	2006
	$'000	$'000		
Forward exchange contracts - maturity				
0 - 6 months	**-**	749	**-**	0.7650
FX Collar - maturity				
Over 12 months	**-**	4,256	**-**	0.7415

Sell HK dollars	**Australian Dollars**		**Average exchange rate**	
	2007	2006	**2007**	2006
	$'000	$'000		
FX Collar				
6 - 12 months	**-**	2,668	**-**	5.7048

Amounts disclosed above represent currency sold measured at the contracted rate.

(a) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments.

(b) Interest rate risk exposures

Refer to note 23 for the Salmat Group's exposure to interest rate risk on interest rate swaps.

12 Current assets - Other current assets

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deferred expenditures	**-**	-	**1**	-
Prepayments	**2,881**	2,858	**1,234**	1,892
Recoverable Deposits	**478**	704	**40**	108
	3,359	3,562	**1,275**	2,000

13 Non-current assets - Receivables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Related party receivable - associate	**-**	639	**-**	639
Related party receivable - subsidiary	**-**	-	**88,878**	60,800
	-	639	**88,878**	61,439

(a) Related party receivables

Related party transactions have been made on normal commercial terms and conditions and at market rates. The average interest rate on loans during the year was 6.25% (2006: 6.25%). Outstanding balances are unsecured and are repayable in cash.

(b) Fair values

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

	2007		2006	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loans to related parties - associate	**-**	**-**	639	639

(c) Interest rate risk

The Salmat Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

	Fixed interest maturing in:			
2007	1 year or less $'000	Over 1 to 2 years $'000	Non-interest bearing $'000	Total $'000
Trade receivables	-	-	99,620	99,620
Other receivables	-	-	4,527	4,527
	-	-	104,147	104,147
Weighted average interest rate	- %	- %	- %	
2006				
Trade receivables	-	-	82,017	82,017
Related party receivable - associate	3,706	639	192	4,537
Other receivables	-	-	2,462	2,462
	3,706	639	84,671	89,016
Weighted average interest rate	6.25%	6.25%	- %	

13 Non-current assets – Receivables (continued)

(d) Credit risk

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

14 Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Shares in associates (note 38)	**-**	2,089	**-**	-

15 Non-current assets - Other financial assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Shares in subsidiaries (note 36)	**-**	-	**34,233**	34,233

These financial assets are carried at cost.

16 Non-current assets - Property, plant and equipment

Consolidated	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2005				
Cost	4,350	8,858	117,978	131,186
Accumulated depreciation	-	(2,768)	(87,557)	(90,325)
Net book amount	4,350	6,090	30,421	40,861
Year ended 30 June 2006				
Opening net book amount	4,350	6,090	30,421	40,861
Additions	-	9	29,394	29,403
Disposals	-	-	(157)	(157)
Depreciation charge	-	(345)	(15,857)	(16,202)
Closing net book amount	4,350	5,754	43,801	53,905
At 30 June 2006				
Cost	4,350	7,564	139,782	151,696
Accumulated depreciation	-	(1,810)	(95,981)	(97,791)
Net book amount	4,350	5,754	43,801	53,905

Consolidated	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2007				
Opening net book amount	4,350	5,754	43,801	53,905
Acquisition of subsidiary	-	-	1,363	1,363
Additions	-	12	15,873	15,885
Disposals	-	-	(309)	(309)
Depreciation charge	-	(275)	(18,403)	(18,678)
Closing net book amount	4,350	5,491	42,325	52,166
At 30 June 2007				
Cost	4,350	7,576	139,402	151,328
Accumulated depreciation	-	(2,085)	(97,077)	(99,162)
Net book amount	4,350	5,491	42,325	52,166

16 Non-current assets - Property, plant and equipment (continued)

Parent	**Plant and equipment $'000**
At 1 July 2005	
Cost	3,182
Accumulated depreciation	(1,903)
Net book amount	1,279
Year ended 30 June 2006	
Opening net book amount	1,279
Additions	7,970
Disposals	(63)
Depreciation charge	(1,394)
Closing net book amount	7,792
At 30 June 2006	
Cost	11,104
Accumulated depreciation	(3,312)
Net book amount	7,792

Parent	**Plant and equipment $'000**
Year ended 30 June 2007	
Opening net book amount	7,792
Additions	6,321
Disposals	(78)
Depreciation charge	(5,235)
Closing net book amount	8,800
At 30 June 2007	
Cost	33,689
Accumulated depreciation	(24,889)
Net book amount	8,800

17 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Doubtful debts	**388**	224	**-**	-
Inventories	**-**	-	**5**	-
Employee benefits	**5,671**	2,170	**647**	(663)
Fixed assets	**1,446**	2,127	**267**	3,788
Float costs	**280**	551	**280**	551
Amortisation of intangibles	**980**	592	**-**	-
Accruals	**3,003**	1,805	**381**	475
Tax losses (note 6)	**978**	1,259	**-**	-
	12,746	8,728	**1,580**	4,151
Net deferred tax assets	**12,746**	8,728	**1,580**	4,151
Movements:				
Opening balance at 1 July 2006	**8,728**	9,346	**4,151**	3,419
Credited/(charged) to the income statement (note 6)	**3,291**	(2,773)	**(2,571)**	732
Acquisition of subsidiary (note 35)	**727**	2,155	**-**	-
Closing balance at 30 June 2007	**12,746**	8,728	**1,580**	4,151

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

18 Non-current assets - Intangible assets

Consolidated	**Goodwill $'000**	**Other intangible assets $'000**	**Customer Intangible $'000**	**Total $'000**
At 1 July 2005				
Cost	81,112	1,118	3,949	86,179
Accumulated amortisation and impairment	-	(1,021)	(658)	(1,679)
Net book amount	81,112	97	3,291	84,500
Year ended 30 June 2006				
Opening net book amount	81,112	97	3,291	84,500
Development costs recognised as an asset	-	-	-	-
Additions	23	-	-	23
Acquisition of subsidiary	1,025	-	-	1,025
Subsidiary sold	-	-	-	-
Impairment charge	-	-	-	-
Amortisation charge	-	(34)	(1,316)	(1,350)
Closing net book amount	82,160	63	1,975	84,198
At 30 June 2006				
Cost	82,160	1,119	3,949	87,228
Accumulated amortisation and impairment	-	(1,056)	(1,974)	(3,030)
Net book amount	82,160	63	1,975	84,198

Consolidated	**Goodwill $'000**	**Other intangible assets $'000**	**Customer Intangible $'000**	**Total $'000**
Year ended 30 June 2007				
Opening net book amount	82,160	63	1,975	84,198
Acquisition of busineses	29,055	-	1,180	30,235
Impairment charge	(4,478)	-	-	(4,478)
Amortisation charge	-	(34)	(1,474)	(1,508)
Closing net book amount	106,737	29	1,681	108,447
At 30 June 2007				
Cost	106,737	1,119	5,129	112,985
Accumulated amortisation and impairment	-	(1,090)	(3,448)	(4,538)
Net book amount	106,737	29	1,681	108,447

18 Non-current assets - Intangible assets (continued)

Parent	**Goodwill $'000**
Cost	895
Year ended 30 June 2006	
Opening net book amount	895
Additions	23
Acquisition of subsidiary	-
Closing net book amount	918
At 30 June 2006	
Cost	918
Accumulated amortisation and impairment	-
Net book amount	918

Parent	**Goodwill $'000**
Year ended 30 June 2007	
Opening net book amount	918
Additions	-
Closing net book amount	918
At 30 June 2007	
Cost	918
Accumulated amortisation and impairment	-
Net book amount	918

(a) Impairment tests for goodwill

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

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

2007	**BPO** $'000	**Targeted Media** $'000	**SalesForce** $'000	**Total** $'000
Goodwill	14,308	17,796	74,633	106,737
2006				
Goodwill	17,930	11,911	52,319	82,160

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

The pre-tax discount rate applied to the pre-tax cash flow projections for CGU's is 11.6% (2006: 11.3%).

18 Non-current assets - Intangible assets (continued)

The growth rate used to extrapolate cash flows beyond the five-year period is 0% (2006: 0%).

Gross margins are based on the following years budget, which is approved by the Board. These are determined by reference to average gross margins achieved in the year immediately before the budgeted year, then adjusted for expected movements in the respective CGU's.

The assumptions noted above have been used for the analysis of each respective CGU within the business segment.

(b) Impairment charge

The impairment charge of $4.5m arose in the goodwill relating to Asian operations. The strategic value of the remaining Asian business was reviewed following the sale of the company's investment in ClientLogic Phillipines.

19 Current liabilities - Trade and other payables

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade payables	**19,150**	22,475	**10,801**	9,826
Accrued expenses	**37,162**	22,240	**3,834**	1,545
Other payables	**3,548**	1,763	**-**	-
	59,860	46,478	**14,635**	11,371

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

* Outstanding balances at year-end are unsecured and interest free.

20 Current liabilities - Provisions

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Employee benefits - long service leave	**5,470**	3,576	**1,046**	924
Employee benefits - annual leave	**11,475**	9,217	**824**	1,064
	16,945	12,793	**1,870**	1,988

21 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Income tax	**467**	4,424	**3,146**	4,326

22 Non-current liabilities - Payables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deferred purchase price	**2,159**	1,095	**-**	-

The deferred purchase price is carried at amortised cost and represents liabilities for acquisitions with deferred settlement arrangements.

23 Non-current liabilities - Borrowings

Bank loans	**88,651**	69,378	**83,000**	64,000

(a) Security

The bank loans are secured by a deed of negative pledge and guarantee over the assets of certain group companies.

The loans have been drawn down under various terms ranging from 3 to 5 years. The loans have been classified as long-term because the Group expects to exercise its right under the facility to refinance this funding at each maturity period.

The facilities provided by the Group's bankers are currently being renegotiated with similar or improved terms.

The carrying amounts of assets pledged as security for current and non-current borrowings are the full value of assets held by members of the consolidated group.

(b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit standby arrangements				
Total facilities				
Bank overdrafts	**17,444**	5,000	**11,000**	5,000
Loan facility	**105,000**	95,000	**105,000**	95,000
Guarantee facility	**40,000**	30,000	**40,000**	30,000
	162,444	130,000	**156,000**	130,000
Used at balance date				
Bank overdrafts	**5,651**	5,000	**-**	-
Loan facility	**83,000**	64,000	**83,000**	64,000
Guarantee facility	**25,200**	24,719	**25,000**	24,719
	113,851	93,719	**108,000**	88,719
Unused at balance date				
Bank overdrafts	**11,793**	-	**11,000**	5,000
Loan facility	**22,000**	31,000	**22,000**	31,000
Guarantee facility	**14,800**	5,281	**15,000**	5,281
	48,593	36,281	**48,000**	41,281

The bank overdraft facility may be drawn at any time.

The loan facility and guarantee facility are secured by a deed of negative pledge and guarantee over the assets of certain group companies.

(c) Interest rate risk exposures

The following table sets out the Salmat Group’s exposure to interest rate risk and the effective weighted average interest rate by maturity periods.

23 Non-current liabilities - Borrowings (continued)

2007	Floating interest rate $'000	Over 1 to 2 years $'000	Over 3 to 4 years $'000	Total $'000
Bank overdrafts and loans	5,651	-	83,000	88,651
Weighted average interest rate	6.07%	- %	6.96%	

		Fixed interest rate		
2006	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Total $'000
Bank overdrafts and loans	5,378	25,000	39,000	69,378
Weighted average interest rate	4.87%	5.86%	5.86%	

(d) Fair value

The carrying value of the borrowings represent fair value.

24 Non-current liabilities - Deferred tax liabilities

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
The balance comprises temporary differences attributable to:				
Inventories	**141**	25	**-**	-
Unearned income	**11**	-	**-**	-
Intangible assets	**216**	-	**-**	-
Total deferred tax liabilities	**368**	25	**-**	-
Movements:				
Opening balance at 1 July 2006	**25**	573	**-**	-
Charged/(credited) to the income statement (note 6)	**343**	(548)	**-**	-
Closing balance at 30 June 2007	**368**	25	**-**	-

25 Non-current liabilities - Provisions

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Employee benefits - long service leave	**2,505**	2,925	**290**	222
Other provisions - lease makegood	**2,224**	2,418	**115**	182
	4,729	5,343	**405**	404

(a) Lease makegood provision

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

(b) Movements in provisions

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Other provisions - lease makegood				
Carrying amount at start of year	**2,418**	1,813	**182**	28
Additional provision recognised	**129**	874	**6**	154
Unwinding of discount	**(323)**	(269)	**(73)**	-
Carrying amount at end of year	**2,224**	2,418	**115**	182

26 Non-current liabilities - Retirement benefit obligations

(a) Superannuation plan

Group companies contribute to a number of retirement benefit schemes of a defined benefit type.

Taiwan - the Company currently maintains a retirement plan covering regular employees. The plan has a defined benefit format and is financed solely by the Company. The plan provides lump sum benefits upon retirement, disability and voluntary separation after completion of at least five years of service. The benefits are based on the employee's final monthly covered salary and service with the company. The plan is closed to new employees.

Philippines - the Company currently maintains a retirement plan covering regular employees hired prior to 1 January 2006. The plan has a defined benefit format and is financed solely by the Company. The plan provides lump sum benefits upon retirement, death, total and permanent disability, involuntary separation (except for cause) or voluntary separation after completion of at least five years of service. The benefits are based on the employee's final monthly covered salary and service with the company. The plan is closed to new employees.

Government Printing Service - the Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes. These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the Schemes are closed to new members.

There are no defined benefit superannuation plans attributable to the parent entity.

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		**Parent**	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
Present value of the defined benefit obligation	**4,678**	4,888	**-**	-
Fair value of defined benefit plan assets	**(4,883)**	(4,217)	**-**	-
Net (asset)/ liability in the balance sheet	**(205)**	671	**-**	-

The Salmat Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. The Salmat Group intends to continue to contribute to the defined benefit plans in line with the actuary's latest recommendations.

Actuarial gains and (losses) recognised in the year in the statement of recognised income and expense is $205,000 (2006: Loss $521,000)

Cumulative actuarial gains and (losses) recognised in the statement of recognised income and expense is $525,000 (2006: Loss $320,000)

(c) Categories of plan assets

The major categories of plan assets are as follows:

26 Non-current liabilities - Retirement benefit obligations (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash	**479**	269	**-**	-
Equity instruments	**2,935**	2,678	**-**	-
Debt instruments	**645**	647	**-**	-
Property	**493**	330	**-**	-
Other assets	**331**	293	**-**	-
	4,883	4,217	**-**	-

(d) The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Reconciliations

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**4,888**	3,530	**-**	-
Current service cost	**140**	321	**-**	-
Interest cost	**259**	35	**-**	-
Contributions by plan participants	**73**	-	**-**	-
Actuarial (gains) and losses	**(247)**	351	**-**	-
Foreign currency exchange rate changes	**(357)**	-	**-**	-
Benefits paid	**(78)**	(94)	**-**	-
Employee transfers	**-**	745	**-**	-
Balance at the end of the year	**4,678**	4,888	**-**	-

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**4,217**	2,401	**-**	-
Expected return on plan assets	**302**	21	**-**	-
Actuarial gains and (losses)	**300**	428	**-**	-
Foreign currency exchange rate changes	**(88)**	-	**-**	-
Contributions by Group companies	**122**	238	**-**	-
Contributions by plan participants	**71**	-	**-**	-
Benefits paid	**(41)**	-	**-**	-
Employee transfers	**-**	1,129	**-**	-
Balance at the end of the year	**4,883**	4,217	**-**	-

26 Non-current liabilities - Retirement benefit obligations (continued)

(e) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current service cost	**163**	321	**-**	-
Interest cost	**262**	35	**-**	-
Expected return on plan assets	**(425)**	(21)	**-**	-
Net actuarial losses (gains) recognised in year	**(879)**	184	**-**	-
Past service cost	**-**	-	**-**	-
Total included in employee benefits expense	**(879)**	519	**-**	-
Actual return on plan assets	**610**	412	**-**	-

Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
Australia				
Discount rate	**6.4%**	5.9%	**- %**	- %
Expected return on plan assets	**7.6%**	7.6%	**- %**	- %
Future salary increases to June 2008	**4.0%**	4.0%	**- %**	- %
Future salary increases from July 2008	**3.5%**	- %	**- %**	- %
Taiwan				
Discount rate	**2.3%**	2.3%	**- %**	- %
Expected return on plan assets	**3.0%**	3.0%	**- %**	- %
Future salary increases	**2.5%**	2.5%	**- %**	- %
Phillipines				
Discount rate	**8.0%**	9.8%	**- %**	- %
Expected return on plan assets	**7.0%**	10.0%	**- %**	- %
Future salary increases	**7.0%**	7.0%	**- %**	- %

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2006.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution, which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and the abovementioned actuarial assumptions as to the plans' future experience, the plan's actuary has not recommended that additional contributions beyond the current contribution level be made.

27 Contributed equity

	Parent entity 2007 Shares '000	Parent entity 2006 Shares '000	Parent entity 2007 $'000	Parent entity 2006 $'000
(a) Share capital				
Ordinary shares				
Fully paid	**117,755**	117,245	**34,019**	32,770

(b) Movements in ordinary share capital:

Date	Details	Number of shares '000	$'000
1 July 2005	Opening balance	116,635	31,459
	Exercise of 2002 options	591	1,311
	Issued to Directors during the year	19	-
30 June 2006	Balance	117,245	32,770
	Exercise of 2002 options	510	1,249
30 June 2007	Balance	117,755	34,019

(c) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share scheme

Information relating to the Salmat Exempt Employee Share Plan and Salmat Deferred Employee Share Plan, including details of shares issued under the scheme, is set out in note 42.

(e) Options

Information relating to the Salmat Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 42.

At 30 June 2007, there were 4,889,336 options to subscribe for the company's shares, which had been granted to certain executives of the Salmat Group.

28 Reserves and retained profits

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Share-based payments reserve	**2,093**	1,269	**976**	607
Foreign currency translation reserve	**(235)**	(146)	**(212)**	462
	1,858	1,123	**764**	1,069
Movements:				
Share-based payments reserve				
Balance 1 July	**1,269**	576	**607**	259
Shares and options expense	**824**	693	**369**	348
Balance 30 June	**2,093**	1,269	**976**	607
Movements:				
Foreign currency translation reserve				
Balance 1 July	**(146)**	173	**462**	(7)
Currency translation differences arising during the year :				
Salmat Group	**(89)**	(319)	**(674)**	469
Balance 30 June	**(235)**	(146)	**(212)**	462

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Opening retained earnings	**72,836**	64,794	**2,068**	(779)
Profit for the year	**44,275**	26,221	**30,603**	21,547
Dividends	**(32,324)**	(18,700)	**(32,324)**	(18,700)
Actuarial gains(losses) on defined benefit plans recognised directly in retained earnings26	**876**	521	**-**	-
Balance 30 June	**85,663**	72,836	**347**	2,068

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share based payments reserve is used to recognise fair value of options issued but not exercised.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

29 Dividends

	Consolidated and Parent 2007 $'000	2006 $'000
(a) Ordinary shares		
Final ordinary dividend of 9.5 cents (2006: 9.0 cents) per share, fully franked, was paid on 3 October 2006.	**11,139**	10,498
Interim ordinary dividend for the year ended 30 June 2007 of 8.0 cents (2006: 7.0cents) per share, fully franked, was paid on 28 March 2007.	**9,416**	8,202
Special dividend for the year ended 30 June 2007 of 10.0 cents per share, fully franked, was paid on 28 March 2007.	**11,769**	-
Total dividends provided for or paid	**32,324**	18,700
Paid in cash	**32,324**	18,700
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10 cents per fully paid ordinary share (2006: 9.5 cents). This dividend will be fully franked to 100% at 30% corporate tax rate.	**11,774**	11,139

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006 - 30%)	**57,737**	61,453	**57,737**	61,453

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

30 Key management personnel disclosures

(a) Directors

The following persons were directors of Salmat Limited during the financial year:

(i) Chairman - non-executive
Richard Lee

(ii) Executive directors
Philip Salter, Joint Chief Executive Officer
Peter Mattick, Joint Chief Executive Officer

(iii) Non-executive directors
John Thorn
Ian Elliot

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Salmat Group, directly or indirectly, during the financial year:

David Besson	Divisional Director, BPO	Salmat Limited
Peter Boyle	Divisional Director, Targeted Media	Salmat Limited
Ashley Fenton	Chief Financial Officer	Salmat Limited
Kevin Panozza	Divisional Director, SalesForce	SalesForce Australia Pty Limited
Andrew Hume	Chief Operating Officer, SalesForce	SalesForce Australia Pty Limited

All of the above persons were also key management persons during the year ended 30 June 2006.

(c) Key management personnel compensation

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	**3,775,215**	4,048,744	**2,660,041**	3,282,064
Post-employment benefits	**510,412**	472,714	**485,039**	388,436
Share-based payments	**609,599**	420,033	**479,363**	330,665
	4,895,226	4,941,491	**3,624,443**	4,001,165

The company has taken advantage of the relief provided by *Corporations Regulation* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-D of the remuneration report on pages 5 to 8.

30 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings
The numbers of options over ordinary shares in the company held during the financial year by each director of Salmat Limited and other key management personnel of the Salmat Group, including their personally related parties, are set out below.

2007 Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Salmat Limited							
Philip Salter	830,000	165,000	-	-	995,000	500,000	495,000
Peter Mattick	830,000	165,000	-	-	995,000	500,000	495,000
Other key management personnel of the Salmat Group							
David Besson	243,334	80,000	(83,334)	-	240,000	-	240,000
Peter Boyle	243,334	80,000	(83,334)	-	240,000	-	240,000
Ashley Fenton	243,334	80,000	(83,334)	-	240,000	-	240,000
Kevin Panozza	180,000	80,000	-	-	260,000	-	260,000
Andrew Hume	165,000	60,000	-	-	225,000	-	225,000

2006 Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Salmat Limited							
Philip Salter	665,000	165,000	-	-	830,000	333,333	496,667
Peter Mattick	665,000	165,000	-	-	830,000	333,333	496,667
Other key management personnel of the Salmat Group							
David Besson	246,667	80,000	(83,333)	-	243,334	-	243,334
Peter Boyle	246,667	80,000	(83,333)	-	243,334	-	243,334
Ashley Fenton	246,667	80,000	(83,333)	-	243,334	-	243,334
Kevin Panozza	100,000	80,000	-	-	180,000	-	180,000
Andrew Hume	125,000	40,000	-	-	165,000	-	165,000

(ii) Share holdings
The numbers of shares in the company held during the financial year by each director of Salmat Limited and other key management personnel of the Salmat Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

30 Key management personnel disclosures (continued)

2007 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Salmat Limited				
Ordinary shares				
Richard Lee	362,201	-	-	362,201
Peter Mattick	34,648,952	-	150,000	34,798,952
Philip Salter	34,575,338	-	(920)	34,574,418
John Thorn	80,601	-	20,000	100,601
Ian Elliot	33,435	-	-	33,435
Other key management personnel of the Salmat Group				
Ordinary shares				
David Besson	254,729	83,334	(170,842)	167,221
Peter Boyle	392,837	83,334	(392,837)	83,334
Ashley Fenton	46,333	83,334	(36,333)	93,334
Kevin Panozza	-	-	-	-
Andrew Hume	-	-	-	-

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Salmat Limited				
Ordinary shares				
Richard Lee	310,894	-	51,307	362,201
Peter Mattick	34,644,652	-	4,300	34,648,952
Philip Salter	34,429,338	-	146,000	34,575,338
John Thorn	77,307	-	3,294	80,601
Ian Elliot	4,868	-	28,567	33,435
Other key management personnel of the Salmat Group				
Ordinary shares				
David Besson	630,311	83,333	(458,915)	254,729
Peter Boyle	728,474	83,333	(418,970)	392,837
Ashley Fenton	35,333	83,333	(72,333)	46,333
Kevin Panozza	-	-	-	-
Andrew Hume	-	-	-	-

31 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		**Parent**	
	2007 **$**	2006 $	**2007** **$**	2006 $
(a) Audit services				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
Audit or review of the financial report of the entity and any other entity in the consolidated group	**296**	211	**296**	181
Amounts received or due and receivable by auditors of Ernst & Young overseas firms				
Audit or review of the financial report of subsidiary entities	**85**	76	**-**	-
Total remuneration for audit services	**381**	287	**296**	181

31 Remuneration of auditors (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Ernst & Young (Australian)				
Assurance related services				
IFRS accounting services	**-**	52	**-**	52
Other services	**22**	-	**-**	-
Related practices of PricewaterhouseCoopers Australian firm	**-**	52	**-**	-
Taxation services				
Ernst & Young (Australia)				
Tax compliance services, including review of company income tax returns	**75**	139	**44**	139
Total remuneration for non-audit services	**97**	243	**44**	191

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

32 Contingencies

Legal Proceedings
The Salmat Group has been involved from time to time in various claims and legal proceedings arising from the conduct of its business. The Company does not consider the outcome of any proceedings, either individually or in aggregate, are likely to have a material effect on its financial position. The Company maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

Guarantees
Cross guarantees given by Salmat Limited as described in note 37.

33 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Property, plant and equipment				
Payable:				
Within one year	**3,191**	4,312	**526**	141
	3,191	4,312	**526**	141

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**13,951**	12,901	**354**	168
Later than one year but not later than five years	**33,775**	37,990	**138**	179
Later than five years	**30,265**	33,939	**-**	-
Commitments not recognised in the financial statements	**77,991**	84,830	**492**	347

34 Related party transactions

(a) Parent entities

The parent entity within the Salmat Group is Salmat Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 36.

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. Dividends and management fees paid by wholly owned controlled entities to the parent are disclosed in note 4.

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

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

	Consolidated	
	2007	2006
	$	$
Peter Mattick or related entities		
Provision of printing services to the group	**2,156,137**	2,313,606

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

The following balances are outstanding at the reporting date in relation to transactions with wholly owned subsidiaries:

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Non-current receivables (loans)				
Subsidiaries	**-**	-	**88,878**	61,439

(e) Terms and conditions

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

35 Business combination

Acquisition of VeCommerce

Ve Commerce is a leading provider of voice self-service and speaker verification solutions. On 19 October 2006 (acquisition date), having obtained 90.3% acceptance, Salmat declared its offer for 100% of the issued shares of VeCommerce Limited free of all conditions. 100% ownership was gained on 1 December 2006.

The acquired business contributed revenues of $8.2m and net loss of $1.4m to the Salmat Group from date of acquisition. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $606m and $43.64m respectively.

The key factors contributing to the goodwill recognised for VeCommerce relate to the company's strong postion in the speech technology market and synergies expected to arise upon intergration.

(a) Summary of acquisition

	$'000
Purchase consideration paid (refer to (b) below):	
Cash paid (current year acquisitions)	29,583
Deferred consideration paid (relating to prior period acquisitions)	-
Direct costs relating to the acquisition	862
Total purchase consideration paid	30,445
Fair value of net identifiable assets acquired	8,905
Goodwill (note 18)	21,540

(b) Purchase consideration

	Consolidated	
	2007 $'000	2006 $'000
Outflow of cash to acquire subsidiary		
Cash consideration	30,445	-
Less:		
Net cash acquired	5,528	-
Outflow of cash	24,917	-

The assets and liabilities arising from the acquisition are as follows:

	Carrying Value $'000	**Fair Value $'000**
Cash	5,529	5,529
Trade receivables	1,810	1,810
Inventories	3,904	3,904
Plant and equipment	247	247
Deferred tax asset	727	727
Intangible assets: customer contracts	-	1,180
Trade payables	(1,994)	(1,994)
Deferred income	(1,439)	(1,439)
Provision for employee benefits	(1,059)	(1,059)
Net assets	7,724	8,905

35 Business combination (continued)

Other Acquisitions

Other acquisitions included Dialect Interactive Services (5 December 2006), Digital Documents (17 November 2006) and other Local Dealer Networks (LDN's).

(a) Summary of acquisitions

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	5,948
Deferred consideration	1,730
Direct costs relating to the acquisition	898
Total purchase consideration	8,576
Fair value of net identifiable assets acquired	1,061
Goodwill note 18)	7,515

(b) Purchase consideration

	Consolidated	
	2007 **$'000**	2006 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	8,576	5,106
Less:		
Deferred consideration	1,730	614
Outflow of cash	6,846	4,492

The carrying value of the assets and liabilities arising from the acquisition are as follows:

	$'000
Trade receivables	51
Inventories	25
Plant and equipment	1,116
Deferred tax asset	60
Other assets	8
Provisions	(199)
Deferred tax liability	-
Net assets	1,061

The carrying value of the identifiable net assets at the time of acquisition represent the fair value on acquisition.

The goodwill recognised relates to expected future returns from the acquired businesses and also synergies expected to be achieved as a result of combining these businesses with the rest of the Salmat group.

These businesses acquired during the year have been fully integrated into the Salmat Group. It would be impracticable to attempt to estimate the additional revenues and net profits provided by these acquisitions.

The amounts recognised on acquisition above represent provisional assessments of the fair value of identifiable assets and liabilities acquired for acquisition purposes. These amounts will be finalised within 12 months from the respective date for each acquisition.

36 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding ** 2007 %	Equity holding ** 2006 %
Name			**-**	-
Salmat Document Management Solutions Pty Limited *	Australia	Ordinary	**100**	100
Salmat Data Solutions Pty Limited	Australia	Ordinary	**100**	100
Salmat Targeted Media Pty Limited *	Australia	Ordinary	**100**	100
Letterbox Distribution Services Pty Limited *	Australia	Ordinary	**100**	100
Salmat SalesForce Pty Limited (formerly Salmat Teleservices Pty Limited) *	Australia	Ordinary	**100**	100
SalesForce Australia Pty Ltd *	Australia	Ordinary	**100**	100
Pardrive Pty Limited	Australia	Ordinary	**100**	100
SalesForce Services Pty Ltd	Australia	Ordinary	**100**	100
Salmat International Pty Limited	Australia	Ordinary	**100**	100
Monteson Holdings Pty Limited	Australia	Ordinary	**100**	100
Deltarg Distribution Systems Limited	New Zealand	Ordinary	**100**	100
Salmat Asia Limited	Australia	Ordinary	**100**	100
Salmat Mauritius Limited	Mauritius	Ordinary	**100**	100
Salmat Asia Pacific Pte Limited	Singapore	Ordinary	**100**	100
Salmat Philippines Corporation	Philippines	Ordinary	**100**	100
Salmat (China) Limited	Hong Kong	Ordinary	**100**	100
SalesForce New Zealand Limited	New Zealand	Ordinary	**100**	100
VeCommerce Pty Limited	Australia	Ordinary	**100**	-
Tri Screen Entertainment Pty Limited	Australia	Ordinary	**100**	-
Dialect Interactive Pty Limited	Australia	Ordinary	**100**	-
Scitec Technology Pty Limited	Australia	Ordinary	**100**	-
Scitec Staff Superannuation Pty Limited	Australia	Ordinary	**100**	-
Scitec Marketing Pty Limited	Australia	Ordinary	**100**	-
VeCommerce (NZ) Limited	New Zealand	Ordinary	**100**	-
VeCommerce (UK) Limited	UK	Ordinary	**100**	-
VeCommerce. Inc	USA	Ordinary	**100**	-
Scitec Americas Inc	USA	Ordinary	**100**	-
Scitec Communication Systems. Inc	USA	Ordinary	**100**	-
Scitec Communication Research. Inc	USA	Ordinary	**100**	-
Agarap Pty Limited	Australia	Ordinary	**100**	-
Scitec Australia Pty Limited	Australia	Ordinary	**100**	-
Salmat Print on Demand Pty Limited	Australia	Ordinary	**100**	-
Salmat Administrative Services Pty Limited	Australia	Ordinary	**100**	-
Razoo Media Pty Limited	Australia	Ordinary	**100**	-
SalesForce Global Pty Limited	Australia	Ordinary	**100**	-
SalesForce Direct Sales Pty Limited	Australia	Ordinary	**100**	-
Voice Link Pty Limited	Australia	Ordinary	**100**	-

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 37.

** The proportion of ownership interest is equal to the proportion of voting power held.

37 Deed of cross guarantee

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

- Salmat Document Management Solutions Pty Limited
- Letterbox Distribution Network Pty Limited
- Salmat Targeted Media Pty Limited
- Salmat Teleservices Pty Limited
- SalesForce Australia Pty Ltd
- Dialect Interactive Pty Limited
- VeCommerce Limited
- Salmat Print on Demand Pty Limited

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

(a) Consolidated income statement and a summary of movements in consolidated retained profits

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2007 of the Closed Group.

	2007 $'000	2006 $'000
Income statement		
Profit before income tax	**30,821**	38,222
Income tax expense	**(9,742)**	(11,491)
Profit for the year	**21,079**	26,731
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**73,793**	66,720
Profit for the year	**21,079**	26,731
Change of entities within the closed group	**4,813**	(1,279)
Items recognised direct in equity	**454**	321
Dividends provided for or paid	**(32,323)**	(18,700)
Retained profits at the end of the financial year	**67,816**	73,793

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2007 of the Closed Group.

37 Deed of cross guarantee (continued)

	2007 $'000	2006 $'000
Current assets		
Cash and cash equivalents	**2,898**	940
Trade and other receivables	**81,064**	75,627
Inventories	**7,128**	2,481
Other current assets	**3,695**	3,745
Total current assets	**94,785**	82,793
Non-current assets		
Receivables	**15,308**	29,566
Property, plant and equipment	**35,541**	34,945
Deferred tax assets	**12,223**	8,499
Intangible assets	**104,516**	75,144
Total non-current assets	**167,588**	148,154
Total assets	**262,373**	230,947

	2007 $'000	2006 $'000
Current liabilities		
Trade and other payables	**53,392**	39,307
Current tax liabilities	**288**	4,326
Provisions	**15,758**	11,823
Total current liabilities	**69,438**	55,456
Non-current liabilities		
Payables	**2,159**	1,095
Borrowings	**83,000**	64,000
Provisions	**4,558**	3,032
Retirement benefit obligations	**334**	233
Deferred tax liabilities	**166**	25
Total non-current liabilities	**90,217**	68,385
Total liabilities	**159,655**	123,841
Net assets	**102,718**	107,106

	2007 $'000	2006 $'000
Equity		
Contributed equity	**34,019**	32,770
Reserves	**883**	543
Retained profits	**67,816**	73,793
Total equity	**102,718**	107,106

38 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest 2007 %	Ownership interest 2006 %	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Unlisted							
ClientLogic, Philippines	Contact Centres	**-**	49	**-**	2,088	**-**	-
				-	2,088	**-**	-

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

There were no impairment losses relating to the investment in associate and no capital commitments or contingent liabilities relating to the associate.

	Consolidated 2007 $'000	Consolidated 2006 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**2,088**	-
Share of profits recognised, after income tax	**1,325**	2,088
Realised on sale of interest in joint venture	**(3,413)**	-
Carrying amount at the end of the financial year	**-**	2,088

(c) Summarised financial information of associates

	Assets $'000	Liabilities $'000	Group's share of: Net Assets $'000	Revenue $'000	Profit $'000
2007					
ClientLogic, Philippines	-	-	-	5,842	1,324
2006					
ClientLogic, Philippines	16,251	13,630	2,621	19,875	3,428

In September 2006 Salmat disposed of its Phillipine call centre Joint Venture, ClientLogic Phillipines. The disposal resulted in a profit of $25m being recognised in the year and is included as a significant item. The profit on disposal is exempt from tax.

39 Events occurring after the balance sheet date

(a) Dividends

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $11,774,204 (10 cents per fully paid share) to be paid on 28 September 2007 out of retained profits at 30 June 2007.

(b) Acquisition of HPAL Limited

On 18 July 2007, Salmat Limited announced that it had entered into a Scheme Implementation Agreement with HPAL Limited ("HPAL") in relation to an offer to acquire all shares in HPAL for $2.725 cents each. The offer values HPAL at a market capitalisation of approximately $318 million.

The offer values HPAL at a market capitalisation of approximately $318 million. The acquisition has been unanimously recommended by the Board of HPAL subject to the receipt of an independent expert's report and has the support of HPAL's major shareholder, Kodak (Australasia) Pty Ltd.

The acquisition will be funded via a combination of cash and the issue of new Salmat shares to HPAL shareholders.

(c) New Zealand Joint Venture

On 6 August 2007, Salmat announced it is working on a proposal for a joint venture business with New Zealand Post in unaddressed mail distribution in the New Zealand market.

Salmat and New Zealand Post will contribute the assets of their respective businesses (Deltarg and Letterbox Channell) to a new joint venture company in return for a 50% shareholding in each. The parties will share the establishment costs and initial working capital requirements of the joint venture. The proposed joint venture would combine the strengths of the current businesses while realising a number of operating efficiencies and network synergies.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(i) the Salmat Group's operations in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the Salmat Group's state of affairs in future financial years.

40 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit for the year	**44,275**	26,221	**30,603**	21,547
Depreciation and amortisation	**24,662**	17,552	**5,235**	1,394
Non-cash employee benefits expense - share-based payments	**824**	693	**369**	355
Net (gain) loss on sale of non-current assets	**300**	(21)	**-**	(5)
Share of profits of associates not received as dividends or distributions	**(1,324)**	(2,088)	**-**	-
Profit on disposal of interest in joint venture	**(24,975)**	-	**-**	-
Net exchange differences	**47**	(96)	**-**	(240)
Exchange rate changes on opening cash balances				
Provision for non-recoverable loan	**-**	(390)	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity	**-**	-	**-**	-
(Increase) in trade and other receivables	**(17,420)**	(21,667)	**-**	(268)
Decrease (Increase) in inventories	**942**	2,738	**-**	-
Decrease in other financial assets	**211**	132	**658**	(23)
(Increase) decrease in future income tax benefit	**(3,231)**	618	**2,576**	(732)
(Increase) decrease in related party balances	**-**	-	**(23,456)**	(2,035)
(Decrease) increase in trade and other payables	**9,146**	3,014	**2,590**	(14,427)
Increase (decrease) in provision for income taxes payable	**(3,957)**	589	**(1,181)**	3,028
Increase (decrease) in provision for deferred income tax	**343**	(548)	**(6)**	-
Increase (decrease) in other provisions	**2,280**	1,335	**(117)**	(8)
Net cash inflow from operating activities	**32,123**	28,082	**17,271**	8,586

41 Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**37.7**	22.4
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**36.2**	21.7

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2007	2006
	$'000	$'000
Basic earnings per share		
Profit from continuing operations	**44,275**	26,221
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**44,275**	26,221
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**44,275**	26,221

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2007	2006
	Number	Number
	'000	'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**117,499**	116,893
Options	**4,889**	4,037
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**122,388**	120,930

(e) Information concerning the classification of securities

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 42.

42 Share-based payments

(a) Employee 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 generally may not be transferred. Quotation of options on the 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 the Prospectus dated 18 October 2002; 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.

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent - 2007								
Nov 02	Oct 07	$2.10	361,663	-	(28,331)	-	333,332	333,332
Nov 02	Oct 07	$2.30	405,002	-	(58,335)	-	346,667	346,667
Nov 02	Oct 07	$2.50	898,345	-	(410,006)	(40,002)	448,337	448,337
Nov 04	Nov 09	$4.41	880,000	-	-	(89,500)	790,500	-
Apr 05	Nov 09	$5.05	43,000	-	-	(36,500)	6,500	-
Apr 05	Dec 09	$4.83	245,000	-	-	-	245,000	-
Apr 05	Dec 10	$4.83	65,000	-	-	-	65,000	-
Nov 05	Nov 10	$4.00	1,138,500	-	-	(84,500)	1,054,000	-
Nov 06	Nov 11	$3.41	-	330,000	-	-	330,000	-
Nov 06	Nov 11	$3.41	-	1,100,000	-	(40,000)	1,060,000	-
Dec 06	Nov 10	$3.80	-	210,000	-	-	210,000	-
Total			4,036,510	1,640,000	(496,672)	(290,502)	4,889,336	1,128,336
Weighted average exercise price			$3.49	$3.46	$2.45	$3.97	$3.56	$2.32

42 Share-based payments (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent - 2006								
Nov 02	Oct 07	$2.10	459,992	-	(98,329)	-	361,663	361,663
Nov 02	Oct 07	$2.30	910,005	-	(493,336)	(11,667)	405,002	405,002
Nov 02	Oct 07	$2.50	910,012	-	-	(11,667)	898,345	-
Nov 04	Nov 09	$4.41	886,500	-	-	(6,500)	880,000	-
Apr 05	Nov 09	$5.05	43,000	-	-	-	43,000	-
Apr 05	Dec 09	$4.83	245,000	-	-	-	245,000	-
Apr 05	Dec 10	$4.83	65,000	-	-	-	65,000	-
Nov 05	Npv 10	$4.00	-	1,138,500	-	-	1,138,500	-
Total			3,519,509	1,138,500	(591,665)	(29,834)	4,036,510	766,665
Weighted average exercise price			$3.11	$4.00	$2.27	$2.84	$3.49	$2.21

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 2007 was $4.30 (2006: $2.73)

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2006 was 63.73 cents per option. The fair value at grant date is independently determined using a Black-Scholes-Merton option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

(a) options are granted for no consideration

(b) exercise price: Nov 06: $3.41, Dec 06: $3.80 (2006: $4.00)

(c) grant date: 8 November 2006 and 5 December 2006 (2006: 30 Nov 2005)

(d) expiry date: 8 November 2011 and 1 December 2011 (2006: 25 Nov 2010)

(e) share price at grant date: 8 Nov 06: $3.45, 1 Dec 09: $3.91 (2006: $3.42)

(f) expected price volatility of the company's shares: Nov 06 44.73% , Dec 06: 40.03% (2006: 35.16%)

(g) expected dividend yield: 4.671% (2006: 3.150%)

(h) risk-free interest rate: 6.015% (2006: 5.295%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Salmat Group, the subsidiaries compensate Salmat Limited for the amount recognised as expense in relation to these options.

42 Share-based payments (continued)

(b) Employee share plans

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.1(b).

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.27.

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

Deferred Employee Share Plan (refer to note 27(c)).

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.

	2007 Number of shares '000	2006 Number of shares '000
Exempt Employee Share Plan	**-**	-
Opening balance	**48**	81
Employees who have left the company	**-**	(33)
Deferred Employee Share Plan	**-**	-
Opening balance	**1,255**	1,968
Granted to employees	**-**	-
Transfers/disposals	**(27)**	(595)
Acquisitions	**32**	70
Employees who have left the company	**(7)**	(188)
	1,301	1,303

43 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on discounted cash flow calculations. These calculations require the use of assumptions. Refer to note 18.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes-Merton Model. Refer to note 42.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension obligations. Refer to note 26.

In the directors' opinion:

(a) the financial statements and notes 1 to 43 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the company's and group's financial position as at 30 June 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 5 to 10 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 37 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37.

For the financial period ending 30 June 2006, the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Richard Lee
Director

Peter Mattick - Director

Philip Salter - Director

Sydney
14 August 2007

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Independent auditor's report to the members of Salmat Limited

We have audited the accompanying financial report of Salmat Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" in paragraphs A to D of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes of the consolidated financial statements, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

Independence
In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Salmat Limited is in accordance with:
   - (a) the *Corporations Act 2001*, including:
     - (i) giving a true and fair view of the financial position of Salmat Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
     - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
   - (b) other mandatory financial reporting requirements in Australia.

2. the consolidated financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 1

3. the remuneration disclosures that are contained in paragraphs A to D of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Craig M. Jackson
Partner
Sydney
14 August 2007

Sydney
14 August 2007