SALMAT LIMITED

(ABN 11 002 724 638)

Appendix 4E

FULL-YEAR REPORT
For the year ended 30 June 2008

Results for announcement to the market

Revenues from ordinary activities	**Up**	**35.1%**	**to**	**$813.9m**
Profit from ordinary activities after tax attributable to members	**Down**	**70.9%**	**to**	**$12.8m**
Net profit for the period attributable to members	**Down**	**70.9%**	**to**	**$12.8m**

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	**10.5c**	**10.5c**
Interim Dividend (fully franked)	**8.0c**	**8.0c**
Previous corresponding period – final dividend (fully franked)	10.0c	10.0c
Record Date for determining entitlements to dividends		26 September 08
Dividends payment date		15 October 08

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 2008 Annual Report and any announcements to the market by Salmat Limited during the period.

22 August 2008

Record sales revenue and significant investment in the future

Salmat Limited (ASX:SLM), Australia's leading force in one to one communication, today announced record sales revenue of $812 million for the year ended 30 June 2008, up 34.9% on the previous year. This outcome reflects an initial eight-month contribution from HPA, now part of the BusinessForce division, supported by a solid underlying performance across all divisions.

Earnings performance was in line with expectations and reflected the high level of strategic activity across the group, most notably the acquisition of HPA and the launch of the Lasoo pre-shop website, which significantly strengthens Salmat's longer term outlook.

$ million	Year ended 30 June 2008	Year ended 30 June 2007	% change
Sales revenue	812.0	601.9	+ 34.9%
EBITA (Earnings before interest, tax and amortisation)	57.6	46.9	+ 22.6%
Net profit before significant items	22.0	27.6	- 19.9%
Significant items	(9.2)	16.7	NMF
Net profit after tax	12.8	44.3	- 71.0%
Earnings per share (cents)	8.5	37.7	- 77.5%
Final dividend per share (cents) – fully franked	10.5	10.0	+ 5.0%
Total regular dividends per share for the year (cents) – fully franked	18.5	18.0	+ 2.8%

EBITA before significant items grew by 22.6% to $57.6 million. This was at the midpoint of guidance provided in February 2008, of $55-60 million, and accords with the updated guidance provided in July 2008.

Significant items for the year totalled a loss of $9.2 million after tax. These included development and launch costs of $5.2 million associated with the start up of Lasoo and significant restructuring costs across the group, totalling $5.8 million. The sale of Salmat's New Zealand catalogue distribution business, Deltarg, into a new joint venture with New Zealand Post generated a profit of $1.1 million. The comparative difference in net profit after tax is also exaggerated by the significant one-off gain of approximately $25 million on sale of the Philippines JV interest, which was recognised in last year's result.

Net profit after tax was down 71% on the previous year to $12.8 million, in line with the guidance provided in July 2008. This reflects the one-off significant items outlined above as well as increased amortisation and interest costs.

Both amortisation and interest costs were much higher than in the previous year, mainly due to the acquisition of HPA. Following assessment of the fair value of HPA assets, an amortisation charge of approximately $7 million has been recognised in the second half.

The directors are pleased to declare a **final dividend** of 10.5 cents per share, fully franked. This brings the total regular dividend payment for the year to 18.5 cents per share fully franked - an increase of 2.8%. The final dividend has a record date of 26 September 2008 and is payable on 15 October 2008. The board has resolved to suspend the dividend reinvestment program for the time being.

Capital management initiatives during the year included $87 million of new shares issued, to partially fund the acquisition of HPA. This, coupled with strong operating cash flow in the second half, reduced debt to under $220 million and brought Salmat's gearing back to 43.9% by year end, in line with the company's target range of 40-45%. Salmat's borrowing facilities were restructured in August 2008 and include a senior debt facility for $200 million, maturing in October 2010, plus a secondary working capital facility for $50 million which matures in August 2010. Net borrowings have been reduced by $40 million since the half year.

"Overall, it has been an eventful year across the whole of Salmat. Whilst bottom line earnings have been affected by the strategic activity undertaken, we are encouraged by the revenue performance and initiatives taken in all divisions," said Joint Managing Directors Peter Mattick and Phil Salter.

"We've paved the way for solid future growth with the major acquisition of HPA and investment in emerging services such as Lasoo, and anticipate related benefits emerging from 2009 onwards. Salmat is now the clear market leader in each of its divisions and we are well-placed to capitalise on this strength.

"While competitive and cost pressures persist in some areas, Salmat has invested in restructuring and business system improvement, as well as complementary service offerings, to address these issues.

"We are confident that Salmat is strategically well-positioned for long term growth."

Operational review

BusinessForce

$ million	Year ended 30 June 2008	Year ended 30 June 2007	% change
Sales revenue	306.0	177.2	+ 72.7%
EBITA before significant items	30.0	8.5	+ 254.3%

The BusinessForce full year results were significantly boosted by an initial eight months of contribution from HPA, acquired in November 2007, with all key clients being retained following its integration. Strong growth in laser impression volumes also contributed to top line performance.

The successful merger of the BPO business with HPA was a primary focus in the second half of the year. The integration program has proceeded well and is on target for completion by the end of the 2009 calendar year. Initial synergy savings were offset by one-off costs in 2008 but should deliver a net EBITA improvement of $5 million in 2009. We are confident that annual savings at the upper end of the original $10-15 million estimate will be fully realised during 2010.

We will be looking to capitalise on the new expanded range of BusinessForce services in the coming year, focussing on data-driven end to end solutions.

SalesForce

$ million	Year ended 30 June 2008	Year ended 30 June 2007	% change
Sales revenue	275.2	243.6	+ 12.9%
EBITA before significant items	16.7	16.8	- 0.7%

SalesForce achieved increased sales activity and higher operational volumes across the division in 2008, boosting revenue by 12.9%. Of particular note was the small but rapidly growing contribution made by SalesForce's newer businesses, including innovative contact centre model, @Home, e-Learning provider, Aframe and automated speech recognition specialist, VeCommerce. The division achieved a stronger second half result. The lower full year margin reflects higher first half costs associated with increased seat capacity and the rollout of @Home.

Our geographical reach was expanded during the year, with new contact centres in Melbourne and Kuala Lumpur, expansion of the direct sales service into New Zealand and a new VeCommerce office in Hong Kong.

We anticipate a market trend towards new customer contact channels as well as growing demand for professional consulting and training services. SalesForce has invested in complementary services and technologies to meet this demand and provide an unmatched range of customer contact solutions.

MediaForce

$ million	Year ended 30 June 2008	Year ended 30 June 2007	% change
Sales revenue	230.9	181.1	+ 27.5%
EBITA before significant items	26.1*	29.1	- 10.5%

* Includes share of equity profits from Reach Media.

Growth in catalogue delivery volumes and the full year impact of the new Dialect business were the main factors in MediaForce's strong revenue result. The new DigitalForce business (providing Dynamic Catalogue and Lasoo online services) also made a small contribution to revenue.

EBITA was down on the previous year, mainly due to price and field cost pressures in the catalogue business. The division also incurred one-off significant item costs associated with the restructure of the division and the launch of Lasoo. While competitive pressures in the catalogue business are easing, it is expected that it will take some time to see the full effect on MediaForce's results. A number of initiatives in cost control and pricing should improve catalogue margins in the coming year.

We also anticipate continued growth in SMS and Interactive Voice Response (IVR) services within Dialect and ongoing growth in demand for online services under the DigitalForce banner.

Outlook

"We are happy that everything is set in place for improved sales and profitability in the next few years and won't be actively seeking any further acquisitions at this stage. Instead, we'll be focussed on maximising performance across all of our divisions and leveraging our unique capabilities," said Joint Managing Directors Peter Mattick and Phil Salter.

"Our improved run rate over the past four months augurs well for our prospects next year. Additionally, we do not anticipate the same impact from significant item costs in the next 12 months.

"As such, the board is confident that Salmat will deliver an improved result in 2009 and this is reflected in the decision to increase the full year dividend.

"In terms of 2009 performance, we are comfortable with the current market consensus of around $75-80 million for EBITA. We'll provide a further market update at the AGM in November."

About Salmat

Salmat is Australia's leading force in one to one communication. We facilitate our clients' contact with their customers via an unmatched range of communication channel options – including voice, online, print, electronic and mobile - with comprehensive reporting on measurable results.

We have three key divisions, all of which are market leaders:

Salmat BusinessForce manages outsourced business services for large corporate clients, using high end technology to engage consumers through bulk 'essential' and direct marketing communication, via mail, email or online, both outbound and inbound. The division, which seeks to streamline and improve delivery of these regular services, also uses its data management capability to record, store and cross reference large amounts of archive information for clients in Australia, Hong Kong, Taiwan and the Philippines.

Salmat SalesForce engages in more than 100 million conversations per year for its clients through its contact centres. This division applies world-class technology and a highly trained staff to handle inbound and outbound phone, fax, email and online communication. It also provides face-to-face sales teams on behalf of clients in Australia, New Zealand and more recently in Asia. Tailored voice recognition applications and accredited e-Learning training are fuelling further growth through its specialist businesses, VeCommerce and Aframe.

Salmat MediaForce delivers more than 4.5 billion unaddressed items to homes across Australia every year. The division uses up to date lifestyle and geo-demographic data to maximise the effectiveness of each campaign, and employs the latest technology to provide clients with real time campaign reporting and auditing. Furthermore, MediaForce undertakes promotional mobile and interactive voice response campaigns throughout Australia through its digital communication operation Dialect Interactive.

Within MediaForce, Salmat DigitalForce launched Lasoo.com.au in 2007 and is now the premier online pre-shop service for Australia's retailers. Lasoo provides a strong online presence for promoted items and catalogues, while consumers have a single means of assessing the best price and closest location for their desired purchases. Further growth in this developing sector is coming from Salmat's Dynamic Catalogue software product, which creates searchable catalogues on the retailers' own websites.

Over 29 years we have built a 5,000 plus strong team, experienced in contributing to our clients' growth by helping them to communicate effectively with their customers. This experience, together with our proprietary systems and technology and our strong client 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*	*Colin Wright*
Joint Managing Director	*Joint Managing Director*	*Chief Financial Officer*
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Salmat Limited

ABN 11 002 724 638

Financial statements
for the year ended 30 June 2008

Contents

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 2008.

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) MediaForce 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. MediaForce also includes Dialect (Australia’s leading provider of hosted mobile and interactive voice response solutions) and Dynamic Catalogue retail search engine (Lasoo.com.au).

(b) BusinessForce 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.

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

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

	2008 $'000	2007 $'000
Final ordinary dividend for the year ended 30 June 2007 of 10.0 cents (2006 - 9.5 cents) per fully paid share paid on 28 September 2007	**11,883**	11,139
Interim ordinary dividend for the year ended 30 June 2008 of 8.0 cents (2007 - 8.0 cents) per fully paid share paid on 8 April 2008	**12,444**	9,416
Special dividend for the year ended 30 June 2007 of 10.0 cents per share, fully franked, paid on 28 March 2007	**-**	11,769
	24,327	32,324

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

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive reporting on the critical 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 2008 are set out in the attached Annual Report.

Significant changes in the state of affairs

On 2 November 2007, Salmat completed the acquisition of 100% of HPAL Limited (HPAL) under the scheme of arrangement between HPAL and the holders of fully paid ordinary shares in HPAL. Consideration paid for the acquisition consisted of $212,465,037 in cash and 18,703,865 ordinary shares at an issue price of $4.63 per share pursuant to the Scheme of Arrangement.

Matters subsequent to the end of the financial year

Dividends

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $16,673,160 (10.5 cents per fully paid share) to be paid on 15 October 2008 out of retained profits at 30 June 2008.

(b) Borrowings

On 18 August 2008, Salmat refinanced the outstanding balance on it's $75 million 364 day Syndicated Facility (Tranche B) with a $50 million Cash Advance Facility (Tranche C). The Tranche C facility is for a term of two years, maturing 18 August 2010 and is under the same bank covenants and conditions as the Syndicated Loan Facility.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2008 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
Richard Lee is Deputy Chairman of Ridley Corporation, and a non-executive director of CSR Limited and Newcrest Mining Limited. Richard holds a number of other directorships with listed and unlisted entities and is a Fellow and NSW President of the Australian Institute of Company Directors. He also holds degrees in Chemical Engineering and Economics and is a Rhodes Scholar. Richard is also 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.

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

Interests in shares and options
375,479 ordinary shares in Salmat Limited.

Peter Mattick
Joint Managing Director.

Experience and expertise
Peter Mattick is a joint founder of Salmat. Peter joined in business with Philip Salter, forming Salmat in 1979. Peter is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Australian Institute of Company Directors and a Member of the Advisory Council for the Institute of Neuromuscular Research.

Interests in shares and options
36,500,393 ordinary shares in Salmat Limited.
660,000 options over ordinary shares in Salmat Limited.

Philip Salter
Joint Managing Director.

Experience and expertise
Philip Salter is a joint founder of Salmat. Philip entered the real estate business in 1977. In 1979, Philip and Peter formed Salmat, developing the business into one of Australasia's leading customer communications company. Philip is a member of the Company Directors Association of Australia.

Interests in shares and options
36,107,477 ordinary shares in Salmat Limited.
660,000 options over ordinary shares in Salmat Limited.

Information on directors (continued)

John Thorn
Non-Executive Director (Independent).

Experience and expertise
John Thorn is a director of National Australia Bank Limited, Caltex Australia Limited and Amcor Limited. John is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. John was formerly the National Managing Partner of PricewaterhouseCoopers (PwC) in Australia and gained international management experience with PwC's global firm. John was managing partner of PwC's audit practice and a member of the Australian Board of PwC from 1991 to 1994. John has had over 20 years experience as a partner and was responsible for major international and Australian clients.

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

Interests in shares and options
110,601 ordinary shares in Salmat Limited.

Ian Elliot
Non-Executive Director (Independent).

Experience and expertise
Ian is a non-executive director of Hills Industries Limited, former chairman of Promentum Limited and is currently on the board of the National Australia Day Council and a Fellow of the Australian Institute of Company Directors. Ian is also a former Chief Executive Officer of George Patterson Bates and a graduate of the advanced management program of the Harvard Business School.

Special responsibilities
Member of Audit, Risk and Compliance committee.
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 Stephen 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 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit, Risk and Compliance		Meetings of committees: Remuneration and Compensation	
	A	**B**	**A**	**B**	**A**	**B**
Richard Lee	15	15	4	4	4	4
Philip Salter	15	15	**	**	**	**
Peter Mattick	15	15	**	**	**	**
John Thorn	15	15	4	4	4	4
Ian Elliot	15	15	4	4	4	4

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 (audited)

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 outlines the director and executive remuneration of the Company and the Group in accordance with the requirements of Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 Related Party Disclosures, which have been transferred to the Remunerations Report in accordance with Corporations Regulations 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The company remunerates 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 remuneration strategy 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.

Remuneration report (continued)

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

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 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.

The remuneration details of the board are as follows:

The Chairman received $165,000 per annum.

The two other non executive directors received $85,000 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.

Remuneration report (continued)

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

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

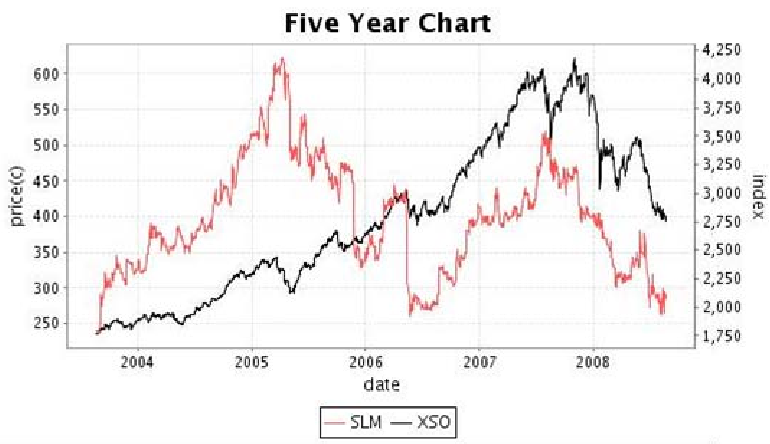
The fixed component of the directors' and senior executives salary may be split between base salary, superannuation or motor vehicle on a fully absorbed cost to company basis including fringe benefits tax, interest cost, amortisation and running costs. There are no other benefits offered at the expense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

The graph below shows the performance of the Group as measured by the Group's Total Shareholder Return (TSR) and the comparison of the Group's TSR (SLM) to the median of the TSR for the small ordinaries (XSO) on the ASX for the past 5 years, including the current period.



B Details of remuneration

Amounts of remuneration

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

The key management personnel of Salmat Limited includes the directors as per pages 3 to 4 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- David Besson – Chief Operating Officer, BusinessForce
- Peter Boyle - Divisional Director, MediaForce
- Colin Wright - Chief Financial Officer (appointed 1 April 2008 but included as key management personnel from 2 November 2007)
- Kevin Panozza - Divisional Director, SalesForce
- Andrew Hume - Chief Operating Officer, SalesForce
- Terry Daly - Divisional Director BusinessForce (from 2 November 2007)
- Ashley Fenton - Chief Financial Officer (from 1 July 07 to 31 March 08)

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

Key management personnel of the Group and other executives of the company and the Group

2008	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	122,339	-	47,846	11,543	4,756	186,484
John Thorn	94,478	-	-	8,503	26,306	129,287
Ian Elliot	94,478	-	-	8,352	18,326	121,156
Sub-total non-executive directors	**311,295**	**-**	**47,846**	**28,398**	**49,388**	**436,927**
Executive directors						
Peter Mattick	596,421	350,000	-	98,683	127,590	1,172,694
Philip Salter	585,777	350,000	-	100,255	127,590	1,163,622
Other key management personnel (Group)						
David Besson	350,772	105,600	-	38,459	61,208	556,039
Peter Boyle	324,492	220,000	33,766	30,973	61,208	670,439
Colin Wright	748,333	63,300	20,503	24,000	3,555	859,691
Kevin Panozza	407,434	240,000	-	13,129	66,749	727,312
Andrew Hume	386,495	240,000	-	13,129	44,922	684,546
Terry Daly	258,873	127,155	59,239	29,713	9,480	484,460
Ashley Fenton	643,864	170,000	-	42,531	10,328	866,723
Total key management personnel compensation (Group)	**4,613,756**	**1,866,055**	**161,354**	**419,270**	**562,018**	**7,622,453**

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						
Peter Mattick	553,473	-	-	96,527	123,262	773,262
Philip Salter	553,473	-	-	96,527	123,262	773,262
Other key management personnel (Group)						
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**

Remuneration report (continued)
B Details of remuneration (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**	
	2008	2007	**2008**	2007	**2008**	2007
Executive directors of Salmat Limited						
Peter Mattick	**59**	84	**30**	-	**11**	16
Philip Salter	**59**	84	**30**	-	**11**	16
Other key management personnel of Salmat Group						
David Besson	**70**	74	**19**	15	**11**	11
Peter Boyle	**58**	64	**33**	26	**9**	10
Colin Wright	**72**	-	**26**	-	**2**	-
Kevin Panozza	**58**	64	**33**	26	**9**	10
Andrew Hume	**58**	62	**35**	28	**7**	10
Terry Daly	**71**	-	**26**	-	**3**	-
Ashley Fenton	**58**	68	**40**	22	**2**	10

C Service agreements
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
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 (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	$0.22
Nov 02	Oct 05	Oct 07	$2.30	$0.16
Nov 02	Oct 06	Oct 07	$2.50	$0.13
Nov 04	Nov 07	Nov 09	$4.41	$0.95
Apr 05	Nov 07	Nov 09	$5.05	$0.96
Apr 05	Dec 07	Dec 09	$4.83	$0.96
Apr 05	Dec 08	Dec 10	$4.83	$0.96
Nov 05	Nov 08	Nov 10	$4.00	$0.64
Nov 06	Nov 09	Nov 11	$3.41	$0.96
Nov 06	Nov 09	Nov 11	$3.41	$0.93
Nov 06	Nov 09	Nov 11	$3.41	$0.96
Dec 06	Dec 09	Dec 11	$3.80	$1.00
Dec 06	Dec 09	Dec 11	$3.80	$0.96
Nov 07	Nov 10	Nov 12	$4.20	$0.62
Nov 07	Nov 10	Nov 12	$-	$3.12
Nov 07	Nov 10	Nov 12	$-	$1.65

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

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 parent entity and 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 45.

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	**2008**	2007
Directors of Salmat Limited				
Peter Mattick	**165,000**	165,000	**165,000**	166,667
Philip Salter	**165,000**	165,000	**165,000**	166,667
Other key management personnel of the Salmat Group				
David Besson	**20,000**	80,000	**80,000**	83,334
Peter Boyle	**20,000**	80,000	**80,000**	83,334
Colin Wright	**7,500**	-	**-**	-
Kevin Panozza	**20,000**	80,000	**100,000**	-
Andrew Hume	**15,000**	60,000	**60,000**	-
Terry Daly	**20,000**	-	**-**	-
Ashley Fenton	**20,000**	80,000	**80,000**	83,334

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 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 2008 included:
(a) options are granted for no consideration (see page 9 above). Vested options are exercisable for a period of 2 years after vesting
(b) exercise price: $4.20 in respect of 330,000 options issued and $0.00 in respect of 412,500 options issued
(c) grant date: 29 November 2007
(d) expiry date: 15 November 2012
(e) share price at grant date: $4.04
(f) expected price volatility of the company’s shares: 29.51%
(g) expected dividend yield: 6.49%
(h) risk-free interest rate: 6.31%

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

Performance Conditions on Options Issued During the Year

The performance conditions on options issued during the year ended 30th June 2008 were as follows;

a) There were 330,000 options issued to the Executive Directors of Salmat Limited. Details were as follows;

Number of Options	330,000
Exercise Price	$4.20
Performance Condition:	Cumulative earnings per share (EPS) for the three years ending June 2010 of 85.31 cents. This represents a compound average growth rate of 10% pa on the actual EPS for the 2006/7 year before significant items.

The issues were approved by shareholders at the 2005 Annual General Meeting

b) There were 412,000 options issued to Executives of Salmat Limited

Details were as follows;

Number of Options	412,000
Exercise Price	Nil
Performance Condition:	The options issued to each participating executive had the performance conditions set out below;

i. For 50% of each Executives allocation:
Cumulative earnings per share (EPS) for the three years ending June 2010 of 85.31 cents. This represents a compound average growth rate of 10% pa on the actual EPS for the 2006/7 year before significant items.

ii. For 50% of each Executives allocation:
Achievement of Total Shareholder Return in excess of the small ordinaries index for the three year period to 30th June 2010.

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

Name	**Date of exercise of options**	**Number of ordinary shares issued on exercise of options during the year**	
		2008	2007
Directors of Salmat Limited			
Peter Mattick	Aug 07	**500,000**	-
Philip Salter	Aug 07	**500,000**	-
Other key management personnel of the Salmat Group			
David Besson	n/a	**-**	83,334
Peter Boyle	n/a	**-**	83,334
Colin Wright	n/a	**-**	-
Kevin Panozza	n/a	**-**	-
Andrew Hume	n/a	**-**	-
Terry Daly	n/a	**-**	-
Ashley Fenton	n/a	**-**	83,334

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**
Aug 07	$2.10
Aug 07	$2.30
Aug 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** **$**	**C** **Value at exercise date** **$**	**E** **Total of columns B-C** **$**
Directors of Salmat Limited				
Peter Mattick	10.9%	101,558	1,230,000	1,331,558
Philip Salter	11.0%	101,558	1,230,000	1,331,558
Other key management personnel of the Salmat of the Group				
David Besson	11.0%	47,711	-	47,711
Peter Boyle	9.1%	47,711	-	47,711
Colin Wright	0.4%	17,892	-	17,892
Kevin Panozza	9.2%	47,711	-	47,711
Andrew Hume	6.6%	35,783	-	35,783
Terry Daly	2.0%	47,711	-	47,711
Ashley Fenton	0.4%	47,711	-	47,711

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, being the intrinsic value of the options at that date.

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 04	Nov 09	$4.41	777,500
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	1,024,000
Nov 06	Nov 11	$3.41	330,000
Nov 06	Nov 11	$3.41	935,000
Dec 06	Dec 11	$3.80	190,000
Nov 07	Nov 12	$-	412,500
Nov 07	Nov 12	$4.20	330,000
			4,315,500

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 2008 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	333,332
Nov 02	$2.30	346,667
Nov 02	$2.50	448,337
		1,128,336

Insurance of officers
Professional Indemnity insurance has been undertaken for the financial year ended 30 June 2008 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 14.

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
21 August 2008

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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 2008, 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
Sydney
21 August 2008

Liability limited by a scheme approved under Professional Standards Legislation

	Notes	Consolidated 2008 $'000	2007 $'000	Parent 2008 $'000	2007 $'000
Revenue from continuing operations	3	**813,850**	602,401	**77,830**	64,517
Other income	4	**2,165**	-	**1,109**	-
Employee benefits expense		**(399,998)**	(302,946)	**(18,214)**	(17,926)
Depreciation and amortisation expense	5	**(29,898)**	(24,664)	**(3,059)**	(5,235)
Freight and Distribution		**(130,821)**	(109,040)	**-**	-
Materials Usage		**(67,806)**	(48,767)	**-**	-
Property related expenses		**(32,841)**	(22,489)	**(998)**	(1,197)
Equipment		**(66,982)**	(25,309)	**(1,545)**	(3,382)
Other expenses from ordinary activities		**(49,183)**	(34,333)	**(2,921)**	(3,026)
Finance costs	5	**(18,526)**	(6,412)	**(18,186)**	(6,089)
Share of net (loss) / profits of associates and joint venture partnership accounted for using the equity method		**(496)**	1,325	**-**	-
Profit on disposal of associate		**-**	24,975	**-**	-
Profit before income tax		**19,464**	54,741	**34,016**	27,662
Income tax expense	6	**(6,617)**	(10,466)	**10,214**	2,941
Profit from continuing operations		**12,847**	44,275	**44,230**	30,603

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	44	**9.0**	37.7
Diluted earnings per share	44	**9.0**	37.5

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

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Current assets					
Cash and cash equivalents	8	**35,671**	4,919	**26,044**	2,502
Trade and other receivables	9	**131,598**	104,147	**-**	-
Inventories	10	**8,128**	8,730	**-**	-
Current tax receivables	11	**1,669**	-	**1,669**	-
Other current assets	12	**7,548**	3,359	**2,507**	1,275
Total current assets		**184,614**	121,155	**30,220**	3,777
Non-current assets					
Receivables	13	**3,617**	-	**427,847**	88,878
Investments accounted for using the equity method	14	**1,312**	-	**-**	-
Retirement benefit asset	27	**-**	205	**-**	-
Other financial assets	15	**-**	-	**34,233**	34,233
Property, plant and equipment	16	**64,149**	52,166	**7,208**	8,800
Deferred tax assets	17	**18,178**	12,746	**1,061**	1,580
Intangible assets	18	**416,568**	108,447	**918**	918
Total non-current assets		**503,824**	173,564	**471,267**	134,409
Total assets		**688,438**	294,719	**501,487**	138,186
Current liabilities					
Trade and other payables	19	**96,858**	59,860	**21,192**	14,635
Borrowings	20	**50,022**	-	**50,000**	-
Current tax liabilities	22	**667**	467	**-**	3,146
Provisions	21	**20,781**	16,945	**859**	1,870
		168,328	77,272	**72,051**	19,651
Non-current liabilities					
Payables	23	**2,480**	2,159	**-**	-
Borrowings	24	**205,037**	88,651	**200,000**	83,000
Deferred tax liabilities	25	**14,425**	368	**-**	-
Provisions	26	**13,298**	4,729	**1,097**	405
Retirement benefit obligations	27	**130**	-	**-**	-
Other non-current liabilities	28	**1,056**	-	**-**	-
Total non-current liabilities		**236,426**	95,907	**201,097**	83,405
Total liabilities		**404,754**	173,179	**273,148**	103,056
Net assets		**283,684**	121,540	**228,339**	35,130
Equity					
Contributed equity	29	**207,542**	34,019	**207,542**	34,019
Reserves	30(a)	**2,173**	1,858	**547**	764
Retained profits	30(b)	**73,969**	85,663	**20,250**	347
Total equity		**283,684**	121,540	**228,339**	35,130

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

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Actuarial gains (losses) on defined benefit plans		**(214)**	876	**-**	-
Exchange differences on translation of foreign operations	30	**(762)**	(89)	**(671)**	(674)
Net income recognised directly in equity		**(976)**	787	**(671)**	(674)
Profit for the year		**12,847**	44,275	**44,230**	30,603
Total recognised income and expense for the year		**11,871**	45,062	**43,559**	29,929

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

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Cash flows from operating activities					
Receipts from customers*		**809,934**	583,091	**9,469**	26,915
Payments to suppliers and employees*		**(728,495)**	(527,777)	**(22,968)**	(24,519)
		81,439	55,314	**(13,499)**	2,396
Dividends received	3	**-**	-	**67,000**	37,215
Interest received		**1,875**	532	**1,361**	387
Other income received		**1,555**	-	**1,109**	-
Interest paid		**(15,470)**	(6,412)	**(15,129)**	(6,089)
Income taxes paid		**(8,844)**	(17,311)	**(3,986)**	(16,638)
Net cash inflow from operating activities	42	**60,555**	32,123	**36,856**	17,271
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired	37	**(213,998)**	(31,761)	**-**	-
Payments for property, plant and equipment		**(20,187)**	(15,885)	**(1,513)**	(4,024)
Proceeds from sale of plant and equipment		**1,772**	10	**35**	-
Payment of development costs		**-**	(2,408)	**-**	-
Loans to related parties		**-**	-	**(241,433)**	-
Loans to associate		**(1,374)**	4,790	**-**	403
Proceeds from sale of associate		**-**	28,388	**-**	-
Net cash (outflow) from investing activities		**(233,787)**	(16,866)	**(242,911)**	(3,621)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**78,486**	1,249	**78,486**	1,249
Proceeds from borrowings		**251,387**	19,273	**277,000**	19,000
Repayment of borrowings		**(110,000)**	-	**(110,000)**	-
Dividends paid to company's shareholders	31	**(15,889)**	(32,324)	**(15,889)**	(32,324)
Net cash inflow (outflow) from financing activities		**203,984**	(11,802)	**229,597**	(12,075)
Net increase in cash and cash equivalents		**30,752**	3,455	**23,542**	1,575
Cash and cash equivalents at the beginning of the financial year		**4,919**	1,464	**2,502**	927
Effects of exchange rate changes on cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents at end of year	8	**35,671**	4,919	**26,044**	2,502

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

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

Contents of the notes to the financial statements

Corporate Information

The financial report of Salmat Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 21 August 2008.

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

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 47.

(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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Associates and joint ventures (refer to note 40).

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 and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

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.

(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).

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

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

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 instalments.

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

1 Summary of significant accounting policies (continued)

(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:

- 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 35). Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(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.

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 the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and cash equivalents

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

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

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

1 Summary of significant accounting policies (continued)

(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 and joint venture entities

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

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

The associate's and joint venture'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.

1 Summary of significant accounting policies (continued)

(o) Intangible assets

(i) Goodwill
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.

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.

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

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

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

(ii) Intangibles
Intangible assets acquired are capitalised at cost, unless acquired as part of a business combination in which case they are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less provision for impairment

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

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

the expected useful lives of intangible assets are generally:

- Customer contracts and relationships	5 - 8 years
- Business systems	3 - 5 years

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

Borrowing costs are recognised as an expense when incurred.

1 Summary of significant accounting policies (continued)

(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

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

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

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 seperately administered funds.

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

Actuarial gains and losses are recognised immediately in retained earnings.

Employee option plan

Information in relation to these schemes is set out in note 45.

(t) Contributed equity

Ordinary shares are classified as equity. (note 29).

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

Diluted EPS is calculated as net profit attributable to 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

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report. Other new standards and interpretations have been issued but are not considered to have an impact on the consolidated group's financial statements.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Salmat Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

(iii) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
AASB-I 14 will be effective for annual reporting periods commencing 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. The group has defined benefit pension plans and as such this interpretation may have an impact on the Group's financial report. However the Group has not yet determined the extent of the impact if any.

(iv) Revised AASB 101 *Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 and will become mandatory for the Group's 30 June 2010 financial statements. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

1 Summary of significant accounting policies (continued)

(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.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date ie the date that the Group commits to purchase the asset. Regular way purchases or sales are purchase or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been settled.

2 Segment information

(a) Description of segments

Business segments
The Salmat Group delivers communications solutions to its customers through the following three businesses:

MediaForce
MediaForce 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.

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

SalesForce
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 Malaysia. 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.

2 Segment information (continued)

2008	Business Force $'000	MediaForce $'000	SalesForce $'000	Corporate $'000	Consolidated $'000
Segment revenue					
Sales to external customers	305,955	230,866	275,154	-	811,975
Total sales revenue	305,955	230,866	275,154	-	811,975
Other revenue	324	1,056	-	2,660	4,040
Total segment revenue	**306,279**	**231,922**	**275,154**	**2,660**	**816,015**
EBITA before significant items and equity accounted profit	**30,043**	**26,564**	**16,702**	**(15,240)**	**58,069**
Amortisation expense	(7,056)	-	(903)	-	(7,959)
Net interest expense	(9,071)	-	(7,580)	-	(16,651)
Share of equity profits	-	(496)	-	-	(496)
Profit before tax excluding significant items	13,916	26,068	8,219	(15,240)	32,963
Income tax expense excluding significant items					(10,927)
Profit after tax excluding significant items					**22,036**
Significant items - net of tax	(3,053)	(6,280)	-	144	(9,189)
Net Profit after tax					12,847
Segment assets and liabilities (net of deferred tax balances)					
Segment assets	**426,864**	**44,315**	**148,692**	**50,389**	**670,260**
Segment liabilities	**240,075**	**22,121**	**122,280**	**5,853**	**390,329**
Other segment information					
Acquisition of plant and equipment	9,429	2,999	6,263	1,496	20,187
Depreciation of segment assets	12,410	1,412	6,593	1,524	21,939
Amortisation of segment assets	7,056	-	903	-	7,959
Other non cash (revenue)/expense	-	(468)	-	-	(468)

2 Segment information (continued)

2007	Business Force $'000	MediaForce $'000	SalesForce $'000	Corporate $'000	Consolidated $'000
Segment revenue					
Sales to external customers	177,163	181,069	243,637	-	601,869
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**
EBITA before significant items	**8,480**	**29,130**	**16,825**	**(8,803)**	**45,632**
Amortisation expense	-	-	(1,474)	(34)	(1,508)
Net interest expense	-	-	(5,881)	-	(5,881)
Share of equity profits	-	-	-	1,325	1,325
Profit before tax excluding significant items	8,480	29,130	9,470	(7,512)	39,568
Income tax expense excluding significant items					(12,056)
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 segments	8,179	1,364	5,830	3,305	18,678
Amortisation of segment assets	-	-	1,474	34	1,508
Impairment of goodwill	(4,478)	-	-	-	(4,478)
Other non cash (revenue)/expense	-	-	-	1,325	1,325

(c) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Segment assets (net of deferred tax balances)		Acquisitions of property, plant and equipment	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Australia	**768,878**	556,967	**642,128**	259,435	**17,727**	14,222
New Zealand	**22,969**	26,067	**4,827**	8,313	**241**	892
Asia	**18,476**	18,232	**21,667**	12,905	**2,054**	700
Other	**1,652**	603	**1,638**	1,320	**165**	71
	811,975	601,869	**670,260**	281,973	**20,187**	15,885

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.

3 Revenue

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
From continuing operations				
Sales revenue				
Services	**811,975**	601,869	**-**	-
Other				
Interest	**1,875**	532	**1,361**	387
Dividends	**-**	-	**67,000**	37,215
Management Fees	**-**	-	**9,469**	26,915
	813,850	602,401	**77,830**	64,517

4 Other income

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Net gain on derivative financial instruments	**1,109**	-	**1,109**	-
Net gain on sale of Deltarg Distribution Systems Limited business to associated entity	**1,056**	-	**-**	-
	2,165	-	**1,109**	-

5 Expenses

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Depreciation				
Buildings	**308**	275	**-**	-
Plant and equipment	**21,631**	18,403	**3,059**	5,235
Total depreciation	**21,939**	18,678	**3,059**	5,235
Amortisation				
Customer Intangibles	**6,657**	1,474	**-**	-
Other intangibles	**1,302**	34	**-**	-
Goodwill impairment	**-**	4,478	**-**	-
Total amortisation	**7,959**	5,986	**-**	-
Finance costs				
Interest and finance charges paid/payable	**18,526**	6,412	**18,186**	6,089
Net loss / (gain) on disposal of property, plant and equipment	**2,109**	300	**(16)**	-
Rental expense relating to operating leases				
Minimum lease payments	**21,353**	14,974	**-**	-
Foreign exchange gains and losses				
Net foreign exchange losses	**326**	47	**-**	-
Defined contribution superannuation expense	**21,568**	17,620	**772**	874
Research and development	**287**	379	**-**	-
Significant items:				
Integration, restructure and redundancy costs	**8,219**	2,916	**904**	-
Development of new business concept	**7,445**	2,408	**-**	2,408
Gain on sale of Deltarg business	**(1,056)**	-	**-**	-
Gain on derivative financial instruments	**(1,109)**	-	**(1,109)**	-
Impairment of goodwill with respect to Asian operations	**-**	4,478	**-**	-
Gain on sale of ClientLogic	**-**	(24,975)	**-**	-
	13,499	(15,173)	**(205)**	2,408
Income tax expense	**4,310**	1,590	**(61)**	722
Total Significant items	**9,189**	(16,763)	**(144)**	1,686

These significant items are relevant in explaining the financial performance:

Integration, restructure and redundancy costs - During the year the group incurred integration and restructure costs of $8.2m (2007: $2.9m) 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 integration of HPAL. Income tax of $2.4m (2007: $0.9m) has been brought to account in the full year relating to this item.

Development of new business concept- Product development costs of $7.4m (2007:$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.

During the year, the group disposed of its MediaForce assets in New Zealand owned by Deltarg Distributions Ltd. The assets were purchased by Reach Media New Zealand Limited a joint venture between New Zealand Post and Salmat. As a result of the disposal, a gain was realised, of which 50% was deferred to reflect the equity interest in the Joint Venture by Salmat.

The group closed all of its interest rate swaps at 30 June 2008 resulting in a gain of $1.1m.

5 Expenses (continued)

There was no impairment of goodwill in the current year. In 2007 there was 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 Philippines. This relates to the BusinessForce business segment.

6 Income tax expense

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	**8,550**	13,594	**(10,261)**	(5,446)
Deferred tax	**(661)**	(2,948)	**519**	2,577
Adjustments for current tax of prior periods	**(1,272)**	(180)	**(472)**	(72)
	6,617	10,466	**(10,214)**	(2,941)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	**19,464**	54,741	**34,016**	27,662
Tax at the Australian tax rate of 30% (2007 - 30%)	**5,839**	16,422	**10,205**	8,299
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**-**	250	**-**	114
Other non-allowable items	**1,577**	1,834	**153**	(125)
Provision for non-recoverable loans	**-**	-	**-**	-
Derecognition of prior year deferred tax asset	**377**	-	**-**	-
Over provision for income tax in prior year	**(1,356)**	(180)	**(472)**	(65)
Rebateable fully franked dividends	**-**	-	**(20,100)**	(11,164)
Non assessable capital gain	**(634)**	(7,875)	**-**	-
Difference in overseas tax rates	**564**	-	**-**	-
Prior year tax losses recognised	**85**	-	**-**	-
Tax losses not recognised	**165**	15	**-**	-
Total income tax expense	**6,617**	10,466	**(10,214)**	(2,941)
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**10,071**	4,025	**-**	-
All unused tax losses were incurred by non Australian entities that are not 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	**-**	-	**-**	-

6 Income tax expense (continued)

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 36(d)).

7 Net tangible asset backing

	Consolidated	
	2008	2007
	Cents	Cents
Net tangible asset backing per ordinary share	**(70.7)**	10.4

8 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank	**35,626**	4,898	**26,043**	2,501
Cash on hand	**45**	21	**1**	1
	35,671	4,919	**26,044**	2,502

(a) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 46.

9 Current assets - Trade and other receivables

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Net trade receivables				
Trade receivables	**122,840**	100,920	**-**	-
Allowance for doubtful receivables	**(1,443)**	(1,300)	**-**	-
	121,397	99,620	**-**	-
Other receivables	**10,201**	4,527	**-**	-
	131,598	104,147	**-**	-

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the Salmat Group with a nominal value of $1,443,000 (2007: $1,300,000) were impaired. The individually impaired receivables mainly relate to customers, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered. There were no impaired receivables for the parent in 2008 or 2007.

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

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
At 1 July	**1,300**	828	**-**	-
HPAL allowance for impaired receivables on date of acquisition	**146**	-	**-**	-
Allowance for impairment recognised during the year	**439**	671	**-**	-
Receivables written off during the year as uncollectible	**(442)**	(199)	**-**	-
	1,443	1,300	**-**	-

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

(b) Past due but not impaired

As of 30 June 2008, trade receivables of $30,293,000 (2007 - $25,370,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
1-30 days	**24,458**	15,770	**-**	-
31 - 60 days	**3,756**	6,077	**-**	-
greater than 60 days	**2,079**	3,523	**-**	-
	30,293	25,370	**-**	-

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

9 Current assets - Trade and other receivables (continued)

Based on the credit history of trade receivables not past due or past due and not impaired, the Group believes that these amounts will be received when due.

The other classes within trade and other receivables do not contain impaired assets and the Group believes that these amounts will be fully recovered.

(c) 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 10% (2007: 6.25%).

Outstanding balances are unsecured and are repayable in cash.

(d) Foreign exchange and interest rate risk

Information about the Salmat Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 46.

(e) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Salmat Group does not hold any collateral as security. Refer to note 46 for more information on the risk management policy of the Salmat Group and the credit quality of the entity's trade receivables.

10 Current assets - Inventories

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Raw materials				
At cost	**7,432**	4,180	**-**	-
Provision for obsolescence	**(1,938)**	(570)	**-**	-
	5,494	3,610	**-**	-
Work in progress				
At cost	**2,634**	5,120	**-**	-
	8,128	8,730	**-**	-

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2008 amounted to $67,806,000 (2007: $48,767,000) and are included in "materials usage" in the income statement.

11 Current assets - Current tax receivables

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current tax receivable	**1,669**	-	**1,669**	-

12 Current assets - Other current assets

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Deferred expenditures	**-**	-	**-**	1
Prepayments	**6,736**	2,881	**2,466**	1,234
Recoverable Deposits	**812**	478	**41**	40
	7,548	3,359	**2,507**	1,275

13 Non-current assets - Receivables

	Consolidated		Parent	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net related party receivables				
Related party receivable – joint venture	**3,617**	-	**397**	-
Related party receivable - subsidiary	**-**	-	**427,450**	88,878
	3,617	-	**427,847**	88,878

(a) Fair values

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

	2008		2007	
Group	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loans to joint venture	**3,617**	**3,617**	-	-

Parent entity				
Loans to related parties	**427,450**	**427,450**	88,878	88,878
Loans to joint venture	**397**	**397**	-	-
	427,847	**427,847**	88,878	88,878

(b) Risk exposure

Information about the Salmat Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 46.

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

	Consolidated		Parent	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Shares in joint venture (note 40)	**1,312**	-	**-**	-

(a) Shares in joint venture

Investments in joint venture are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer to note 40).

15 Non-current assets - Other financial assets

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Shares in subsidiaries (note 38)	**-**	-	**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 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
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
Year ended 30 June 2008				
Opening net book amount	4,350	5,491	42,325	52,166
Acquisition of subsidiary	-	-	17,616	17,616
Additions	-	-	20,187	20,187
Disposals	-	-	(3,881)	(3,881)
Depreciation charge	-	(308)	(21,631)	(21,939)
Closing net book amount	4,350	5,183	54,616	64,149
At 30 June 2008				
Cost	4,350	7,576	165,283	177,209
Accumulated depreciation	-	(2,393)	(110,667)	(113,060)
Net book amount	4,350	5,183	54,616	64,149

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

Parent	**Plant and equipment $'000**
At 1 July 2006	
Cost	11,104
Accumulated depreciation	(3,312)
Net book amount	7,792
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
Year ended 30 June 2008	
Opening net book amount	8,800
Additions	1,520
Disposals	(53)
Depreciation charge	(3,059)
Closing net book amount	7,208
At 30 June 2008	
Cost	35,063
Accumulated depreciation	(27,855)
Net book amount	7,208

17 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
The balance comprises temporary differences attributable to:				
Doubtful debts	**434**	388	**-**	-
Inventories	**-**	-	**-**	5
Employee benefits	**9,522**	5,671	**552**	647
Property, plant & equipment	**1,007**	1,446	**(26)**	267
Float costs	**-**	280	**-**	280
Amortisation of intangibles	**1,412**	980	**-**	-
Accruals	**3,107**	3,003	**524**	381
Other provisions	**1,213**	-	**11**	-
Tax losses	**1,483**	978	**-**	-
	18,178	12,746	**1,061**	1,580
Movements:				
Opening balance at 1 July	**12,746**	8,728	**1,580**	4,151
Credited/(charged) to the income statement (note 6)	**(1,142)**	3,291	**(519)**	(2,571)
Acquisition of subsidiary	**6,574**	727	**-**	-
Closing balance at 30 June	**18,178**	12,746	**1,061**	1,580

* 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 Contracts $'000	Total $'000
At 1 July 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
Year ended 30 June 2007				
Opening net book amount	82,160	63	1,975	84,198
Additions	29,055	-	1,180	30,235
Impairment charge	(4,478)	-	-	(4,478)
	-	(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
Year ended 30 June 2008				
Opening net book amount	106,737	29	1,681	108,447
Acquisition of subsidiary / businesses	257,808	7,640	50,632	316,080
Impairment charge	-	-	-	-
Amortisation charge	-	(1,302)	(6,657)	(7,959)
Closing net book amount	364,545	6,367	45,656	416,568
At 30 June 2008				
Cost	364,545	8,759	55,761	429,065
Accumulated amortisation and impairment	-	(2,392)	(10,105)	(12,497)
Net book amount	364,545	6,367	45,656	416,568

Included in other intangible assets is $1,118,000 in respect of our SalesForce acquisition which has now been fully amortised but is still considered to be an asset of the Group.

18 Non-current assets - Intangible assets (continued)

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

Parent	**Goodwill $'000**
Year ended 30 June 2008	
Opening net book amount	918
Additions	-
Closing net book amount	918
At 30 June 2008	
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.

2008	**Business Force** $'000	**Media Force** $'000	**Sales Force** $'000	**Total** $'000
Goodwill	277,823	17,089	69,633	364,545
2007				
Goodwill	14,308	17,796	74,633	106,737

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 discount rate applied to the pre-tax cash flow projections for CGU's is 11.6% (2007: 11.6%).

The growth rate used to extrapolate cash flows beyond the five-year period is 5% (2007: 5%).

18 Non-current assets - Intangible assets (continued)

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.

Management consider that any reasonable changes in the key assumptions would not result in the carrying value of goodwill exceeding the recoverable amount.

(b) Impairment charge

There was no impairment charge in the current year. In 2007 an 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 Philippines.

19 Current liabilities - Trade and other payables

	Consolidated		**Parent**	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Trade payables	**28,625**	19,150	**14,169**	10,801
Accrued expenses	**54,487**	37,162	**7,023**	3,834
Other payables	**13,746**	3,548	**-**	-
	96,858	59,860	**21,192**	14,635

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

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

(a) Risk exposure

Information about the Salmat Group's and the parent entity's exposure to foreign exchange risk is provided in note 46.

20 Current liabilities - Borrowings

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Secured				
Bank loans	**50,000**	-	**50,000**	-
Lease liabilities (note 35)	**22**	-	**-**	-
Total secured current borrowings	**50,022**	-	**50,000**	-

(a) Security and fair value disclosures

Information about the terms and conditions of major borrowings, details of the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 24.

(b) Risk exposures

Details of the Salmat Group's exposure to risks arising from current and non-current borrowings are set out in note 46.

21 Current liabilities - Provisions

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Employee benefits - long service leave	**3,288**	5,470	**154**	1,046
Employee benefits - annual leave	**17,493**	11,475	**705**	824
	20,781	16,945	**859**	1,870

22 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Income tax	**667**	467	**-**	3,146
	667	467	**-**	3,146

23 Non-current liabilities - Payables

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deferred purchase price	**2,480**	2,159	**-**	-
	2,480	2,159	**-**	-

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

24 Non-current liabilities - Borrowings

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Secured				
Bank loans	**205,023**	88,651	**200,000**	83,000
Lease liabilities (note 35)	**14**	-	**-**	-
Total secured non-current borrowings	**205,037**	88,651	**200,000**	83,000

(a) Bank loans and bank overdraft

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

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

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

(b) Financing arrangements

The Salmat Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Total facilities				
Bank overdraft	**15,747**	17,444	**10,000**	11,000
Loan facility	**275,000**	105,000	**275,000**	105,000
Guarantee facility	**40,000**	40,000	**40,000**	40,000
	330,747	162,444	**325,000**	156,000
Used at balance date				
Bank overdrafts	**5,023**	5,651	**-**	-
Loan facility	**250,000**	83,000	**250,000**	83,000
Guarantee facility	**25,694**	25,200	**17,439**	25,000
	280,717	113,851	**267,439**	108,000
Unused at balance date				
Bank overdrafts	**10,724**	11,793	**10,000**	11,000
Loan facility	**25,000**	22,000	**25,000**	22,000
Guarantee facility	**14,306**	14,800	**22,561**	15,000
	50,030	48,593	**57,561**	48,000

The bank overdraft facilities may be drawn at any time.

The current interest rates on loan facilities are 8.205% to 8.3133% (2007: 6.69 to 7.11%) and on bank overdraft 11.75% (2007: 9.75%).

(c) Fair value

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

Group	At 30 June 2008 Carrying amount $'000	At 30 June 2008 Fair value $'000	At 30 June 2007 Carrying amount $'000	At 30 June 2007 Fair value $'000
Bank loans	**255,023**	**255,023**	88,651	88,651
Lease liabilities	**36**	**36**	-	-
	255,059	**255,059**	88,651	88,651
Parent Entity				
Bank loans	**250,000**	**250,000**	83,000	83,000

The fair value of borrowings equals their carrying amount, as the impact of discounting is not considered significant.

(d) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 46.

25 Non-current liabilities - Deferred tax liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
The balance comprises temporary differences attributable to:				
Inventories	**796**	141	**-**	-
Unrealised foreign exchange gains / (losses)	**2**	-	**-**	-
Unearned income (note 29)	**-**	11	**-**	-
Intangible assets	**13,627**	216	**-**	-
Total deferred tax liabilities	**14,425**	368	**-**	-
Movements:				
Opening balance at 1 July	**368**	25	**-**	-
Charged/(credited) to the income statement (note 6)	**(1,803)**	343	**-**	-
Acquisition of subsidiary	**15,860**	-	**-**	-
Closing balance at 30 June	**14,425**	368	**-**	-

26 Non-current liabilities - Provisions

	Consolidated		Parent	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits - long service leave	**11,181**	2,505	**982**	290
Other provisions - lease makegood	**2,117**	2,224	**115**	115
	13,298	4,729	**1,097**	405

(a) Lease make good provision

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

(b) Movements in provisions

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

	Consolidated		Parent	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Other provisions - lease makegood				
Carrying amount at start of year	**2,224**	2,418	**115**	182
Additional provision recognised	**188**	129	**-**	6
Unwinding of discount	**(295)**	(323)	**-**	(73)
Carrying amount at end of year	**2,117**	2,224	**115**	115

27 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**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Present value of the defined benefit obligation	**4,193**	4,678	**-**	-
Fair value of defined benefit plan assets	**(4,059)**	(4,883)	**-**	-
	134	(205)	**-**	-
Unrecognised actuarial gains	**(4)**	-	**-**	-
Net liability before adjustment for contributions tax	**130**	(205)	**-**	-

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 a loss of $214,000 (2007: gain $876,000)

Cumulative actuarial gains and losses recognised in the statement of recognised income and expense is a loss of $311,000 (2007: gain $525,000)

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

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash	**308**	479	**-**	-
Equity instruments	**2,256**	2,935	**-**	-
Debt instruments	**604**	645	**-**	-
Property	**421**	493	**-**	-
Other assets	**470**	331	**-**	-
	4,059	4,883	**-**	-

(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	
	2008	2007	**2008**	2007
	$'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	**4,678**	4,888	**-**	-
Current service cost	**154**	140	**-**	-
Interest cost	**277**	259	**-**	-
Contributions by plan participants	**71**	73	**-**	-
Actuarial (gains) and losses	**(1,200)**	(247)	**-**	-
Foreign currency exchange rate changes	**(45)**	(357)	**-**	-
Benefits paid	**(341)**	(78)		
Other	**599**	-	**-**	-
Balance at the end of the year	**4,193**	4,678	**-**	-

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**4,883**	4,217	**-**	-
Expected return on plan assets	**359**	302	**-**	-
Actuarial gains and (losses)	**(1,480)**	300	**-**	-
Foreign currency exchange rate changes	**(103)**	(88)	**-**	-
Contributions by Group companies	**71**	122	**-**	-
Contributions by plan participants	**71**	71	**-**	-
Benefits paid	**(341)**	(41)		
Other	**599**	-	**-**	-
Balance at the end of the year	**4,059**	4,883	**-**	-

27 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	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current service cost	**173**	163	**-**	-
Interest cost	**281**	262	**-**	-
Expected return on plan assets	**(360)**	(425)	**-**	-
Net actuarial losses (gains) recognised in year	**255**	(879)	**-**	-
Total included in employee benefits expense	**349**	(879)	**-**	-
Actual return on plan assets	**(327)**	610	**-**	-

(f) Principal actuarial assumptions

Principal actuarial assumptions

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
Australia				
Discount rate	**6.6%**	6.4%	**- %**	- %
Expected return on plan assets	**8.3%**	7.6%	**- %**	- %
Future salary increases from July 2008	**3.5%**	3.5%	**- %**	- %
Taiwan				
Discount rate	**2.8%**	2.3%	**- %**	- %
Expected return on plan assets	**3.0%**	3.0%	**- %**	- %
Future salary increases	**2.8%**	2.5%	**- %**	- %
Philippines				
Discount rate	**8.0%**	8.0%	**- %**	- %
Expected return on plan assets	**7.0%**	7.0%	**- %**	- %
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.

28 Non-current liabilities - Other non-current liabilities

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deferred profit	**1,056**	-	**-**	-

The deferred profit relates to the sale of a subsidiaries business to an associated entity Reach Media NZ Limited.

29 Contributed equity

	Parent entity		Parent entity	
	2008	2007	**2008**	2007
	Shares	Shares		
	'000	'000	**$'000**	$'000
(a) Share capital				
Ordinary shares				
Fully paid	**158,792**	117,755	**207,542**	34,019

(b) Movements in ordinary share capital:

Date	Details	Number of shares '000	$'000
1 July 2006	Opening balance	117,245	32,770
	Exercise of options under the Salmat Executive Performance Option Plan	510	1,249
30 June 2007	Balance	117,755	34,019
1 July 2007	Opening balance	117,755	34,019
	Exercise of options under the Salmat Executive Performance Option Plan	1,128	2,618
	Shares issued on acquisition of HPA Limited	18,704	86,598
	Institutional placement	17,857	75,000
	Employee share purchase plan	591	2,071
	Dividend reinvestment plan issues	2,757	8,438
	Transaction costs arising on share issue		(1,202)
30 June 2008	Balance	158,792	207,542

(c) Ordinary shares

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

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

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 45.

(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 45.

29 Contributed equity (continued)

(f) Capital risk management

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

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

Consistently with others in the industry, the Salmat Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Total borrowings	**255,059**	88,651	**250,000**	83,000
Less: cash and cash equivalents (Note 8)	**(35,671)**	(4,919)	**(26,044)**	(2,502)
Net debt	**219,388**	83,732	**223,956**	80,498
Total equity	**282,983**	121,540	**228,339**	35,130
Total capital	**502,371**	205,272	**452,295**	115,628
Gearing ratio	**43.6%**	40.8%	**49.5%**	69.6%

The increase in the gearing ratio during 2008 resulted primarily from further borrowings used in acquiring HPA Limited.

30 Reserves and retained profits

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Share-based payments reserve	**3,170**	2,093	**1,430**	976
Foreign currency translation reserve	**(997)**	(235)	**(883)**	(212)
	2,173	1,858	**547**	764

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Movements:				
Share-based payments reserve				
Balance 1 July	**2,093**	1,269	**976**	607
Shares and options expense	**1,077**	824	**454**	369
Balance 30 June	**3,170**	2,093	**1,430**	976
Movements:				
Foreign currency translation reserve				
Balance 1 July	**(235)**	(146)	**(212)**	462
Currency translation differences arising during the year :	**(762)**	(89)	**(671)**	(674)
Balance 30 June	**(997)**	(235)	**(883)**	(212)

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Opening retained earnings	**85,663**	72,836	**347**	2,068
Net profit for the year	**12,847**	44,275	**44,230**	30,603
Dividends	**(24,327)**	(32,324)	**(24,327)**	(32,324)
Actuarial gains(losses) on defined benefit plans recognised directly in retained earnings	**(214)**	876	**-**	-
Balance 30 June	**73,969**	85,663	**20,250**	347

(c) Nature and purpose of reserves

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

(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 income statement when the net investment is disposed of.

31 Dividends

	Consolidated and Parent 2008 $'000	2007 $'000
(a) Ordinary shares		
Final ordinary dividend of 10.0 cents (2007: 9.5 cents) per share, fully franked, was paid on 28 September 2007.	**11,883**	11,139
Interim ordinary dividend for the year ended 30 June 2008 of 8.0 cents (2007: 8.0 cents) per share, fully franked, was paid on 8 April 2008.	**12,444**	9,416
No special dividend paid (2007:10 cents)	**-**	11,769
Total dividends provided for or paid	**24,327**	32,324
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:		
Paid in cash	**15,889**	32,324
Satisfied by issue of shares	**8,438**	-
	24,327	32,324
(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 9.5 cents per fully paid ordinary share (2007: 9.5 cents). This dividend will be fully franked to 100% at 30% corporate tax rate.	**-**	11,774

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 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 2008.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	**66,975**	57,737	**66,975**	57,737

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.

32 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, BusinessForce
Peter Boyle	Divisional Director, MediaForce
Colin Wright	Chief Financial Officer (appointed 1 April 2008 but included as key management personnel from 2 November 2007)
Kevin Panozza	Divisional Director, SalesForce
Andrew Hume	Chief Operating Officer, SalesForce
Terry Daly	General Manager BusinessForce (from 2 November 2007)
Ashley Fenton	Chief Financial Officer (from 1 July 2007 to 31 March 2008)

(c) Key management personnel compensation

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short-term employee benefits	**6,641,165**	3,775,215	**6,641,165**	2,660,041
Post-employment benefits - Defined contribution fund contributions	**419,270**	510,412	**419,270**	485,039
Share based payments	**562,018**	609,599	**562,018**	479,363
	7,622,453	4,895,226	**7,622,453**	3,624,443

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 12.

32 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.

2008

Name	Balance at start of the year	Granted as compen- sation	Exercised	Forfeited	Balance at end of the year	Vested and exercisable	Unvested
Directors of Salmat Limited							
Philip Salter	995,000	165,000	(500,000)	-	660,000	165,000	495,000
Peter Mattick	995,000	165,000	(500,000)	-	660,000	165,000	495,000
Other key management personnel of the Salmat Group							
David Besson	240,000	20,000	-	-	260,000	80,000	180,000
Peter Boyle	240,000	20,000	-	-	260,000	80,000	180,000
Colin Wright	-	7,500	-	-	7,500	-	7,500
Kevin Panozza	260,000	20,000	-	-	280,000	-	280,000
Andrew Hume	225,000	15,000	-	-	240,000	-	240,000
Terry Daly	-	20,000	-	-	20,000	-	20,000
Ashley Fenton	240,000	20,000	-	(100,000)	160,000	80,000	80,000

2007

Name	Balance at start of the year	Granted as compen- sation	Exercised	Forfeited	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

(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.

32 Key management personnel disclosures (continued)

2008

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	-	13,278	375,479
Peter Mattick	34,798,952	500,000	1,201,441	36,500,393
Philip Salter	34,574,418	500,000	1,033,059	36,107,477
John Thorn	100,601	-	10,000	110,601
Ian Elliot	33,435	-	-	33,435
Other key management personnel of the Salmat Group				
Ordinary shares				
David Besson	167,221	-	62,485	229,706
Peter Boyle	83,334	-	441,389	524,723
Ashley Fenton	93,334	-	(52,138)	41,196
Kevin Panozza	-	-	-	-
Andrew Hume	-	-	-	-
Terry Daly	-	-	24,525	24,525
Colin Wright	-	-	15,412	15,412

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	-	-	-	-

33 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	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(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	**525**	296	**525**	296
Ernst & Young overseas firms for the audit or review of financial reports of subsidiary entities	**30**	85	**-**	-
Total remuneration for audit services	**555**	381	**525**	296
(b) Other services				
Ernst & Young (Australian)				
Assurance related services				
Other services	**75**	22	**-**	-
Taxation services				
Ernst & Young (Australia)				
Tax compliance services, including review of company income tax returns	**242**	75	**202**	44
Total remuneration for non-audit services	**317**	97	**202**	44

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.

34 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. There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's or Salmat's 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 39.

35 Commitments

(a) Capital commitments

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Property, plant and equipment				
Payable:				
Within one year	**6,376**	3,191	**2,084**	526
	6,376	3,191	**2,084**	526

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	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**24,927**	13,951	**1,124**	354
Later than one year but not later than five years	**69,882**	33,775	**4,286**	138
Later than five years	**26,531**	30,265	**515**	-
Commitments not recognised in the financial statements	**121,340**	77,991	**5,925**	492

36 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 38.

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 3.

(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		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade payables				
Peter Mattick or related entities				
Provision of printing services to the group	**1,965,395**	2,156,137	**-**	-

The provision of printing services to the group are on commercial terms and conditions.

(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	
	2008	2007	**2008**	2007
	$	$	**$**	$
Non-current receivables (loans)				
Subsidiaries	**-**	-	**427,450**	88,878
Joint venture	**3,617**	-	**-**	-

(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.

37 Business combination

Current period

(a) Summary of acquisitions

During the year the following businesses were acquired which provided additional capabilities and revenue stream to the group:

HPA Limited

On 2 November 2007 Salmat completed the acquisition of HPAL Limited (HPAL) under the scheme of arrangement between HPAL and the holders of fully paid ordinary shares in HPAL. Consideration paid for the acquisition consisted of $212,465,037 in cash and 18,703,865 ordinary shares at an issue price of $4.63 per share pursuant to the Scheme of Arrangement.

Information in respect of HPAL contribution to revenue and profit and loss of the combined entity has not been disclosed as it is considered impracticable to do so.

Other acquisitions

Other acquisitions were for Local Dealer Networks (LDN's)

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	HPA $'000	Other $'000	Total $'000
Purchase consideration: (refer to (b) below):			
Cash paid	212,465	440	212,905
Shares issued	86,598	-	86,598
Deferred consideration	-	(643)	(643)
Costs associated with the acquisition	4,300	(143)	4,157
Total consideration	**303,363**	**(346)**	**303,017**
Fair value of net identifiable assets acquired (refer to (c) below)	45,209	-	45,209
Goodwill arising on acquisition (refer to (c) below and note 18)	**258,154**	**(346)**	**257,808**

(b) Purchase consideration

	HPA $'000	Other $'000	Total $'000
The net cash outflow on acquisition is as follows:			
Cash consideration	216,765	(346)	216,419
Deferred consideration	-	643	643
Net cash acquired	(3,064)	-	(3,064)
Net cash outflow	**213,701**	**297**	**213,998**

37 Business combination (continued)

(c) Assets and liabilities acquired

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

	Carrying Amount $'000	Fair value $'000
Fair value of net identifiable assets acquired		
Cash and cash equivalents	3,064	3,064
Trade and other receivables	28,349	28,349
Inventories	2,854	2,854
Plant and equipment	14,990	17,616
Deferred tax assets	6,574	6,574
Other assets	2,532	2,532
Intangible assets: customer contracts	-	50,600
Intangible asset: software	-	7,640
Trade and other payables	(13,837)	(13,837)
Interest bearing liabilities	(25,023)	(25,023)
Deferred tax liability on customer contracts	-	(15,180)
Provisions	(16,487)	(19,980)
Net identifiable assets acquired	**3,016**	**45,209**

The amounts recognised on acquisition presented above represent the provisional assessments of the fair value of identifiable assets and liabilities acquired on acquisition. These amounts will be finalised within twelve months from the respective date for each acquisition. The above amounts are only provisional subject to receipt of final board determination of HPAL Limited assets and liabilities.

The key factors contributing to the goodwill recognised for HPA Limited relate to the company's strong position in the business process outsourcing market and synergies expected to arise upon integration.

2007

(a) Summary of acquisition

During the year the following businesses were acquired which provided additional capabilities and revenue stream to the group:

VeCommerce

VeCommerce 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 the 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.

Other acquisitions

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

37 Business combination (continued)

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	VeCommerce $'000	Other $'000	Total $'000
Purchase consideration: (refer to (b) below):			
Cash paid	29,583	5,948	35,531
Deferred consideration	-	1,730	1,730
Costs associated with the acquisition	862	898	1,760
Total consideration	**30,445**	**8,576**	**39,021**
Fair value of net identifiable assets acquired (refer to (c) below)	8,905	1,061	9,966
Goodwill arising on acquisition (refer to (c) below and note 18)	**21,540**	**7,515**	**29,055**

(b) Purchase consideration

	VeCommerce $'000	Other $'000	Total $'000
The net cash outflow on acquisition is as follows:			
Cash consideration	30,445	8,576	39,021
Deferred consideration	-	(1,730)	(1,730)
Net cash acquired	(5,528)	-	(5,528)
Net cash outflow	**24,917**	**6,846**	**31,763**

(c) Assets and liabilities acquired

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

	Carrying Value $'000	Fair Value $'000
Fair value of net identifiable assets acquired		
Cash and cash equivalents	5,529	5,529
Trade and other receivables	1,861	1,861
Inventories	3,929	3,929
Plant and equipment	1,363	1,363
Deferred tax assets	787	787
Other assets	8	8
Intangible assets: customer listings	-	1,180
Trade and other payables	(1,994)	(1,994)
Deferred income	(1,439)	(1,439)
Provisions	(1,258)	(1,258)
Net identifiable assets acquired	**8,786**	**9,966**

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

38 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 ****	
			2008 %	2007 %
Name				
Salmat Document Management Solutions Pty Limited *	Australia	Ordinary	**100**	100
SDS Data Insights Pty Limited (formerly Salmat Data Solutions Pty Limited)	Australia	Ordinary	**100**	100
Salmat MediaForce Pty Limited (formerly Salmat Targeted Media Pty Limited) *	Australia	Ordinary	**100**	100
Letterbox Distribution Network Pty Limited *	Australia	Ordinary	**100**	100
Salmat SalesForce 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
Deltarg Distribution Systems Limited	New Zealand	Ordinary	**100**	100
Salmat Asia Limited	Hong Kong	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 Limited	Australia	Ordinary	**100**	100
Tri Screen Entertainment Pty Limited	Australia	Ordinary	**100**	100
Dialect Interactive Pty Limited	Australia	Ordinary	**100**	100
Scitec Technology Pty Limited	Australia	Ordinary	**100**	100
Scitec Staff Superannuation Plan Pty Limited	Australia	Ordinary	**100**	100
Scitec Marketing Pty Limited	Australia	Ordinary	**100**	100
VeCommerce (NZ) Limited	New Zealand	Ordinary	**100**	100
VeCommerce (UK) Limited	UK	Ordinary	**100**	100
VeCommerce Inc	USA	Ordinary	**100**	100
Scitec Americas Inc	USA	Ordinary	**100**	100
Scitec Communication Systems. Inc	USA	Ordinary	**100**	100
Scitec Communication Research. Inc	USA	Ordinary	**100**	100
Agarap Pty Limited	Australia	Ordinary	**100**	100
Scitec Australia Pty Limited	Australia	Ordinary	**100**	100
Salmat Print on Demand Pty Limited	Australia	Ordinary	**100**	100
Salmat Administrative Services Pty Limited	Australia	Ordinary	**100**	100
Lasoo Pty Limited (formerly Razoo Media Pty Limited)	Australia	Ordinary	**100**	100
SalesForce Global Pty Limited	Australia	Ordinary	**100**	100
SalesForce Direct Sales Pty Limited	Australia	Ordinary	**100**	100
Voice Link Pty Limited	Australia	Ordinary	**100**	100
HPAL Limited	Australia	Ordinary	**100**	-
Direct Headquarters Pty Limited	Australia	Ordinary	**100**	-
Hermes Precisa Pty Limited	Australia	Ordinary	**100**	-
HPA Unit Trust	Australia	Ordinary	**100**	-
SalesForce Contact Centres SDN BHD	Malaysia	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 39.

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

39 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 MediaForce Pty Limited
- Salmat SalesForce Pty Limited
- SalesForce Australia Pty Ltd
- Dialect Interactive Pty Limited
- VeCommerce Limited
- Salmat Print on Demand Pty Limited
- Direct Headquarters Pty Limited
- Hermes Precisa Pty Limited
- HPAL 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 2008 of the Closed Group.

	2008 $'000	2007 $'000
Income statement		
Profit before income tax	**23,650**	30,821
Income tax expense	**(9,795)**	(9,742)
Profit for the year	**13,855**	21,079
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**67,816**	73,793
Profit for the year	**13,855**	21,079
Change of entities within the closed group	**-**	4,813
Items recognised direct in equity	**(228)**	454
Dividends provided for or paid	**(24,329)**	(32,323)
Retained profits at the end of the financial year	**57,114**	67,816

39 Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group.

	2008 $'000	2007 $'000
Current assets		
Cash and cash equivalents	**31,468**	2,898
Trade and other receivables	**124,803**	81,064
Inventories	**6,524**	7,128
Current tax receivables	**1,657**	-
Other current assets	**7,662**	3,695
Total current assets	**172,114**	94,785
Non-current assets		
Receivables	**7,464**	15,308
Other financial assets	**7,601**	-
Property, plant and equipment	**52,070**	35,541
Deferred tax assets	**17,066**	12,223
Intangible assets	**391,209**	104,516
Total non-current assets	**475,410**	167,588
Total assets	**647,524**	262,373
Current liabilities		
Trade and other payables	**94,539**	53,392
Borrowings	**50,005**	-
Current tax liabilities	**-**	288
Provisions	**19,235**	15,758
Total current liabilities	**163,779**	69,438
Non-current liabilities		
Payables	**2,891**	2,159
Borrowings	**200,000**	83,000
Provisions	**13,817**	4,558
Retirement benefit obligations	**-**	334
Deferred tax liabilities	**734**	166
Total non-current liabilities	**217,442**	90,217
Total liabilities	**381,221**	159,655
Net assets	**266,303**	102,718
Equity		
Contributed equity	**207,542**	34,019
Reserves	**1,647**	883
Retained profits	**57,114**	67,816
Total equity	**266,303**	102,718

40 Investments in associates and joint ventures

(a) Carrying amounts

Information relating to joint ventures is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent	
		2008 %	2007 %	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Unlisted							
Reach Media NZ Limited, New Zealand	Unaddressed Mail Distribution	**50**	-	**1,312**	-	**-**	-

The reporting date of Reach Media NZ Limited is 31 March.

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

	Consolidated	
	2008 $'000	2007 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**-**	2,088
Amount invested in current year	**1,808**	-
Share of profits recognised, after income tax	**(496)**	1,325
Realised on sale of interest in joint venture	**-**	(3,413)
Carrying amount at the end of the financial year	**1,312**	-
(c) Fair value of investment in joint venture		
Reach Media NZ Limited	**1,312**	-

(d) Summarised financial information of associates and joint venture

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

	Ownership Interest %	Group's share of: Assets $'000	Net Assets $'000	Revenues $'000	Profit $'000
2008					
Reach Media NZ Limited, New Zealand	50	6,388	1,085	12,083	(496)
2007					
ClientLogic, Philippines	-	-	-	5,842	1,324

In September 2006 Salmat disposed of its Philippine's call centre Joint Venture, ClientLogic Philippines. The income reported above for 2007 was in respect of this investment.

41 Events occurring after the balance sheet date

(a) Dividends

Since 30 June 2008 the directors have recommended the payment of a final ordinary dividend of $16,673,160 (10.5 cents per fully paid share) to be paid on 15 October 2008 out of profits at 30 June 2008.

(b) Borrowings

On 18 August 2008, Salmat refinanced the outstanding balance on it's $75 million 364 day Syndicated Facility (Tranche B) with a $50 million Cash Advance Facility (Tranche C). The Tranche C facility is for a term of two years, maturing 18 August 2010 and is under the same bank covenants and conditions as the Syndicated Loan Facility.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2008 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.

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

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit for the year	**12,847**	44,275	**44,230**	30,603
Depreciation and amortisation	**29,898**	24,662	**3,059**	5,235
Non-cash employee benefits expense - share-based payments	**1,077**	824	**454**	369
Net loss / (gain) on sale of non-current assets	**2,109**	300	**(16)**	-
Share of losses / (profits) of associates not received as dividends or distributions	**496**	(1,324)	**-**	-
Profit on disposal of interest in joint venture	**-**	(24,975)	**-**	-
Profit on disposal of assets to associate	**(989)**	-	**-**	-
Net exchange differences	**-**	47	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase) in trade and other receivables	**(2,041)**	(17,420)	**-**	-
Decrease in inventories	**3,456**	942	**-**	-
(Decrease) / Increase in other financial assets	**(1,677)**	211	**(1,230)**	658
Decrease / (Increase) in future income tax benefit	**1,142**	(3,231)	**519**	2,576
(Increase) / Decrease in related party balances	**-**	-	**(11,582)**	(23,456)
Increase / (Decrease) in trade and other payables	**24,337**	9,146	**6,556**	2,590
Decrease in provision for income taxes payable	**(1,560)**	(3,957)	**(4,815)**	(1,181)
(Decrease) / Increase in provision for deferred income tax	**(1,809)**	343	**-**	(6)
(Decrease) / Increase in other provisions	**(6,731)**	2,280	**(319)**	(117)
Net cash inflow from operating activities	**60,555**	32,123	**36,856**	17,271

43 Non-cash investing and financing activities

	Consolidated		Parent	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Settlement of subsidiary purchase with shares	**86,599**	-	**86,599**	-
Dividend re-investment plan	**8,438**	-	**8,438**	-
Profit on disposal of Deltarg Distributions Systems Limited business to joint venture Reach Media New Zealand Limited	**989**	-	**-**	-
	96,026	-	**95,037**	-

44 Earnings per share

	Consolidated	
	2008	2007
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**9.0**	37.7
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**9.0**	37.5

(c) Reconciliation of Net Profit before amortisation

	Consolidated	
	2008 **$'000**	2007 $'000
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**12,847**	44,275
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**12,847**	44,275

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

	Consolidated	
	2008 **Quantity** **'000**	2007 Quantity '000
Weighted average number of shares on issue used to calculate basic EPS	**142,436**	117,499
Effect of dilutive securities - weighted average number of options outstanding	**562**	473
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	**142,998**	117,972

(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 45.

45 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 - 2008								
Nov 02	Oct 07	$2.10	333,332	-	(333,332)	-	-	-
Nov 02	Oct 07	$2.30	346,667	-	(346,667)	-	-	-
Nov 02	Oct 07	$2.50	448,337	-	(448,337)	-	-	-
Nov 04	Nov 09	$4.41	790,500	-	-	(13,000)	777,500	777,500
Apr 05	Nov 09	$5.05	6,500	-	-	-	6,500	6,500
Apr 05	Dec 09	$4.83	245,000	-	-	-	245,000	245,000
Apr 05	Dec 10	$4.83	65,000	-	-	-	65,000	-
Nov 05	Nov 10	$4.00	1,054,000	-	-	(30,000)	1,024,000	-
Nov 06	Nov 11	$3.41	330,000	-	-	-	330,000	-
Nov 06	Nov 11	$3.41	1,060,000	-	-	(125,000)	935,000	-
Dec 06	Dec 11	$3.80	210,000	-	-	(20,000)	190,000	-
Nov 07	Nov 12	$-	-	412,500	-	(31,250)	381,250	-
Nov 07	Nov 12	$4.20	-	330,000	-	-	330,000	-
Total			4,889,336	742,500	(1,128,336)	(219,250)	4,284,250	1,029,000
Weighted average exercise price			$3.56	$1.87	$2.32	$3.10	$3.61	$4.51

45 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 - 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 11	$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

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 2008 was $2.81 (2007: $4.30)

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 2008 included:

(a) options are granted for no consideration

(b) exercise price: $4.40 in respect of 330,000 options issued and $0.00 in respect of 412,000 options issued

(c) grant date: 29 November 2007

(d) expiry date: 15 November 2012

(e) share price at grant date: $4.04

(f) expected price volatility of the company's shares: 29.51%

(g) expected dividend yield: 6.49%

(h) risk-free interest rate: 6.31%

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.

45 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.

Participants will not be permitted to dispose of their shares until three years after the date of acquisition unless they leave the company. An initial offer was made by Salmat to qualifying employees on the basis that the company will match (at no cost to the employee) the contribution made by an employee, such contributions being limited to a maximum of $500 each.

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

Deferred Employee Share Plan

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

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

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

	2008 Number of shares '000	2007 Number of shares '000
Exempt Employee Share Plan	**-**	-
Opening balance	**41**	48
Transfers/disposals	**(3)**	-
Acquisitions	**202**	-
Employees who have left the company	**(13)**	-
Deferred Employee Share Plan	**-**	-
Opening balance	**1,260**	1,255
Transfers/disposals	**(235)**	(27)
Acquisitions	**538**	32
Employees who have left the company	**(50)**	(7)
	1,740	1,301

46 Financial risk management

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

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 policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

The Group and the parent entity hold the following financial instruments:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**35,671**	4,919	**26,044**	2,502
Trade and other receivables	**135,213**	104,147	**427,450**	88,878
Other financial assets	**812**	478	**41**	40
	171,696	109,544	**453,535**	91,420
Financial liabilities				
Trade and other payable	**96,858**	62,019	**21,192**	14,635
Borrowings	**255,059**	88,651	**250,000**	83,000
	351,917	150,670	**271,192**	97,635

(a) Market risk

(i) Foreign exchange risk

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

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted with Group Treasury.

Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts.

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

46 Financial risk management (continued)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008		30 June 2007		
	USD	**GBP**	USD	GBP	CAD
	$'000	**$'000**	$'000	$'000	$'000
Trade receivables	**160**	**492**	162	554	5

The carrying amounts of the parent entity's financial assets and liabilities are all denominated in Australian dollars.

Group sensitivity
Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the currencies detailed in the above table with all other variables held constant, the Group's post-tax profit for the year would have been $50,716 higher/$41495 (2007 - $64,179 higher/$45,702 lower), mainly as a result of foreign exchange gains/(losses) on translation of foreign currency denominated receivables in the above table.

Parent entity sensitivity
The Parent entity had no foreign exchange exposure as at 30 June 2008 and 30 June 2007.

(ii) Cash flow and fair value interest rate risk
The Salmat Group's main interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the Salmat Group to cash flow interest rate risk. The Group's treasury policy requires interest rate swaps to be entered into to manage cash flow risks associated with borrowings with variable interest rates. The current policy is for 80% of borrowings to be hedged for 12 months, 40% to be hedged for second year and 20% to be hedged for third year. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

As 30 June 2008 the Group closed out its interest rate swap contracts and entered into new interest rate swap contracts on 1 July 2008 with a notional principal of $200m. The Group had no interest rate swap contracts as at 30 June 2007.

As at the reporting date, the Group had the following variable rate borrowings:

	30 June 2008		30 June 2007	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**8.4%**	255,059	6.9%	88,651
Net exposure to cash flow interest rate risk		255,059		88,651

Group sensitivity

At 30 June 2008, if interest rates had changed by - /+100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $2.5m lower/higher (2007 - change of 100 bps: $886,510 lower/higher), mainly as a result of higher/lower interest expense on borrowings. Equity would have been $2.5m lower/higher (2007 - $886,510 lower/higher).

Parent entity sensitivity

At 30 June 2008, if interest rates had changed by -/+100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $2.5m lower/higher (2007 - change of 100 bps: $830,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings. Equity would have been $2.5m lower/higher (2007 - $830,000 lower/higher).

(b) Credit risk

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

46 Financial risk management (continued)

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

Credit risk on derivative contracts is minimised by principally dealing with large banks with an appropriate credit rating

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 78. As at 30 June 2008, the Group's exposure to customers with a balance greater than $1m totalled $46.7m (2007:$45.6m). The Group does not consider that there is any significant concentration of credit risk.

46 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. There have been no changes from the prior year. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Maturities of financial liabilities

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

Group - At 30 June 2008	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total Contractual cash flows**	**Carrying Amount (assets)/ liabilities**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Non-interest bearing	96,858	-	-	-	-	96,858	96,858
Variable rate	50,022	-	-	205,037	-	255,059	255,059
Total non-derivatives	146,880	-	-	205,037	-	351,917	351,917

Group - At 30 June 2007							
Non-derivatives							
Non-interest bearing	60,327	-	-	-	-	60,327	60,327
Variable rate	5,651	-	-	-	-	5,651	5,651
Fixed rate	-	-	-	83,000	-	83,000	83,000
Total non-derivatives	65,978	-	-	83,000	-	148,978	148,978

Parent - At 30 June 2008							
Non-derivatives							
Non-interest bearing	21,192	-	-	-	-	21,192	21,192
Variable rate	50,000	-	-	200,000	-	250,000	250,000
Total non-derivatives	71,192	-	-	200,000	-	271,192	271,192

Parent - At 30 June 2007							
Non-derivatives							
Non-interest bearing	17,781	-	-	-	-	17,781	17,781
Fixed rate	-	-	-	83,000	-	83,000	83,000
Total non-derivatives	17,781	-	-	83,000	-	100,781	100,781

46 Financial risk management (continued)

(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.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Salmat Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

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

47 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.

47 Critical accounting estimates and judgements (continued)

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 45.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension obligations. Refer to note 27.

In the directors' opinion:

(a) the financial statements and notes 1 to 47 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 12 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 39 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 39.

For the financial period ending 30 June 2008, 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
21 August 2008

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Independent audit report to members of Salmat Limited

Scope

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 2008, and the income statement, statement of recognised income and expenses and statement of cash flow 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" on pages 5 to 12 of the directors' report, as permitted by Corporations Regulation 2M.6.04. This remuneration report has been subject to audit.

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, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, comply 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.

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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 2008 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 also comply with International Financial Reporting Standards as disclosed in Note 1

3. the remuneration disclosures that are contained on pages 5 to 12 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures.

Ernst & Young

Craig M. Jackson
Partner
Sydney
21 August 2008

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