SALMAT LIMITED

HALF-YEAR FINANCIAL REPORT
For the six months ended 31 December 2007

Contents

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

HALF-YEAR REPORT
For the six months ended 31 December 2007

Results for announcement to the market

	Percentage Change %		Amount
Revenues from ordinary activities	**22.9%**	**to**	**$371.3m**
Profit before amortisation, depreciation, borrowing costs, significant items and income tax (EBITDA)	**2.6%**	**to**	**$34.9m**
Net profit for the period before significant items after tax	**(8.9%)**	**to**	**$14.3m**
Net profit after tax	**(69.7%)**	**to**	**$10.6m**

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim Dividend	8.0c	8.0c
Record Date for determining entitlements to dividends		18 March 2008
Dividends payment date		8 April 2008

Explanation of results

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

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

ASX/media release

Salmat results in line with expectations

Salmat Limited (ASX: SLM), the force in one-to-one communication, today announced strong sales growth for the six months to 31 December 2007. Revenue increased by 22.9% to $371.3 million (H1 07: $302.1 million) driven by both organic growth and contributions from acquisitions.

Our profitability was lower than last year but in line with the guidance given at the AGM in November. Net profit before significant items was down 8.9% to $14.3 million (H1 07: $15.7 million), and overall net profit was $10.6 million (FY07: $35.1 million, including $25 million significant profit on sale of joint venture).

The directors have declared an interim dividend of 8.0 cents per share fully franked, unchanged from 2006/7 (8.0 cents), payable on 8 April 2008. This dividend will be subject to the Salmat Dividend Reinvestment Plan with a 2.5% discount to the market price of shares to apply. The Joint Managing Directors and founders have indicated their intention to take up their full entitlements under the plan.

Results summary for six months to	**31 Dec 2007 $million**	**31 Dec 2006 $million**	**% change**
Sales revenue	371.3	302.1	22.9
EBITA (Earnings before interest, tax and amortisation)	25.9	26.9	(3.7)
Net profit before significant items	14.3	15.7	(8.9)
Significant items	(3.7)	19.3	NMF
Profit after tax	10.6	35.1	(69.7)
Earnings per share (cents)	8.2	29.9	(72.6)
Fully franked interim dividend (cents)	8.0	8.0	unchanged

Salmat's Joint Managing Directors, Peter Mattick and Phil Salter, said: "This half has been significant for Salmat with the purchase of HPA and the launch of Lasoo. Although we will not see the full profit potential from these initiatives this year due to the integration and start up costs, we are focused on the benefits of these coming on line in 2008/09.

Commenting on the outlook, they said: "We expect EBITA before significant items for the full year to be between $55 million and $60 million, which is 17% – 27% up on last year."

Operational review

MediaForce

Results summary for six months to	31 Dec 2007 $ million	31 Dec 2006 $ million	% change
Revenue	114.9	90.8	26.5
EBITA before significant items	15.5	17.1	(9.4)

In MediaForce we have invested in re-engineering our processes to reduce costs and increase functionality and customer satisfaction. We see this as the key to improving our results moving forward. We see competitive pressures abating and we look forward to more rational pricing becoming the norm in this industry.

It is pleasing to see new customers recognising the value of our multi-tiered total accountability model and the unrivalled offering we provide. This, together with a full half's input from the rapidly growing Dialect acquisition, is driving encouraging top line growth.

SalesForce

Results summary for six months to	31 Dec 2007 $ million	31 Dec 2006 $ million	% change
Revenue	134.0	122.3	9.6
EBITA before significant items	7.4	9.0	(17.8)

After the exceptional growth of FY 07, SalesForce's revenue is now increasing at a rate more in line with the overall industry, which still represents a robust pace.

During the half we have spent time bedding down our new contracts and in building new seats to keep our utilisation at sustainable levels. Whilst this has impacted on profitability, we expect a stronger second half and an improved full year result.

BusinessForce

Results summary for six months to	31 Dec 2007 $ million	31 Dec 2006 $ million	% change
Revenue	122.4	89.0	37.5
EBITA before significant items	11.2	5.0	124.0

In BusinessForce the obvious focus has been on the successful purchase of HPA and its subsequent integration.

The integration process has commenced well and is expected to take up to 2 years to complete, at the end of which significant EBITA upside is expected. In addition we have seen further recent rationalisation in this industry, which is positive for the long term growth prospects of this business.

Net significant items

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

- The formation of the recently announced joint venture with New Zealand Post to deliver unaddressed mail in the New Zealand marketplace resulted in the sale of our Deltarg operation to the new 50/50 joint venture. We have recognised a $1 million profit on the sale as a significant item.

- Further development and launch costs for our online digital media site, "Lasoo", were $4.1 million or $2.9 million after tax.

- Integration and restructure and redundancy costs of $1.8 million relate to initial integration costs for HPA, which included moving our NSW print-on-demand business and WA business, as well as restructure and re-engineering costs in MediaForce.

Balance sheet and cash flow

Operating cash flow of $9.8 million was flat on last year, reflecting underlying business performance. Net capital expenditure of $10.6 million for the half represents 3.0% of sales and is in line with our expectations.

After the debt and equity raisings associated with the acquisition of HPA, our net debt at the half year stood at $259 million, with a gearing ratio of 47.7% and an annualised interest cover of around 7 times. Our debt levels are comfortable and are expected to return to our target range of 40% - 45% by year end.

Salmat *is the force in one to one communication. We facilitate our customers' contact with their customers – through targeted catalogue distribution, mail-outs or telephone communication.*

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

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

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

Over 29 years we have built a 5,000 plus strong team, experienced in contributing to our customers' growth through helping them to communicate effectively with their customers. This experience, together with our proprietary systems and technology and our strong customer relationships, secures Salmat's position as Australia's – and increasingly the region's – leader in customer communication services.

-- ends –-

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

For further information, please contact:

Peter Mattick	*Philip Salter*	*Ashley Fenton*
Joint Managing Director	*Joint Managing Director*	*Chief Financial Officer*
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The Directors present their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the Directors of Salmat Limited in office during the half-year and until the date of this report are as follows:

Richard Lee
Peter Mattick
Philip Salter
John Thorn
Ian Elliot

REVIEW OF OPERATIONS

Revenue from continuing operations for the half-year was $371.8m, an increase of $69.4m over the previous corresponding period. Profit before tax for the half year of $13.8m was $28.5m less than the previous corresponding period. The previous year included a gain of $19.4m after tax relating to significant items as set out in note 3.

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.

EVENTS OCCURRING AFTER BALANCE DATE

On 28th February 2008, the Directors declared the following dividend:

	Cents	$m
Interim dividend per ordinary share	8.0	12.4

The dividend is franked to 100% at 30% corporate tax rate. A record date of 18 March 2008 has been set for the dividends, with the dividends due to be paid on 8 April 2008.

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 8.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class order 98/0100 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Signed this 28th day of February 2008 in accordance with a resolution of the Board of Directors.

Peter Mattick
Director

Philip Salter
Director

Richard Lee
Chairman

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Salmat Limited

In relation to our review of the financial report of Salmat Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Craig M. Jackson
Partner
28 February 2008

SALMAT LIMITED
Income Statement
For the half year ended 31 December 2007

	Note	Consolidated Six months to 31 Dec 2007 $000	Consolidated Six months to 31 Dec 2006 $000
Sales revenues		371,333	302,145
Revenues from other activities		448	199
Revenue from continuing operations		**371,781**	**302,344**
Employee benefits expenses		(184,096)	(147,346)
Depreciation and amortisation expense		(9,772)	(13,599)
Freight and distribution		(65,809)	(54,319)
Materials usage		(28,008)	(26,914)
Property related expenses		(14,423)	(10,715)
Equipment related expenses		(25,753)	(12,454)
Other expenses from ordinary activities		(24,989)	(18,101)
Finance costs		(6,381)	(2,960)
Profit on disposal of assets to associate		963	-
Share of profits of associates accounted for using the equity method		264	1,325
Profit on disposal of associate		-	25,048
Profit before income tax	3	**13,777**	**42,309**
Income tax expense		(3,166)	(7,241)
Profit attributable to members of Salmat Limited		**10,611**	**35,068**
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share (cents per share)	6	**8.23 c**	**29.9 c**
Diluted earnings per share (cents per share)	6	7.95 c	28.7 c
Net profit attributable after significant items		**10,611**	**35,068**
Significant and non recurring items net of tax	3	3,699	(19,367)
Net profit before significant items		14,310	15,701

SALMAT LIMITED
Balance Sheet
As at 31 December 2007

		Consolidated		
		As at 31 Dec 2007 $000	As at 30 Jun 2007 $000	As at 31 Dec 2006 $000
Current Assets	**Note**			
Cash and cash equivalents		16,931	4,919	9,171
Trade and other receivables		140,955	104,147	128,835
Derivative financial instrument		-	-	1,120
Inventories		7,543	8,730	4,990
Income tax receivable		3,626	-	-
Other current assets		8,206	3,359	4,971
Total Current Assets		**177,261**	121,155	**149,087**
Non-Current Assets				
Receivables		-	-	1,439
Retirement benefit asset		211	205	-
Property, plant and equipment		68,844	52,166	54,796
Intangible assets	8	408,557	108,447	108,290
Deferred tax assets		19,803	12,746	11,203
Investment in joint venture		3,726	-	-
Total Non-Current Assets		**501,141**	173,564	**175,728**
Total Assets		**678,402**	294,719	**324,815**
Current Liabilities				
Trade and other payables		79,594	59,860	55,742
Interest bearing liabilities		61,000	-	-
Provisions		27,619	16,945	15,523
Current tax liabilities		-	467	2,028
Total Current Liabilities		**168,213**	77,272	**73,293**
Non-Current Liabilities				
Payables		3,581	2,159	1,949
Interest bearing liabilities		215,001	88,651	111,108
Provisions		6,501	4,729	5,617
Retirement benefit obligations		-	-	260
Deferred tax liabilities		949	368	43
Total Non-Current Liabilities		**226,032**	95,907	**118,977**
Total Liabilities		**394,245**	173,179	**192,270**
Net Assets		**284,157**	121,540	**132,545**
Equity				
Contributed equity	7	197,477	34,019	33,661
Reserves		2,290	1,858	2,119
Retained profits		84,390	85,663	96,765
Total Equity		**284,157**	121,540	**132,545**

SALMAT LIMITED
Balance Sheet
As at 31 December 2007

	Consolidated			
	Contributed Equity $000	Retained Profits $000	Reserves $000	Total $000
Balance at 1 July 2006	32,770	72,836	1,123	106,729
Currency translation differences	-	-	622	622
Total income and expense recognised in equity			622	622
Profit attributable to members of parent entity	-	35,068	-	35,068
Total recognised income and expense for the period	-	35,068	622	35,690
Shares issued during the year	891	-	-	891
Cost of share-based payments	-	-	374	374
Dividends paid	-	(11,139)	-	(11,139)
Balance at 31 December 2006	33,661	96,765	2,119	132,545
Balance at 1 July 2007	34,019	85,663	1,858	121,540
Currency translation differences	-	-	(133)	(133)
Total income and expense recognised in equity	-	-	(133)	(133)
Profit attributable to members of parent entity	-	10,611	-	10,611
Total recognised income and expense for the period	-	10,611	-	10,611
Shares issued during the year	164,652	-	-	164,652
Transaction costs	(1,194)	-	-	(1,194)
Cost of share-based payments	-	-	565	565
Dividends paid	-	(11,884)	-	(11,884)
Balance at 31 December 2007	197,477	84,390	2,290	284,157

SALMAT LIMITED
Balance Sheet
As at 31 December 2007

	Consolidated	
	Six months to 31 Dec 2007 $000	**Six months to 31 Dec 2006 $000**
Cash Flows from Operating Activities		
Receipts from customers *	398,001	339,215
Payments to suppliers and employees *	(377,583)	(315,113)
Interest received	448	189
Interest paid	(3,151)	(2,953)
Income tax paid	(7,938)	(11,296)
Net cash provided by operating activities	**9,777**	**10,042**
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	303	13
Loans repaid by related entity	-	4,905
Acquisition of subsidiary/business – Refer note 9	(213,900)	(30,642)
Investment in Associate	(493)	-
Payments for plant and equipment	(10,980)	(8,107)
Net cash (used in) investing activities	**(225,070)**	**(33,831)**
Cash Flows from Financing Activities		
Proceeds from issue of shares and other securities	76,860	891
Proceeds from borrowings	162,329	41,730
Dividends paid to company's shareholders	(11,884)	(11,139)
Net cash provided by financing activities	**227,305**	**31,482**
Net increase in cash held	**12,012**	**7,693**
Cash and cash equivalents at the beginning of the financial year	4,919	1,464
Effects of exchange rate changes on cash and cash equivalents	-	14
Cash and cash equivalents at the end of the financial year	**16,931**	**9,171**

* Includes amounts relating to postage disbursements and is inclusive of goods and services tax.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ending 31 December 2007 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001* and other mandatory professional requirements.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Salmat Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period. New Australian Accounting Standards and UIG interpretations effective 1 July 2007 have been reviewed and determined to have no material impact on the Group.

2. SEGMENT INFORMATION

(a) Business Segments

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

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

Business Force 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.

Sales Force handles inbound and outbound telephone, fax, email and other online communications, speech verification and Instant Voice Recognition (IVR) services from facilities in Australia, New Zealand, United Kingdom, USA 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.

2. SEGMENT INFORMATION (Continued)

(b) Financial Performance by Business Segment

Six months to 31 Dec 2007	Business Force $000	Media Force $000	Sales Force $000	Corporate $000	Economic Entity Total $000
Segment Revenue					
Sales to external customers	122,450	114,884	133,999	-	371,333
Total sales revenue	122,450	114,884	133,999	-	371,333
Other revenue	-	-	-	448	448
Total segment revenue	**122,450**	**114,884**	**133,999**	**448**	**371,781**
EBITA before significant items and equity accounted profits	**11,214**	**15,252**	**7,361**	**(8,215)**	**25,612**
Amortisation expense					(469)
Net interest expense					(5,933)
Share of equity profits		264			264
Profit before tax excluding significant items					19,474
Income tax expense excluding significant items					(5,164)
Profit after tax excluding significant items					**14,310**
Significant items net of tax	(611)	123		(3,211)	(3,699)
Net Profit after tax					**10,611**

Six months to 31 Dec 2006	Business Force $000	Media Force $000	Sales Force $000	Corporate $000	Economic Entity Total $000
Segment Revenue					
Sales to external customers	89,002	90,820	122,323	-	302,145
Total sales revenue	89,002	90,820	122,323	-	302,145
Other revenue	-	-	-	199	199
Total segment revenue	**89,002**	**90,820**	**122,323**	**199**	**302,344**
EBITA before significant items and equity accounted profits	**5,034**	**17,114**	**8,961**	**(5,530)**	**25,579**
Amortisation expense					(675)
Net interest expense					(2,771)
Share of equity profits	1,325				1,325
Profit before tax excluding significant items					23,458
Income tax expense excluding significant items					(7,757)
Profit after tax excluding significant items					**15,701**
Significant items net of tax	(4,606)			22,973	19,367
Net Profit after tax					**35,068**

	Six months to 31 Dec 2007 $000	Six months to 31 Dec 2006 $000

3. PROFIT BEFORE INCOME TAX

Profit from ordinary activities before related income tax expense includes the following items of expense/(income) which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:

Significant items included in total expenses

• Development of new business concept[1]	4,124	-
• Integration, restructure and redundancy costs [2]	2,535	1,719
• Profit on disposal of assets to associated company[3]	(963)	-
• Impairment of Asia goodwill[4]	-	4,478
• Profit on disposal of shares in associated company[5]	-	(25,048)
Significant items before tax	5,696	(18,851)
Income tax	(1,997)	(516)
Significant items after tax	3,699	(19,367)

[1] Lasoo.com.au – pre shop search engine.

[2] Integration, restructure and redundancy costs including HPA restructure costs.

[3] In November 2007, Salmat sold the business and its assets of Deltarg Distribution Systems Limited to form a 50/50 Joint Venture Reach Media Limited with NZ Post for a profit of $1.9m, 50% of which was deferred.

[4] Impairment of Asia goodwill - Following the sale of the ClientLogic joint venture, management reassessed the strategic value of the Asian businesses and a write down in the goodwill carrying value was required. The impairment loss has been recognised in the income statement in the line item "depreciation and amortisation."

[5] Profit on disposal of associated company - In September 2006, Salmat announced the disposal of its Philippine call centre Joint Venture, ClientLogic Philippines. The disposal resulted in a profit of $25.0m being recognised in the period. This profit on disposal is exempt from tax.

4. DIVIDENDS

(a) Dividends paid during the half-year [1]

Final fully franked ordinary dividend of 10.0 cents (2006 9.5cents) per share	11,884	11,139
Dividends paid as per Statement of Cash Flows	**11,884**	**11,139**

(b) Dividends proposed but not recognised as a liability at the end of the half year

Since the end of the half-year, the Directors' have recommended the payment of an interim dividend of 8.0 cents per share (2007: 8.0 cents per share). A record date of 18 March 2008 has been set. The aggregate amount of the proposed interim dividend which is expected to be paid on 8 April 2008 is: [1]	**12,444**	**9,408**

[1] All dividends franked to 100% at 30% corporate tax rate.

	Consolidated	
	Six months to 31 Dec 2007	**Six months to 31 Dec 2006**

5. NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share	**(0.80)c**	**20.6c**

6. EARNINGS PER SHARE

	$'000	$'000
(a) Reconciliation of Earnings to Net Profit		
Net profit after tax attributable to members of Salmat Limited	10,611	35,068
Earnings used in the calculation of diluted EPS	**10,611**	**35,068**
(b) Reconciliation of Net Profit before amortisation		
Net profit after tax attributable to members of Salmat Limited	10,611	35,068
Amortisation expense	469	5,986
Net profit excluding amortisation after tax attributable to members of Salmat Limited	11,080	41,054
(c) Weighted average number of ordinary shares used in the calculation of basic EPS	**Quantity '000**	**Quantity '000**
Weighted average number of shares on issue used to calculate basic EPS	128,936	117,205
Effect of dilutive securities - weighted average number of options outstanding	4,489	5,058
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	**133,425**	**122,263**

Earnings per share for profit excluding amortisation attributable to the ordinary equity holders of the company

Basic earnings per share (cents per share)	**8.59 c**	**35.0 c**
Diluted earnings per share (cents per share)	8.30 c	33.6 c

7. EQUITY SECURITIES ISSUED

Issue of ordinary shares during the half-year

	Quantity '000		$000	
	31 Dec 2007	31 Dec 2006	**31 Dec 2007**	31 Dec 2006
Opening balance	117,742	117,245	34,019	32,770
Exercise of options issued under the Salmat Executive Performance Option Plan	1,102	350	2,555	891
Shares issued on acquisition of HPA Limited	18,704	-	86,598	-
Institutional placement	17,857	-	75,000	-
Share purchase plan	118	-	499	-
Transaction costs	-	-	(1,194)	-
Closing Balance	**155,523**	**117,595**	**197,477**	**33,661**

8. INTANGIBLES

	Consolidated			
	Goodwill $000	**Other Intangible Assets** $000	**Customer Intangible** $000	**Total** $000
Balance at 1 July 2006	82,160	63	1,975	84,198
Acquisition of a subsidiary/business	28,540	705	-	29,245
Amortisation charge	-	(17)	(658)	(675)
Impairment charge	(4,478)	-	-	(4,478)
Balance at 31 December 2006	106,222	751	1,317	108,290
Balance at 1 July 2007	106,737	29	1,681	108,447
Acquisition of subsidiary/business	267,222	33	-	267,255
Goodwill acquired from HPA	33,324	-	-	33,324
Amortisation charge	-	(17)	(452)	(469)
Balance at 31 December 2007	407,283	45	1,229	**408,557**

9. BUSINESS COMBINATIONS

During the half-year the following businesses were acquired which provided additional capabilities and revenue streams 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.

	HPA $'000	Other $'000	Total $'000
Purchase consideration:			
Cash paid	212,465	199	212,664
Shares issued	86,598	-	86,598
Costs associated with the acquisition	4,300	-	4,300
Total consideration	**303,363**	**199**	**303,562**
Fair value of net identifiable assets acquired (refer below)	36,340	-	36,340
Goodwill arising on acquisition	267,023	199	267,222
The net cash outflow on acquisition is as follows:			
Net cash acquired	3,064	-	3,064
Cash paid, including costs	(216,765)	(199)	(216,964)
Net cash outflow	**(213,701)**	**(199)**	**(213,900)**
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	-	14,990
Deferred tax assets	6,574	-	6,574
Other assets	2,532	-	2,532
Intangibles	33,324	-	33,324
Trade and other payables	(13,837)	-	(13,837)
Interest bearing liabilities	(25,023)	-	(25,023)
Provisions	(16,487)	-	(16,487)
Net identifiable assets acquired	**36,340**	**-**	**36,340**

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.

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.

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.

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

10. CONTINGENCIES

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

11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the December 2007 half year end the directors have recommended the payment of an interim ordinary dividend of $12,444 (8.0 cents per fully paid share) to be paid on 8 April 2008 out of retained profits at 31 December 2008.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18:

   (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed this 28th day of February 2008 on behalf of the Board.

Peter Mattick
Director

Philip Salter
Director

Richard Lee
Chairman

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Independent auditor's review report to members of Salmat Limited

To the members of Salmat Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Salmat Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the half year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with 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 half year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Salmat and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Salmat Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Craig M. Jackson
Partner
28 February 2008