SALMAT LIMITED

HALF-YEAR FINANCIAL REPORT
For the six months ended 31 December 2008

Contents

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

HALF-YEAR REPORT
31 December 2008

Results for announcement to the market

	Percentage Change %		Amount
Revenues from ordinary activities	**22.4%**	**to**	**$454.6m**
Profit before amortisation, depreciation, borrowing costs, significant items and income tax (EBITDA)	**43.4%**	**to**	**$50.5m**
Net profit for the period before significant items after tax	**10.3%**	**to**	**$15.8m**
Net profit after tax	**87.7%**	**to**	**$19.9m**

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim Dividend	9.0c	9.0c
Record Date for determining entitlements to dividends		16 March 2009
Dividends payment date		8 April 2009

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.

salmat
the force in one to one communication

26 February 2009

Salmat delivers solid revenue and profit result

Salmat Limited (ASX:SLM), Australia's leading force in one to one communication, today announced sales revenue of $454.6 million for the half year ended 31 December 2008, up 22.4% on the prior corresponding period.

The main contributor to the increase in revenue was a 55.6% increase in BusinessForce revenue on the prior corresponding period, following the major acquisition of HPA in November 2007. Salmat's other divisions also posted sales revenue increases compared with the first half of last year: SalesForce revenue was up 8.7% to $145.7 million and MediaForce revenue grew by 3.0% to $118.3 million.

$ million	Half year to 31 Dec 2008	Half year to 31 Dec 2007	% change
Sales revenue	454.6	371.3	+ 22.4%
EBITDA (Earnings before interest, tax, depreciation and amortisation) before significant items	50.5	35.2	+ 43.4%
EBITA (Earnings before interest, tax and amortisation) before significant items	39.0	25.9	+ 50.9%
Net profit after tax (before significant items)	15.8	14.3	+ 10.3%
Significant items (after tax)	4.1	(3.7)	nmf
Net profit after tax	19.9	10.6	+ 87.7%
Earnings per share (cents)	12.5	8.2	+ 52.4%
Interim dividend per share (cents) – fully franked	9.0	8.0	+ 12.5%

EBITA grew by 50.9% to $39.0 million. Again, a key impact was the full six months' contribution from the HPA acquisition in this first half compared with only two months' additional EBITA in the first half of the previous year. SalesForce EBITA also grew compared with the prior corresponding period, thanks to stronger volumes and cost control. MediaForce EBITA was lower this period, mainly due to the impact of costs associated with Lasoo and the NZ Reach Media joint venture.

Significant items – the sale and leaseback of premises in Sydney and Brisbane generated $4.1 million after tax during the first half. In view of the leaseback arrangements, approximately $1.4 million further will be recognised in the second half of the year.

In the prior corresponding period, costs relating to the start-up of Lasoo and the HPA integration of $4.1 million and $2.5 million respectively were shown as significant items before tax. This year, costs before tax associated with Lasoo ($3.3 million) and the integration ($1.5 million) have been included in EBITA.

Net profit after tax was $19.9 million for the first half. Ongoing amortisation costs - mostly associated with the HPA acquisition - amounted to $5.8 million.

Earnings per share increased 52.4% to 12.5 cents per share. This increase was less than the percentage increase in net profit due to the increased total number of shares resulting from the $75 million share placement in the previous financial year.

Net debt was further reduced during the half year, from $219.4 million at 30 June 2008 to $191.2 million at 31 December 2008. This includes $1.4 million in lease liabilities. Proceeds from the sale of property, plant and equipment contributed $23.1 million to the reduction in net debt.

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.

Cash flow during the half was positively impacted by the sale of property, plant and equipment; the EBITDA improvement; and an improvement in working capital. Capital expenditure did not vary significantly from the previous half year, though approximately $1.4 million of capital expenditure was leased.

The directors are pleased to declare an **interim dividend** of 9.0 cents per share fully franked, a 12.5% increase on the previous year. The interim dividend has a record date of 16 March 2009 and is payable on 8 April 2009. The dividend reinvestment program remains suspended for the time being.

"This has been a solid first half performance in a weakening economic climate," said Joint Managing Directors Peter Mattick and Phil Salter.

"We've worked on improving both revenue and margins across the business and will continue to focus on productivity in the second half of the year.

"Salmat is fortunate to not have experienced a large net impact from the current global financial crisis. Pockets of lower volumes in some areas have been offset by higher demand from other clients, who recognise the value of outsourcing in times of increased financial pressure."

Operational review

BusinessForce

$ million	**Half year to 31 Dec 2008**	**Half year to 31 Dec 2007**	**% change**
Sales revenue	190.6	122.4	+ 55.6%
EBITA	20.6	11.2	+ 83.5%
EBITA margin	*10.8%*	*9.2%*	

BusinessForce results for the first half include a full six months of additional HPA revenue, compared with only two months of extra revenue as a result of the acquisition in the prior corresponding period.

The integration program continues to run on schedule and on target, with $5 million net EBITA improvement anticipated for the year.

During the half year, BusinessForce CEO Terry Daly announced his retirement from Salmat. Former BusinessForce NSW General Manager, Peter Hartley has been appointed as the new CEO.

SalesForce

$ million	Half year to 31 Dec 2008	Half year to 31 Dec 2007	% change
Sales revenue	145.7	134.0	+ 8.7%
EBITA	10.6	7.4	+ 44.6%
EBITA margin	*7.3%*	*5.5%*	

SalesForce delivered an improved revenue and EBITA result on the back of stronger Australian call centre performance, including peak utilisation on some contracts and a rationalisation in floor space. The smaller VeCommerce, @Home and Aframe businesses also posted increased revenue and EBITA.

EBITA growth outperformed revenue growth thanks to a recent focus on improving operating efficiencies and additional business within existing accounts.

MediaForce

$ million	Half year to 31 Dec 2008	Half year to 31 Dec 2007	% change
Sales revenue	118.3	114.9	+ 3.0%
EBITA	14.7	15.5	- 5.1%
EBITA margin	*12.4%*	*13.5%*	

The higher MediaForce revenue result was mainly due to an improvement in unaddressed mail volumes and pricing in Australia, in addition to better cost control as the restructuring program undertaken last year started to deliver efficiency benefits.

Key to the unaddressed mail volume improvement was our re-engagement with a major retail client. Salmat commenced this work across two states during the first half. This has since rolled out nationally during January 2009. Negotiation of the contract will take place in June 2009.

EBITA was impacted by Lasoo costs and Reach Media performance. Lasoo start up costs were classified as a significant item in the previous financial year but are now included in the regular result at the EBITA level. Lasoo costs for the first half were $3.3 million, mainly relating to marketing. As previously stated, the Reach Media joint venture will take some time to achieve its full potential.

EBITA was also impacted by a significant revenue increase in the lower-margin Dialect business, which had a dilutive effect on overall margins.

Outlook

“We do not expect a significant variation in second half versus first half performance this financial year,” said Joint Managing Directors Peter Mattick and Phil Salter.

“We therefore remain confident of achieving our previously-stated guidance of $75-80 million EBITA for the full year before significant items, subject to market conditions.

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 almost 30 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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The Directors present their report on the consolidated entity consisting of Salmat Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

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 $455.5m, an increase of $83.8m over the previous corresponding period. Profit before tax for the half year of $30.3m was $16.5m more than the previous corresponding period. The previous year included expenses of $3.7m after tax relating to significant items as set out in note 3.

EVENTS OCCURRING AFTER BALANCE DATE

Interim Dividend

On 26th February 2009, the Directors declared the following dividend:

	Cents	$m
Interim dividend per ordinary share	9.0	14.3

The dividend is franked to 100% at 30% corporate tax rate. A record date of 16 March 2009 has been set for the dividends, with the dividends due to be paid on 8 April 2009.

No other events have occurred after the balance date other than those reported in note 11 of this report.

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 26th day of February 2009 in accordance with a resolution of the Board of Directors.

Peter Mattick
Director

Philip Salter
Director

Richard Lee
Chairman

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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 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.

Ernst & Young

Rob Lewis

Rob Lewis
Partner
26 February 2009

SALMAT LIMITED
Income Statement
For the half year ended 31 December 2008

	Note	Consolidated Half Year Ended 31 Dec 2008 $000	Half Year Ended 31 Dec 2007 $000
Sales revenues		454,568	371,333
Revenues from other activities		964	448
Revenue from continuing operations		**455,532**	**371,781**
Employee benefits expenses		(214,018)	(184,096)
Depreciation and amortisation expense		(17,205)	(9,772)
Freight and distribution		(66,669)	(65,809)
Materials usage		(37,801)	(28,008)
Property related expenses		(20,302)	(14,423)
Equipment related expenses		(37,084)	(25,753)
Other expenses from ordinary activities		(28,096)	(24,989)
Finance costs		(9,846)	(6,381)
Profit on disposal of land and buildings	3	5,902	-
Profit on disposal of assets to associate		-	963
Share of net (loss)/profits of associates accounted for using the equity method		(149)	264
Profit before income tax		**30,264**	**13,777**
Income tax expense		(10,344)	(3,166)
Profit attributable to members of Salmat Limited		**19,920**	**10,611**
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share (cents per share)	5	**12.54**	**8.23 c**
Diluted earnings per share (cents per share)	5	12.51	7.95 c

SALMAT LIMITED
Balance Sheet
As at 31 December 2008

	Note	**As at 31 Dec 2008 $000**	Consolidated As at 30 Jun 2008 Restated $000	As at 31 Dec 2007 Restated $000
Current Assets				
Cash and cash equivalents		22,216	35,671	16,931
Trade and other receivables		128,700	131,315	140,672
Inventories		8,694	8,128	7,543
Income tax receivable		-	1,669	3,626
Other current assets		8,378	7,548	8,206
Total Current Assets		**167,988**	184,331	**176,978**
Non-Current Assets				
Receivables		3,849	3,617	-
Investments accounted for using the equity method		1,412	1,312	3,726
Retirement benefit asset		-	-	211
Property, plant and equipment		55,374	63,850	71,171
Deferred tax assets		25,101	20,201	21,826
Intangible assets	8	413,126	418,377	426,413
Other non-current assets		170	-	-
Total Non-Current Assets		**499,032**	507,357	**523,347**
Total Assets		**667,020**	691,688	**700,325**
Current Liabilities				
Trade and other payables		97,178	96,858	79,594
Borrowings		7,237	50,022	61,000
Derivative financial instrument		9,944	-	-
Current tax liabilities		8,684	667	-
Provisions		30,626	20,781	27,619
Total Current Liabilities		**153,669**	168,328	**168,213**
Non-Current Liabilities				
Payables		5,686	2,480	3,581
Borrowings		206,225	205,037	215,001
Deferred tax liabilities		12,237	14,425	16,129
Provisions		6,265	16,548	13,244
Retirement benefit obligations		2,048	130	-
Other non-current liabilities		1,056	1,056	-
Total Non-Current Liabilities		**233,517**	239,676	**247,955**
Total Liabilities		**387,186**	408,004	**416,168**
Net Assets		**279,834**	283,684	**284,157**
Equity				
Contributed equity	7	207,542	207,542	197,477
Reserves		(3,127)	2,173	2,290
Retained profits		75,419	73,969	84,390
Total Equity		**279,834**	283,684	**284,157**

SALMAT LIMITED
Statement of Recognised Income and Expense
As at 31 December 2008

		Consolidated	
	Retained Profits $000	Reserves $000	Total $000
Half year ended 31 December 2007			
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	(133)	10,478
Half year ended 31 December 2008			
Actuarial losses on defined benefit plans	(1,798)	-	(1,798)
Currency translation differences	-	690	690
Net loss on cash flow hedges	-	(9,208)	(9,208)
Deferred tax	-	2,762	2,762
Total income and expense recognised in equity	(1,798)	(5,756)	(7,554)
Profit attributable to members of parent entity	19,920	-	19,920
Total recognised income and expense for the period	18,122	(5,756)	12,366

SALMAT LIMITED
Cash Flow Statement
For the half-year ended 31 December 2008

	Consolidated	
	Half Year Ended 31 Dec 2008 $000	Half Year Ended 31 Dec 2007 $000
Cash Flows from Operating Activities		
Receipts from customers *	564,041	398,001
Payments to suppliers and employees *	(513,784)	(377,583)
Interest received	964	448
Interest paid	(10,624)	(3,151)
Income tax paid	(4,916)	(7,938)
Net cash provided by operating activities	**35,681**	**9,777**
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	23,107	303
Loans repaid by associated entity	200	-
Acquisition of subsidiary/business – Refer note 9	-	(213,900)
Investment in Associate	(300)	(493)
Payments for plant and equipment	(10,472)	(10,980)
Net cash provided by / (used in) investing activities	**12,535**	**(225,070)**
Cash Flows from Financing Activities		
Proceeds from issue of shares and other securities	-	76,860
Proceeds from borrowings	65,000	162,329
Repayment of borrowings	(110,000)	-
Dividends paid to company's shareholders	(16,672)	(11,884)
Net cash (used in) / provided by financing activities	**(61,672)**	**227,305**
Net (decrease) / increase in cash held	**(13,456)**	**12,012**
Cash and cash equivalents at the beginning of the financial year	35,671	4,919
Cash and cash equivalents at the end of the financial year	**22,215**	**16,931**

* 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 2008 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001 and other mandatory professional reporting 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 2008 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.

2. SEGMENT INFORMATION

(a) 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 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 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.

2. SEGMENT INFORMATION (Continued)

(b) Financial Performance by Business Segment

Six months to 31 Dec 2008	Business Force $000	Media Force $000	Sales Force $000	Corporate $000	Economic Entity Total $000
Segment Revenue					
Sales to external customers	190,558	118,316	145,694	-	454,568
Total sales revenue	190,558	118,316	145,694	-	454,568
Other revenue	197	-	39	728	964
Total segment revenue	**190,755**	**118,316**	**145,733**	**728**	**455,532**
EBITA before significant items and equity accounted profits	**20,580**	**14,866**	**10,644**	**(6,896)**	**39,194**
Amortisation expense	(5,128)	-	(123)	(550)	(5,801)
Net interest expense	(4,993)	-	(3,889)	-	(8,882)
Share of equity profits	-	(149)	-	-	(149)
Profit before tax excluding significant items	10,459	14,717	6,632	(7,446)	24,362
Income tax expense excluding significant items					(8,574)
Profit after tax excluding significant items					**15,788**
Significant items net of tax	-	-	-	4,132	4,132
Net Profit after tax					**19,920**

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	(17)	-	(452)	-	(469)
Net interest expense	(2,143)	-	(3,790)	-	(5,933)
Share of equity profits	-	264	-	-	264
Profit before tax excluding significant items	9,054	15,516	3,119	(8,215)	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**

	Consolidated	
	Half Year Ended 31 Dec 2008 $'000	**Half Year Ended 31 Dec 2007 $'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

• Sale of land and buildings[1]	5,902	-
• Development of new business concept[2]	-	(4,124)
• Integration, restructure and redundancy costs [3]	-	(2,535)
• Profit on disposal of assets to associated company[4]	-	963
Significant items before tax	5,902	(5,696)
Income tax (expense) / benefit	(1,770)	1,997
Significant items after tax	4,132	(3,699)

[1] In the six months ended 31 December 2008 the group sold its land and buildings in Sydney and Brisbane.

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

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

[4] 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. DIVIDENDS

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

Final fully franked ordinary dividend of 10.5 cents (2007: 10.0cents) per share	16,672	11,884
Dividends paid as per Statement of Cash Flows	**16,672**	**11,884**

(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 9.0 cents per share (2007: 8.0 cents per share).

A record date of 16 March 2009 has been set. The aggregate amount of the proposed interim dividend which is expected to be paid on 8 April 2009 is: [1]	**14,291**	**12,444**

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

5. EARNINGS PER SHARE

	Six Months to 31 Dec 2008 $000	Six Months to 31 Dec 2007 $000
(a) Reconciliation of Earnings to Net Profit		
Net profit after tax attributable to members of Salmat Limited	19,920	10,611
Earnings used in the calculation of diluted EPS	**19,920**	**10,611**

	Quantity '000	Quantity '000
(b) Weighted average number of ordinary shares used in the calculation of basic EPS		
Weighted average number of shares on issue used to calculate basic EPS	158,792	128,936
Effect of dilutive securities - weighted average number of options outstanding	380	4,489
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	**159,172**	**133,425**

6. NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share	**(0.84)c**	**(0.87)c**

7. EQUITY SECURITIES ISSUED

Issue of ordinary shares during the half-year

	Quantity '000		$000	
	31 Dec 2008	31 Dec 2007	**31 Dec 2008**	31 Dec 2007
Opening balance	158,792	117,742	207,542	34,019
Exercise of options issued under the Salmat Executive Performance Option Plan	-	1,102	-	2,555
Shares issued on acquisition of HPAL Limited	-	18,704	-	86,598
Institutional placement	-	17,857	-	75,000
Share purchase plan	-	118	-	499
Transaction costs	-	-	-	(1,194)
Closing Balance	**158,792**	**155,523**	**207,542**	**197,477**

8. INTANGIBLES

	Consolidated			
	Goodwill $000	**Other Intangible Assets** $000	**Customer Intangible** $000	**Total** $000
Balance at 1 July 2007	106,737	29	1,681	108,447
Acquisition of a subsidiary/business	260,162	7,673	50,600	318,435
Amortisation charge	-	(17)	(452)	(469)
Balance at 31 December 2007 (Restated)	366,899	7,685	51,829	426,413
Balance at 1 July 2008 (Restated)	366,354	6,367	45,656	418,377
Additions	-	550	-	550
Amortisation charge	-	(1,504)	(4,297)	(5,801)
Balance at 31 December 2008	366,354	5,413	41,359	**413,126**

On 2 November 2008, the fair value of the net identifiable assets acquired in respect of HPAL acquisition were finalised. The movement in intangibles during the six months ended 31 December 2007 and the balances as at 1 July 2008 have been restated to reflect adjustments made to net assets acquired on acquisition of HPAL.

9. BUSINESS COMBINATIONS AND RESTATEMENT OF THE BALANCE SHEET

During the half-year no new businesses were acquired by the group.

HPAL 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. Details of consideration paid and fair value of the net identifiable assets acquired are contained in the June 2008 financial report.

On 2 November 2008, the fair value of the net identifiable assets acquired were finalised. The amounts included in the table below for HPAL represent the final adjustments to the net identifiable assets on receipt upon final determination of HPAL assets and liabilities.

Adjustments to HPAL fair value since 30 June 2008	**$'000**
Adjustment to fair value of net identifiable assets acquired (refer below)	(1,809)
Increase to goodwill arising on acquisition	1,809
Changes to fair value of net identifiable assets acquired	
Trade and other receivables	(283)
Plant and equipment	(299)
Deferred tax assets	2,023
Provisions	(3,250)
Adjustment to net identifiable assets acquired	**(1,809)**

The June 2008 balance sheet has been adjusted to reflect the fair value of net assets acquired per above table but not recognised at time of preparing June 2008 financial statements. (See table below for reconciliation of these adjustments).

The December 2007 balance sheet has been adjusted to reflect the fair value of net assets acquired per above table but not recognised at time of preparing the December 2007 financial statements. In addition to those items disclosed above, the December 2007 balance sheet has been adjusted for the fair value adjustments to net identifiable assets acquired on acquisition of HPAL which were included in the June 2008 balance sheet but not adjusted for in the December 2007 financial statements. Details of these adjustments are as follows:

Adjustment to opening identifiable assets acquired in the 30 June 2008 accounts

Deferred tax assets	2,626
Intangible assets	16,047
Deferred tax liabilities	(15,180)
Provisions	(3,493)
Total	nil

Restatement of balance sheet due to changes in valuation of net identifiable assets acquired

	30 Jun 2008 $'000	31 Dec 2007 $'000
Net assets as previously reported	283,684	284,157
Adjustments to opening balances:		
Trade and other receivables	-	(283)
Plant and equipment	-	(299)
Deferred tax assets	2,626	2,023
Intangible assets	16,047	1,809
Deferred tax liabilities	(15,180)	-
Provisions	(3,493)	(3,250)
Net assets as per restated balance sheet	283,684	284,157

The breakdown of the adjustment to intangible assets has been included in note 8 of these accounts. There has been no adjustment to the profit and loss or equity accounts as a result of these restatements.

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

Payroll Tax

Since the end of the half the Salmat Group has received an assessment notice from the Qld Office of State Revenue for $6.0m in respect of payroll tax owed, inclusive of interest and penalties. The assessment covers a 4 year period and is in respect of some of our walkers who are engaged as contractors rather than employees. The Salmat Group does not believe that this is a liability and intends to object to this assessment and to vigorously defend this matter.

Interim Dividend

Since the December 2008 half year end the directors have recommended the payment of an interim ordinary dividend of $14.3m (9.0 cents per fully paid share) to be paid on 8 April 2009 out of retained profits at 31 December 2008.

12. FINANCIAL RISK MANAGEMENT

(a) Cash flow and fair value interest rate risk

Maturities of borrowings and related cash flow hedges

The tables below analyses the Salmat Group's borrowings. The amounts disclosed in the table are the contractual undiscounted principal and interest cash flows in respect of borrowings.

Group - At 31 December 2008	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	$'000	$'000	$'000	$'000	$'000
Borrowings					
Variable rate	11,241	4,240	211,713	-	227,194
Fixed rate	134	102	217	1,008	1,461
Total borrowings	11,375	4,342	211,930	1,008	228,655

Group - At 30 June 2008	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings					
Variable rate borrowings	59,969	9,947	19,895	220,787	310,598
Fixed rate	-	-	-	-	-
Total borrowings	59,969	9,947	19,895	220,787	310,598

For the half year ended 31 December 2008 the Group has applied hedge accounting. The group as at 31 December 2008, has $200m of its borrowings hedged for 6 months, $100m hedged for between one and two years and $50m hedged for 18 to 22 months.

(b) Liquidity risk

The Salmat group had access to the following undrawn borrowing facilities at the reporting date:

	31 Dec 2008 $000	30 June 2008 $000
Total facilities		
Bank overdrafts	17,981	15,747
Loan facility	250,000	275,000
Guarantee facility	40,000	40,000
	307,981	330,747
Used at balance date		
Bank overdrafts	7,001	5,023
Loan facility	205,000	250,000
Guarantee facility	37,514	25,694
	249,515	280,717
Unused at balance date		
Bank overdrafts	10,980	10,724
Loan facility	45,000	25,000
Guarantee facility	2,486	14,306
	58,466	50,030

On 18 August 2008, Salmat refinanced the outstanding balance on its $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 2 years maturing 18 August 2010.

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the June 2008 financial report.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 20:

   (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 2008 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 26th day of February 2009 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 2008, 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 2008 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

Rob Lewis
Partner
26 February 2008