

CONSOLIDATE IMPROVE PROSPER

SALMAT LIMITED
ANNUAL REPORT
2015

 salmat



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RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

Salmat Limited is committed to achieving and demonstrating high standards of corporate governance. Salmat's framework is structured to facilitate compliance to the extent possible with the best practice principles and recommendations released by the ASX Corporate Governance Council released on 27 March 2014.

The Board of Directors is accountable to shareholders for the performance of Salmat Limited and its subsidiaries (the Salmat Group).

The Board has delegated responsibility for the management of the Group through the Chief Executive Officer to executive management. There is a clear division of responsibilities between those of the Board and of management. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The Board has also delegated some of its responsibilities to Committees of the Board. These delegations are outlined in the Board-approved Committee charters.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The composition of the Board is subject to shareholder approval. As the Chairman is not independent due to his shareholding in the Company, the Board has resolved to appoint one of its members – John Thorn – as Lead Independent Director.

The Board will be independent of management and all Directors are required to bring independent judgement to bear in their Board decision-making.

Peter Mattick and Philip Salter are both former joint Managing Directors and founders of Salmat. Following their retirement as joint Managing Directors in October 2009, both Peter Mattick and Philip Salter took up Non-executive Directorships on the Board. On 1st July 2013, Peter Mattick became Chairman of the Company.

The Board currently consists of six members, of which four, being a majority, are independent Non-executive Directors.

During the year, the Board undertook its annual Board performance review. This review considered the contribution made by individual Directors and the Board as a whole to the performance of the Company and sought to identify areas for improvement. The Board considers that an appropriate mix of skills required is in evidence to maximise its effectiveness and contribution to the Company.

The Chairman is responsible for leading the Board; ensuring that Board activities are organised and efficiently conducted; and for ensuring Directors are properly briefed for meetings.

The matters specifically identified and reserved for decision-making by the Board include:

- adoption of the strategic plan of the Group;
- appointment of the Chief Executive Officer and succession planning;
- approval of accounts, operating results, business plans and budgets;
- approval of financial policies and significant capital expenditure;
- monitoring business risk and strategies employed by management;
- monitoring financial performance including approval of the annual and half-year financial reports;
- ensuring there are effective management processes in place and approval of major corporate initiatives;
- ensuring there is an effective 'whistleblower' policy in operation, referred to as 'Doing the Right Thing'; and
- reporting to shareholders.

The Board has reviewed these responsibilities in conjunction with the latest Board performance review and considers it has discharged these responsibilities. The annual review, led either by an independent adviser or the Chairman, also considers in conjunction with each Director their responsibility to ensure they have sufficient time available to discharge their duties adequately.

The Company has a selection, education and induction process in place for new Directors. This process is tailored for new Directors dependent on their individual skills, background and experience. This program includes site visits, discussions with senior managers, review of strategic documents and presentations by business units. Ongoing participation in activities by individual Directors is tailored to the business needs and current activities of the Company, industry trends, requirements and opportunities as well as the current environment on a regular basis. To ensure the knowledge and education of the individual Board members remains up to date, a number of activities are organised. Board meetings are held at various Salmat sites.

The Board receives presentations focussed upon strategic and operational aspects of the Company to ensure they have an up to date knowledge of products, services and opportunities. During the year there has been a particular focus on the business transformation strategy.

Details on the members of the Board, their experience, expertise, qualifications, term of office and independence status are set out in the Directors' report on pages 10 and 11.

BOARD SKILLS AND EXPERIENCE

The Board has a diversity of skills and experience that is aligned with the strategy of the Company, providing effective corporate governance and oversight. The skills matrix below shows the expertise, experience, diversity and spread of tenure of the current Board.

Skills and Qualifications	Gender	Roles	Geographic Experience	Industries and Markets	Spread of Tenure
Mergers and Acquisitions	Female: 17% (1)	General Management	Australia	Telecommunications	< 2 years : (1)
Enterprise Technology	Male: 83%(5)	CEO	New Zealand	Banking	> 2 to < 6 years : (1)
Accounting		Head of Region	Asia	Retail and logistics	> 10 years: (4)
Marketing		Head of Information Technology		Manufacturing	
Strategy				Media	
Digital start-ups				Insurance	
Business Advisory				Aviation and Transport	
Risk Management				Advertising Agency	
				Professional Services and Consulting	
				Customer Communications	
				Outsourcing	

BOARD AND COMMITTEE MEMBERSHIP OF DIRECTORS

Board member		Appointed Director	Committee member		
			Audit, Risk and Compliance Committee	Remuneration and Compensation Committee	Technology and Innovation Committee
Peter Mattick	Chairman, Non-executive Director	14/3/1984			•
John Thorn	Lead Independent Non-executive Director	1/9/2003	•	•	
Ian Elliot	Independent Non-executive Director	1/1/2005	•	•	
Philip Salter	Non-executive Director	14/3/1984			•
Fiona Balfour	Independent Non-executive Director	1/1/2010	•	•	•
Mark Webster	Independent Non-executive Director	13/12/2013			•

At the 2015 Annual General Meeting, Peter Mattick and Philip Salter will retire by rotation, and being eligible, will offer themselves for re-election.

The Company's policies regarding the terms and conditions of remuneration of Board members are determined by the Board after considering independent professional advice. No retirement benefits are paid to Non-executive Directors, nor are they eligible to participate in any Company incentive schemes.

The remuneration and terms and conditions of employment for the Chief Executive Officer and other senior management are reviewed by the Remuneration and Compensation Committee after seeking an independent professional review of these conditions and approved by the Board of Directors. Details of remuneration and the processes undertaken by the Company are included in the remuneration report commencing on page 12.

The executive management prepares strategic plans for each operating activity and the Group. These plans are presented to the Board which then reviews and endorses strategies that are designed to ensure the continued profitable performance and growth of the Group. This process encompasses two formal reviews by the Board of the strategic plan and progress against the plan each year. In addition, an overview of progress against specific strategic objectives and initiatives is reviewed at each Board meeting. Annual operating plans and the budget are based on these approved strategies.

INDEPENDENCE OF BOARD MEMBERS

Our definition of an Independent Director is one who is independent of management and free from any business or other relationship that could materially interfere with the exercise of independent judgement. It is the Board's view that each of its Non-executive Directors, except for Peter Mattick and Philip Salter, is independent and a resolution to this effect is made at the time of approving the annual accounts.

Materiality for these purposes is determined on both quantitative and qualitative bases.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Guidelines are in place which provide for each Director to have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman. Details of the policy are available on the Company's website: www.salmat.com.au.

CODE OF ETHICS

Salmat's approach to business continues to be founded on a culture of ethical behaviour. We stress honesty and integrity in everything we do, which flows through to our employees, our customers, our shareholders, the community and to other stakeholders.

The Board has adopted a code of ethics, which imposes on all Directors, employees and consultants the following duties:

- To act honestly, fairly and without prejudice with clients in all commercial dealings and to conduct business with professional courtesy and integrity.

- To act in the interests of the Company, its shareholders and the financial community generally. The Company is committed to safeguarding the integrity of financial reporting and as such will prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards.
- To promote a safe, healthy and efficient work environment.
- To comply with all laws, regulations and any applicable awards in all jurisdictions in which the Company operates or sources goods or services.
- Not to knowingly make any misleading statements to any person or to be a party to any improper practice in relation to dealings with or by the Company.
- To ensure that the Company's resources and property are used properly.
- Not to disclose information or documents relating to the Company or its business, other than as required by law, not to make any improper public comment on the Company's affairs and not to misuse any information about the Company or its associates.
- Not to solicit, accept or offer money, gifts, favours, inducements, commissions, facilitation payments or business courtesies that may influence or appear to influence the ability to make an unbiased and objective decision.
- To ensure there is a clear communication process for material items of concern between employees and the Board.

To ensure the code of ethics is embedded in the culture, Salmat has implemented the following mechanisms:

- Salmat's internal communication processes provide direct access to the CEO for staff at all levels.
- Salmat has a privacy email address accessed via its website where contact can be made directly with Salmat's Privacy Officer on a confidential basis.
- Salmat's *Doing the Right Thing* policy and Whistleblower Hotline provides an external independent and confidential channel for whistleblowers to report improper conduct. Any notifications received under this policy, along with details of the investigation undertaken and subsequent action taken, are reported to the Audit, Risk and Compliance Committee.

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the Audit, Risk and Compliance Committee; the Remuneration and Compensation Committee; and the Technology and Innovation Committee. Membership of each of these Committees was reviewed and confirmed during the year.

Due to the small number of Directors on the Board, it is considered that a separate Nomination Committee is not required. The functions of a Nomination Committee are carried out by the full Board.

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee (ARCC) is a Committee of the Board. The ARCC charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au. The Board reviewed the charter during the year. The ARCC consists of three of the independent Non-executive Directors of Salmat Limited.

The ARCC met four times during the 2014/15 year.

The ARCC Chairman is Mr John Thorn. Mr Thorn's experience in the accounting profession along with his other professional commitments complements the financial and commercial experience of the other independent Non-executive Board members. This blend of experience and technical expertise enables this Committee to critically review the financial management and risk profile of Salmat and further develop and improve corporate governance within the Company.

The ARCC's role includes:

- Assisting the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to:
 - the Company's financial management and statutory compliance, including liaison with the Salmat Group's external auditor;
 - assessing whether external reporting is consistent with ARCC members' information and knowledge and is adequate for shareholder needs;
 - assessing the management processes supporting external reporting;
 - recommending to the Board the appointment, reappointment or replacement of the external auditor and approving appropriate fees;
 - evaluating the performance of the external auditor, including its independence, effectiveness and objectivity; and
 - reviewing and assessing non-audit service provision by the external auditor and giving particular consideration to the potential for the provision of these services to impair the external auditor's judgement or independence in respect of the Salmat Group.
- Providing a structured forum for communication between the Board of Directors and senior management.
- Providing a structured and unencumbered reporting line for the Group risk and assurance function.

The ARCC's key responsibilities cover asset management, financial information integrity and risk management as follows:

- The controls system established by management effectively safeguards Salmat's business assets.
- Financial records are maintained in accordance with statutory requirements.
- Reliable financial information is provided to shareholders and other stakeholders.
- Adequate risk management practices exist to manage key Salmat business and operational risks.
- Processes that exist to continuously assess and improve internal risk management are evaluated.
- Addressing with management the adequacy of Salmat's group risk control structure including internal compliance and control systems.
- Approving Salmat's risk management plan annually.

The ARCC affirms it has complied with the requirements of its charter.

The ARCC receives formal bi-annual completion certification from management confirming the accuracy and completeness of the financial results of the Company. The certification provides assurance to the Board on the financial report and condition of the Company as well as the operation of risk management in managing material business risks, compliance and the control elements which support the financial statements. The certification is attested to the Board by the Chief Executive Officer and Chief Financial Officer.

The ARCC meets with the Salmat Group's external auditor without the presence of management on a regular basis to receive an independent view on the financial reports and other relevant matters.

The ARCC customarily invites the Chief Executive Officer and Chief Financial Officer to attend the majority of its meetings.

The ARCC uses a combination of internal resources and specialist external resources to undertake the risk assurance function.

REMUNERATION AND COMPENSATION COMMITTEE

The Remuneration and Compensation Committee is a Committee of the Board. The Committee charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au. The charter was reviewed by the Board during the year.

Its membership consists of three of the independent Non-executive Directors of Salmat Limited.

The Chairman of the Committee is Mr Ian Elliot, who has undertaken those duties since his appointment on 1 January 2005.

The Committee met three times during the 2014/15 year. The responsibility of the Committee is to:

- review overall remuneration policies and ensure they are in accord with current best practice;
- determine the remuneration arrangements for the Chief Executive Officer and approve the Chief Executive Officer's recommendations for the other senior executives nominated by the Chief Executive Officer;
- set the performance targets for the Chief Executive Officer and review performance against these targets. Review and approve the recommended performance targets for other senior executives;
- determine the long term incentive strategy for the Chief Executive Officer and approve recommendations for other senior staff;
- review succession planning of the Chief Executive Officer and plans for senior executives;
- oversee the Company's compliance with the workplace health and safety legislation in the relevant jurisdictions in which it operates; and
- review and oversee compliance with ASX Corporate Governance Principles and Recommendations on diversity and other relevant regulations.

The Committee affirms it has complied with the requirements of its charter.

The Committee has retained independent advisers who provide information on current best practice (including remuneration levels) for executive and non-executive remuneration. The Committee reviews remuneration levels in the light of this advice and the individual's performance. The Chief Executive Officer attends Committee meetings to review remuneration levels for other staff.

The Committee has reviewed its remuneration policies including short and long term incentive schemes in view of the shareholder vote at the 2014 Annual General Meeting. This is detailed in the Remuneration Report.

TECHNOLOGY AND INNOVATION COMMITTEE

The Technology and Innovation Committee is a Committee of the Board. The Committee charter adopted by the Board is displayed on the Salmat Limited website: www.salmat.com.au.

Its membership consists of three of the Non-executive Directors of Salmat Limited as well as the Chief Executive Officer and Chief Information Officer.

The Chairman of the Committee is Mrs Fiona Balfour. Fiona's extensive experience in senior information technology roles in major Australian companies, combined with her operational and financial skills, complements the industry expertise of the other Committee members.

The Committee met six times during the 2014/15 year.

The responsibility of the Committee is to optimise the impact of technology and associated services on the Salmat operational businesses, specifically to:

- review and approve management's Information, Communication and Technology (ICT) strategy and architecture;
- oversee all IT projects over \$1 million, including a review of all post-implementation performance reviews;
- oversee acquisitions in developing operations and businesses;
- review ICT businesses, products, partnerships and relationships for opportunities from a customer communications perspective;
- review ICT operational performance;
- oversee Salmat's ICT services partnerships;
- maintain a watching brief on ICT and industry-specific developments and opportunities;
- oversee the ICT risk profile for Salmat, including disaster recovery and business continuity planning;
- oversee the Company's innovation framework to ensure regular flow of innovation concepts and ideas; and
- review, incubate and endorse the development of innovative concepts into opportunities for investment.

The Committee affirms it has processes in place to comply with the requirements of its charter.

The Committee will invite external advisors and/or other Salmat executives to attend meetings at the Committee's discretion, where their knowledge or expertise can make a material contribution.

RISK MANAGEMENT

Salmat is committed to embedding risk management practices in a manner that supports achieving its strategic objectives and to comply with ASX corporate governance requirements.

Policies

Salmat faces a variety of material risks including (but not limited to) strategic, operational, information technology (IT), financial and regulatory risks. Salmat's Risk Management Policy sets out the organisation's risk management practices, oversight and management responsibilities.

Responsibility

The Board is responsible for monitoring Salmat's business risks, determining the Company's risk appetite and overseeing Salmat's risk management strategies.

The Audit Risk and Compliance Committee (ARCC), a Board Committee, is responsible for reviewing risk, assessing the adequacy of internal controls and mechanisms, and to address compliance with relevant legislation and guidelines.

All Salmat staff are responsible for managing risk in their business areas. Management is ultimately responsible to the Board for monitoring and reviewing business risks, ensuring risk assessment is appropriate; implementing appropriate internal controls within individual business units; adopting effective risk treatment plans and timely completion of any risk treatment plans.

Salmat has established a management led Risk Management Committee (RMC), chaired on a rotational basis by business unit CEOs. The RMC directs the implementation and operation of an appropriate risk management framework and culture.

The RMC ensures that Salmat's risk profile is within the Group's risk appetite and tolerance levels, and review changes to the business environment to ensure Salmat's risk strategies are relevant.

Salmat's Group Risk and Assurance (GRA) department, an integral component of the overall risk management framework, provides risk consulting and risk assurance services. GRA is independent of business units and reports directly to the ARCC.

Framework

Salmat's risk management framework is based on ISO 31000:2009 Risk Management. Risk profiles are developed at Group, divisional and functional levels and are reviewed and updated regularly. Risk assessment is performed by management and reviewed by the Board. Controls are assessed and cost-effective risk treatment strategies are adopted.

Other risk management and risk assurance mechanisms in place include:

- Policies and procedures for managing financial risk and treasury operations including exposures to foreign currencies and interest rate movements.
- Guidelines and limits for the approval of capital expenditure and investments.
- A Group regulatory compliance program supported by approved guidelines and standards covering crisis management, the environment, workplace health and safety, privacy, trade practices, equal employment opportunity, anti-discrimination and sexual harassment.
- Annual internal audit of all sites for workplace health, safety and environmental regulatory compliance.
- Internal quality audits are performed in all jurisdictions and Salmat is ISO 9001:2008 (Quality Management Systems) certified for the majority of key operations in Australia.
- A comprehensive insurance program including annual selective risk management surveys conducted by our property insurance underwriters.
- Annual budgeting and monthly reporting systems for all business units to monitor key performance indicators.

The risk management framework is independently reviewed by the Risk and Assurance function on behalf of the Audit, Risk and Compliance Committee and assessed for effectiveness, to drive continuous improvement and enhance instinctive incorporation of risk management into day-to-day activities.

Assurance

GRA uses a risk-based approach to develop an annual program of reviews designed to cover material risks faced by the company. The ARCC reviews and approves the annual review program. GRA reports the results of its reviews to the ARCC. In addition, GRA reports annually on the effectiveness of the risk management and control systems to the ARCC.

Chief Executive Officer and Chief Financial Officer declaration

As required by section 295A of the *Corporations Act 2001*, the CEO and CFO have provided an annual statement to the Board confirming that the Company's financial statements give a true and fair view of Salmat's financial position and performance and in accordance with relevant accounting standards. In addition, in accordance with ASX Corporate Governance Recommendation 7.3, the CEO and CFO reported to the Board on the effectiveness of the risk management and control system over material business risks.

To support the CEO and CFO in making the declaration under section 295A of the *Corporations Act 2001* to the Board, senior management completes a bi-annual completion certificate covering material risks and related controls.

DIVERSITY

Salmat continues a long history of encouraging and supporting a diverse work environment. Our diversity policy covers gender, age, ethnicity, sexual preference, disability and cultural background.

The Board's support of gender diversity is reflected in the work of Salmat's Diversity and Inclusion Council, which continues to develop programs under the four key banners of Ethnicity, Gender, Age and Disability.

Salmat continue to partner with LBF Consulting who support our Indigenous focus and specialise in Indigenous business and community capacity building, employment and training. LBF support Salmat through education and initiatives particularly increasing awareness and sourcing Indigenous employees across Australia. Salmat continue to work with local Indigenous community groups across our network to build local support of Indigenous initiatives at local sites.

People with a range of disabilities are employed in Salmat through our partnership with Disability Employment Services (a Federal Government initiative) and Vision Australia.

The initiatives to encourage and support diversity are not restricted to Australia.

GENDER

Salmat's report for 2014/15 under the requirements of the Workplace Gender Equality Agency for Salmat Ltd and all subsidiary Companies saw all Companies advised as compliant with the *Workplace Gender Equality Act 2012 (Act)*.

Salmat has made a significant change to the Senior Executive Level since our last report. Reporting directly to the CEO, are five females and two males. In total, in organisational level 4, there are five females and five males.

Salmat will continue to encourage and support women into senior positions through our ASPIRE program which identifies and supports women to excel in their current position and/or ready them for their next career step through bespoke training and our partnerships with NIDA and Women in Leadership Australia as an Employer of Choice. Women & Leadership Australia is a national initiative dedicated to supporting a higher representation of female leadership throughout the Australian workforce and the broader community. Focused on developing leadership capability, enabling career progression and assisting women to more effectively manage the opposing challenges of career and life, WLA has become a highly regarded provider of leadership education to Australian women.

Diversity is an agenda item on every Remuneration and Compensation Committee meeting and meetings of the Company's senior leadership team.

The Board has set four measures for reporting on gender diversity under Recommendation 1.5 of Principle 3 of the ASX Corporate Governance Principles:

- Representation of women on short lists for all open roles.
- Representation of women on all interview panels.
- Gender percentage on the Board.
- Gender percentage at all levels of the Company using a five-level scale.

The results for the year were:

- Females were represented on 85% of shortlists. Males were represented on 95% of shortlists.
- Females were represented on 92% of interview panels. Males were represented on 96% of interview panels.
- The Board is made up of one woman and five men.
- Gender percentage over five organisational levels is tabled below:

Organisational Level	Male %	Female %
5 (CEO)	100%	0%
4	50%	50%
3	78%	22%
2	37%	63%
1	49%	51%
Total Staff	53%	47%

Note:

- 1) The Company has undergone a restructure which has reduced the number of organisational levels for the seven reported on last year to five.
- 2) There are a number of level 4 roles that do not report directly to the CEO.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

Salmat is committed to complying with the continuous disclosure obligations of the *Corporations Act 2001* and the ASX Listing Rules. Salmat understands and respects the fact that timely disclosure of relevant information is central to the efficient operation of the securities market. The Company has a continuous disclosure policy, which also covers the conduct of investor and analyst briefings and communication with the media. The policy can be found on the Salmat Limited website: www.salmat.com.au.

Materiality and disclosure

The Company has a published disclosure policy for timely and accurate release of material events. The policy focuses on continuous disclosure of information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. As a general guideline, the Board considers that any financial impact which affects Group revenue or profit by more than 10% will be considered material.

All price-sensitive announcements made via the Australian Securities Exchange (ASX) are then immediately posted on the Company's website: www.salmat.com.au. Similarly, prior to any analyst briefing on aspects of the Group's operations, the material used in the presentation is released to the ASX and subsequently posted on the Company's website.

Restrictions on securities dealings

All employees, including our Directors and other officers, are subject to the restrictions under the *Corporations Act 2001* in relation to Salmat shares.

Salmat has a published policy on securities trading, which has been notified to the ASX and is posted on the Salmat website. The policy prohibits Directors and key employees from dealing in Salmat securities for the period 15 days before the end of a reporting period to one day after those results are released to the market, being the embargo period. During non-embargo periods, via an internal notification process, all Directors and key employees are required to advise the Company Secretary of any trade in Salmat securities, in which they have a beneficial interest.

Shareholder communication

Salmat places considerable importance on effective communication with shareholders.

The Company Secretary is nominated as the person responsible for communication with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules. All shareholders can receive a copy of the Company's Annual Report. In addition, the Company has made available electronic communication of all price-sensitive announcements for the convenience of all shareholders. All price-sensitive Company announcements and financial reports since our public listing in December 2002 are available on the Company's website: www.salmat.com.au.

The Company's website includes key information on the following:

- **Directors and Management** — providing personal profiles about the current Board of Directors (Governance section) and the members of the senior management team (About Us section).
- **Announcements** — contains all price-sensitive announcements and external presentations that the Company has made since the initial public offering in December 2002 (Investors section).
- **Half-yearly/Annual Reports** — contains a statement of the results as well as a copy of the audited accounts (Investors section).
- **Key Dates** — contains key dates pertaining to the release of the Company's annual results and other key events such as annual general meetings and dividend payments (Investors section).
- **Share Registry** — contains our share registry contact details as well as pertinent information relating to shareholder communications regarding receipt of annual and half-yearly reports and a link to our share registry's website (Investors section).
- **Corporate Governance** — key Salmat policies and information about how Salmat is managed (Governance section).

EXTERNAL AUDITOR'S APPOINTMENT

The Company's independent external auditor for the year ended 30 June 2015 is PricewaterhouseCoopers. As a part of their review of the half-year and audit of the full-year results, PricewaterhouseCoopers confirmed to the Board it has maintained its independence. The auditor will attend the Company's Annual General Meeting and will be available to answer any shareholder questions.

It is the intention of the Board that the external audit signing partner will rotate from the Company's audit at least every five years.

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Salmat Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

DIRECTORS

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

- Peter Mattick (Chairman)
- Fiona Balfour
- Ian Elliot
- John Thorn
- Philip Salter
- Mark Webster

OPERATING AND FINANCIAL REVIEW

The Board presents the 2015 Operating and Financial Review, which has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during 2015 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group. The review complements the financial report and has been prepared in accordance with the recently released guidance set out in RG247.

1. Salmat's operations

Principal activities

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Key to this strategy is our deep understanding of the future needs and behaviours of consumers and our unique ability to seamlessly integrate existing and evolving technologies. This enables our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

Salmat deploys these key competences across two business pillars, which are both market leaders:

- a) The **Consumer Marketing Solutions (CMS)** division consists of the Salmat Digital and Universal Catalogue businesses. CMS delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Australia's premier online pre-shopping site, Lasoo.com.
- b) **Customer Engagement Solutions (CES)** helps Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, as well as offshore managed operations. Salmat CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile and SMS. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition and voice biometrics. Salmat's MicroSourcing business provides managed services for a range of outsourced business operations, based in the Philippines.

Key developments

Fiscal year 2015 was a year of change, as the business commenced a major transformation to restructure revenue and earnings growth for sustainable profitability and shareholder returns.

Key developments included:

- Finalising the major growth strategy initiatives, including final separation from the divested BPO business and establishing the new Reach contact centre platform.
- Commencing the Business Transformation initiative in January 2015, to simplify every aspect of the business and focus on key strengths, to drive profitable growth. This includes an operational structure and process review and a full product and services portfolio review.
- Finalising the senior leadership team, including the appointment of a new Chief Operating Officer, Chief Sales Officer and Chief Marketing Officer.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Salmat Limited that occurred during the year under review, that were not otherwise disclosed in this report or the financial statements.

OPERATING AND FINANCIAL REVIEW : CONTINUED

2015 Operating Result Summary

\$ million	2015	2014	% change (pcp)
Reported revenue	498.1	452.8	+ 10.0%
Underlying EBITDA	13.3	18.2	- 26.9%
Depreciation	(11.1)	(9.6)	+15.6%
Underlying EBITA	2.2	8.6	-74.4%
Amortisation	(3.6)	(2.0)	+ 80.0%
Underlying EBIT	(1.4)	6.6	*
Net interest	(1.7)	0.4	*
Tax (expense)/benefit	(3.6)	3.2	*
Underlying NPAT¹ for the Group	(6.7)	10.2	*
Significant items	(91.3)	(9.4)	*
NPAT from continuing operations	(98.0)	0.8	*

1 Adjusted for significant items, refer to note 2 in the notes to the financial statements for the significant items included in the Underlying Net Profit for the period. This is non-recurring expenditure such as restructuring costs, acquisition expenses, costs incurred in separating the BPO business, impairment, adjustments to contingency considerations and profit on sale of shares of an associate. Non-IFRS information is unaudited.

* No meaningful figure.

Revenue of \$498.1 million (2014: \$452.8) was up 10.0% on the prior year, in line with the forecast. Acquisitions and new business growth in the contact centre business made a solid contribution. Revenue from door to door sales and some other smaller service lines reduced by around \$6 million on the prior year, as Salmat elected to discontinue these service offerings in light of both performance and reduced market relevance.

Underlying EBITDA of \$13.3 million (2014: \$18.2) for the full year was within the guidance range of \$11-14 million. Investment in the growth strategy and business transformation accounted for most of the variance on the prior year, as anticipated. Employee cost savings and margin delivered through new business did however offset some of the additional investment generating the underlying EBITDA result.

Underlying loss before income tax was \$3.2 million, compared with a \$7.0 million profit in the prior year. Depreciation and amortisation costs were up on the prior year in line with the increased business and amortisation of intangibles and the Reach platform.

Significant items for FY15 includes substantial one-off, non-cash impairments for goodwill and intangibles, business transformation costs, fair-value adjustments on acquisitions and profit on the sale of online media shares. The impairment in the CES division was booked in the first half of FY15 and related to a review of the door-to-door sales offering and the flow-on effect of delays in the Reach platform build. The impairment in CMS was recognised in the second half of the year and relates to the product and services review across this division, particularly in digital services, and a recent acquisition that has not performed in accordance with expectations.

Net loss after tax of \$98.0 million flowed on from the significant items cost and a tax expense of \$3.6 million. The comparative net profit after tax of \$0.8 million in the prior year followed significant item costs of \$5.9 million and a tax benefit of \$3.2 million.

Segment results

Consumer Marketing Solutions revenue of \$268.8 million (2014: \$259.2m) was up by 3.7% on the prior year. Catalogue volumes held steady, outperforming overall industry and other print media. Major retailer volumes in particular remained strong and Salmat continued to lift its profile in the agency space.

EBITDA was marginally down by 0.7% to \$27.1 million (2014: \$27.3m), partly due to cost and pricing pressure in certain segments and the relative mix of work. Digital achieved some good earnings improvement as a result of a more focused portfolio approach, targeting mid-tier clients, and moving relevant work off-shore.

Customer Engagement Solutions revenue was up by more than 21% on the prior year, to \$227.4 million (2014: \$187.9m). New revenue from the MicroSourcing acquisition made a significant contribution and contact centre revenue also grew, up by 12% on FY14. Revenue from other services such as Door to Door sales and Learning was down on the previous year as we reduced focus on certain offerings in line with the overall portfolio review.

EBITDA of \$5.4 million (2014: \$5.5m) was down marginally on the prior year but significantly higher than the first half earnings of \$0.6 million. Contact centre earnings were impacted by residual Reach platform migration costs and other investment costs and benefited from growth in the MicroSourcing business.

2. Financial position and cash flows

Cash has been utilised to reduce our overall borrowings throughout FY15 and to fund our continued investment in transforming the business. Capital expenditure investment reduced this year as work on the BPO divestment came to a completion allowing our overall net cash position to close at \$23.1 million.

In February a new finance facility was executed with ANZ for a period of two years.

Our net asset position has decreased as a result of the impairment booked in both the CES and CMS divisions following a number of decisions made relating to a review of Salmat's product and services offering and the overall effect of delays in the Reach platform build.

3. Business risks, strategies and prospects

Business strategies and prospects

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Consumers are able to access more information, from more sources, than ever before. Brands are no longer able to rely on a single medium to engage with consumers, who are demanding engagement on their terms, across multiple channels. By combining the physical and digital assets, Salmat is uniquely positioned to enable its clients to distribute more engaging content enabling our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

During FY15, Salmat finalised the major initiatives of its three-year growth strategy, which involved the divestment of the Business Process Outsourcing division and the build of two key platforms, being:

- **Salmat Universal Catalogue.** Seamless distribution of physical and digital catalogue content is delivered through Salmat's Universal Catalogue platform. By combining the traditional physical catalogue with our digital assets from Lasoo, we are uniquely positioned to enable our clients to distribute more engaging content anytime, anywhere, on any device to drive more sales. By overlaying the data capability we have in our physical distribution business with the data insights we have in our online business, we can help our clients target the consumer more effectively.
- **Salmat Reach.** As a hosted solution, Salmat Reach is a leading edge contact centre technology platform that seamlessly integrates all customer communications channels within the cloud. This solution is hosted by Salmat and combines the expertise of Salmat, Australia's largest and most experienced customer contact solutions provider, with the innovation of Avaya, one of the world's best contact centre infrastructure platforms. Salmat Reach makes enterprise class contact centre applications accessible and affordable for organisations of almost any size. This is also the same solution that Salmat uses to support our contact centres, giving clients the power to use our technology without having to purchase it.

The drive to be a technology platform centric business revolves around investing in systems to extract further value from all of our businesses, as well as capturing opportunities in the emerging high growth digital communication and commerce channels. We are implementing technology-based, rather than labour-based, solutions across the company that are highly scalable and improve the standard of service and efficiency to our customers.

In January 2015 the Group commenced a Business Transformation strategy, with an underlying objective to:

- Focus energy and investment in areas where Salmat is – or can be – the clear market leader;
- Simplify every aspect of the business so Salmat is agile, responsive, efficient and effective; and
- Grow the business in a targeted, connected and profitable manner.

The need for transformation became apparent as although solid progress had been made with the growth strategy in terms of establishing strong technology platforms, Salmat had retained a lot of the cost and complexity of a much larger organisation and was operating with unsustainable structures and processes that were eroding margin.

Business risks

Salmat is committed to embedding risk management practices in a manner that supports achieving its strategic objectives. Risk management is carried out in accordance with policies approved by the Board as described in the Corporate Governance statement. Salmat has established a management-led Risk Management Committee that directs the implementation and operation of an appropriate risk management framework and culture. Salmat faces a variety of material risks including (but not limited to) strategic, operational, information technology, financial and regulatory risks.

During the 2015 financial year, Salmat completed its technology transition to an outsourced data centre model, in addition to migrating its call centres to the Reach platform. The company in its handling of customer data increases its exposure to regulatory and reputation risk.

Change risk associated with the accelerated strategic business transformation was prevalent in FY15 and will continue through to FY16 with the rationalisation of products and services, internal structures and internal systems.

The current economic trading environment, particularly in the retail sector, combined with the competitive trading environment, remain significant business risks. Salmat's sales volumes and therefore its profitability are directly related to the level of retail sales achieved by our retailer customers, particularly in the Media and Digital divisions.

DIVIDENDS SALMAT LIMITED

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

	2015 \$'000	2014 \$'000
Final ordinary dividend for the year ended 30 June 2013 of 7.5 cents per fully paid share paid on 19 September 2013	–	11,986
Interim ordinary dividend for the year ended 30 June 2014 of 7.5 cents per fully paid share paid on 3 April 2014	–	11,986
Final ordinary dividend for the year ended 30 June 2014 of 7.5 cents per fully paid share paid on 18 September 2014	11,986	–
	11,986	23,972

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, has 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 KPIs for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

ENVIRONMENTAL ISSUES

The Group is committed to the protection of the environment, to the health and safety of its employees, contractors, customers and the public at large, and to the compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business. The Group is not subject to significant environmental regulation in respect of its operations. The Group has set down a rigorous approach to sourcing and working with suppliers that comply with our environmental criteria.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

INFORMATION ON DIRECTORS

Peter Mattick, AM
Chairman

Experience and expertise

Peter Mattick co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from executive duties with Salmat in October 2009. Since that time Peter has remained as a Non-executive Director of the Company and assumed the role of Chairman in November 2013.

Peter has served as Chairman and Director of the Australian Direct Marketing Association and is a member of the National Aboriginal Sports Corporation. He is a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research and Chairman of The Shepherd Centre. Peter was educated at the University of New South Wales where he gained a Bachelor of Commerce degree. Peter was awarded a Member (AM) in the General Division of the Order Of Australia in 2014.

Special responsibilities

Chairman of the Board; and
Member of the Innovation and Technology Committee.

Interests in shares and options

37,060,735 ordinary shares in Salmat Limited.

Ian Elliot

Non-executive Director (Independent)

Experience and expertise

Ian is a Non-executive Director of Hills Limited and McMillan Shakespeare Limited; a former Chairman of Promentum Limited and is currently a Commissioner of the National Rugby League. He is 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; and
Chairman of Remuneration and Compensation Committee.

Interests in shares and options

33,435 ordinary shares in Salmat Limited.

Philip Salter

Non-executive Director

Experience and expertise

Philip Salter co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from his executive duties with Salmat Limited in October 2009. Since that time, Mr Salter has remained as a Non-executive Director of the company. Philip entered the real estate business in 1972. In 1979 Philip and Peter Mattick formed Salmat, developing the business into one of Australasia's leading customer communications companies. Philip is a member of the Australian Institute of Company Directors.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

36,692,238 ordinary shares in Salmat Limited

John Thorn

Non-executive Director (Lead Independent)

Experience and expertise

John Thorn has been a Non-executive Director of Salmat Limited since September 2003. John is a professional Director and brings expertise to the Board in the areas of accounting, financial services, mergers and acquisitions, business advisory, risk management and general management.

He has 38 years of professional experience with PricewaterhouseCoopers (PwC), where he was a Partner from 1982 to 2003 advising major international and Australian companies. He served on the firm's Board, was the Managing Partner of PwC's Assurance and Business Advisory practice and was the National Managing Partner of PwC until 2003. He has experience in Asia having lived and worked in Singapore and Indonesia.

John is a Non-executive Director of Amcor Limited (appointed December 2004) and a former Director of National Australia Bank Limited (October 2003 – December 2014) and Caltex Australia Ltd (June 2004 – 2013). His Board committee experience includes Audit Committees (Chairman), Human Resources Committees, IT Committees, Nomination Committees and Risk Committees.

Special responsibilities

Chairman of Audit, Risk and Compliance Committee; and
Member of Remuneration and Compensation Committee.

Interests in shares and options

131,101 ordinary shares in Salmat Limited.

Directors' report

30 June 2015

Fiona Balfour

Non-executive Director (Independent)

Experience and expertise

Fiona is an independent Non-executive Director of Metcash Limited, TAL (Dai-ichi Life) Australia and Airservices Australia; a Council Member and Treasurer of Knox Grammar School; a Member of Chief Executive Women; a Fellow of Monash University; and a Fellow of the Australian Institute of Company Directors.

Fiona has over 35 years' experience working in enterprise technology across Aviation and Transport, Information and Telecommunication Services, Financial Services, Distribution and Logistics, the Education sector and not-for-profits. Fiona is a former Trustee of the National Breast Cancer Foundation, former Chair of the St James' King Street Conservation Appeal, former Council Member of Chief Executive Women and is a former non-executive director of SITA SC (Geneva). Fiona holds a BA Hons (Monash), Dip IM (UNSW) and MBA (University of RMIT).

Special responsibilities

Member of Audit, Risk and Compliance Committee; Member of Remuneration and Compensation Committee; and Chairman of the Innovation and Technology Committee.

Interests in shares and options

79,740 ordinary shares in Salmat Limited.

Mark Webster

Non-executive Director (Independent)

Experience and expertise

Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited. Mark has had extensive, hands-on experience in extending traditional businesses into the online environment, both in the media industry and in his current role.

Mark has established the Inglis Digital division, which operates bloodstock.com.au and horsezone.com.au – both now market leaders. Mark has also served as Director on a number of Boards over the past ten years, including realestate.com.au and Nationwide News Limited.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

Nil 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 26 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. He has a Bachelor's degree in Accounting and is a Fellow of the Institute of Chartered Secretaries and CPA Australia.

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 2015, and the numbers of meetings attended by each Director were:

	Meetings of committees							
	Full meetings of Directors		Audit, Risk and Compliance		Remuneration and Compensation		Technology and Innovation	
	A	B	A	B	A	B	A	B
Peter Mattick	8	8	*	*	*	*	5	6
John Thorn	8	8	4	4	3	3	*	*
Ian Elliot	8	8	4	4	3	3	*	*
Philip Salter	8	8	*	*	*	*	1	6
Fiona Balfour	8	8	4	4	3	3	6	6
Mark Webster	8	8	*	*	*	*	5	6

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

Introduction from the Chairman of the Remuneration Committee

Dear Fellow Shareholder,

On behalf of the Board, we are pleased to present Salmat's 2015 Remuneration Report.

Salmat's remuneration practices are aligned with the Company's strategy of providing executive rewards that drive and reflect the creation of shareholder value.

2015 was the midpoint of a growth strategy initiative to increase sales and profit for Salmat. A number of milestones have been achieved during 2015 including the successful migration of the new Reach platform, the implementation of a new ERP system and other substantial IT projects. Revenue of \$498.1 million was up 10% on the prior corresponding year. Revenue held well across the Group and was boosted by the acquisitions made during FY14. Underlying EBITDA of \$13.3 million was down from \$18.2 million in the prior corresponding period. Earnings have been impacted by investment costs relating to the growth strategy, contract closures and margins in non-core businesses.

Central to Salmat's growth strategy is having the right people to lead the Group over the long term. We are confident that we have a strong executive team in place to ensure continued success. The Board is mindful of ensuring our remuneration practice for the executive team supports this objective to the benefit of our shareholders.

Salmat is undergoing a major business transformation to restructure revenue and earnings, this process is comprehensive with the product and services portfolio being rationalised and major changes made in the leadership and structure of the business. This will in the next fiscal year focus the business and investment into areas of current or potential market leadership and to simplify every aspect of the business operations of the Company.

At the 2014 Annual General Meeting (AGM) 32.6% of the votes cast in respect of the resolution to adopt the 2014 Remuneration Report voted 'against' that resolution. This constituted a 'first strike' against the Remuneration Report under the Corporations Act. Your Board views this very seriously and has taken a number of steps to improve both our reporting and demonstration of the clear link between executive and shareholder outcomes.

The Board proactively engaged in detail with our key shareholders and with the assistance of our remuneration advisors, Ernst and Young, the Board undertook a review of Salmat's Remuneration Report. This review of remuneration also encompassed the performance conditions of long-term incentives (LTIs) and short-term incentives. From this review, whilst a number of the features of the current incentive schemes were retained, a number of key elements were changed to reflect feedback from our remuneration review.

The decisions made and reflected in the attached Remuneration Report were as follows:

- In the fiscal 2015 year, covering the initial period of our business transformation, there will be no short-term incentive (STI) bonuses paid to senior executives. For future periods commencing fiscal 2016, STI bonuses will not be payable until 85% of the EBITDA target for the period has been achieved.
- For future LTIs the performance hurdles will be split equally between earnings per share, total shareholder return and return on capital employed; making all of the performance conditions for LTIs to vest, objective measures. The 20% allocation of LTIs to achievement of strategic goals has been discontinued. In addition, there have been no LTIs issued to any executive in the current 2015 period. The Board took this decision to ensure that alterations to performance conditions had been canvassed with major shareholders and stakeholder advisory groups.
- A greater level of disclosure on the LTIs and their objective measures to give further clarity on how the key executives are measured and to strengthen the alignment of their interests with those of shareholders.

Further detail of these changes are set out in the Remuneration Report.

The Board recognises its responsibility to maintain shareholder confidence in Salmat's leadership and remuneration practices. It is our continued intention, as much as we are able to do so, to link our compensation plans with the performance of the Company and with its long term financial security.

I do hope we have achieved our objectives: we value your feedback and look forward to your comments on both our remuneration arrangements and the Remuneration Report at the 2015 Annual General Meeting.

Ian Elliot
Chairman of the Remuneration Committee

REMUNERATION REPORT

The Board presents the 2015 Remuneration Report for Salmat Limited (Salmat or the Group) in accordance with the requirements of the *Corporations Act 2001* and its regulations. The remuneration practices are aligned with Salmat's strategy of providing senior executive rewards that drive and reflect the creation of shareholder value. The changes mentioned in the Chairman's letter are incorporated in this report, and summarised in section one. The information in this report has been audited, unless otherwise stated.

Section	What it covers
1 Remuneration at a glance	An overview of key remuneration outcomes and looking forward to the future.
2 Remuneration governance	Details of the key management personnel this report covers and how remuneration is governed.
3 Remuneration strategy, structure and framework	Outlines our remuneration policy and how it supports our strategic objectives and is focused on the long term strategy of Salmat, with a description of the key components of remuneration.
4 Fixed remuneration	Detailed description of our fixed remuneration policies.
5 Short-term incentives	Detailed description of our Short Term Incentive schemes (STI).
6 Long-term incentives	Detailed description of our Long Term Incentive schemes (LTI).
7 Legacy long-term incentive plans	Detailed description of our legacy equity plans.
8 Executive remuneration disclosures	Disclosures by person of the remuneration paid in the current and previous periods.
9 Service agreements	Summary of the key contract terms of key management personnel.
10 Non-executive Director remuneration	Details of Non-executive Director remuneration and relevant disclosures of remuneration in the current and prior periods.
11 Financial performance	Information on the Salmat's performance in key shareholder measures, and five year statutory financial information.

1. Remuneration at a glance

Remuneration outcomes in 2015

Remuneration	2015 outcomes
Fixed remuneration	In light of the economic conditions and the trading environment of Salmat, the Board did not award salary increases to senior executives for the 2015 fiscal year.
Short-term incentives	No short-term incentives will be paid to senior executives for the 2015 fiscal year.
Long-term incentives	LTI for the CEO vested: these were performance rights granted in the 2014 financial year for his first year of employment in recognition for the incentive foregone from the previous employer. No LTI grants were made to the CEO or senior executives during the 2015 financial year. An issue will be made subsequent to 30 June 2015, with a three-year performance measure to be assessed in June 2018.
Non-executive Director fees	In light of the economic conditions and the trading environment of Salmat, the Board did not award increases in Non-executive Director fees in 2015. The Non-executive Directors' remuneration cap remains at \$1.2m, as approved by shareholders at the 2009 AGM.

Actual remuneration received

Details of the remuneration of senior executives, prepared in accordance with statutory obligations and accounting standards, are contained on page 20 of the Remuneration Report. The table below provides a summary of actual remuneration received by the senior executives during the 2015 financial year. This includes:

- Fixed remuneration (consisting of cash salary, superannuation, packaged employee benefits, associated fringe benefits tax);
- STIs awarded for 2015;
- The value of LTI grants awarded in previous years which vested during the year (valued based on market value of shares on the date of issue); and
- Cash termination benefits (including payment for unused annual and long service leave).

REMUNERATION REPORT : CONTINUED

	Fixed	STI	LTI	Termination	Total
<i>Current Senior Executives</i>					
Craig Dower	805,209	–	500,000	–	1,305,209
Rebecca Lowde	382,076	–	–	–	382,076
Chris Walsh	63,008	–	–	–	63,008
<i>Former Senior Executives</i>					
Nick Warne	304,240	–	–	207,886	512,126
Peter Anson	420,952	–	–	398,861	819,813
David Besson	444,832	–	–	443,713*	888,545

* Payment received in July 2015.

Response to concerns raised in relation to 2014 remuneration arrangements

The table below provides a summary of the action the Board has taken, or will be taking, in response to concerns raised by shareholders at the 2014 AGM in relation to remuneration.

Concern	Board action or comment
LTI performance measures.	While reviewing the targets set in respect of LTIs the Board did not issue any LTI for the 2015 financial year. The Board will in the future split the LTI performance hurdles equally between earnings per share, total shareholder return and return on capital employed.
Lack of disclosure and clarity on how the LTIs work in practice.	The Board has improved disclosures relating to the operation of the LTI, the targets for new scheme in place and the determination of outcomes.

2. Remuneration governance

Who this covers

The Remuneration Report sets out remuneration information for Salmat's Non-executive Directors (listed in the Directors Report on pages 10 and 11) and key management personnel (KMP). KMP are the Chief Executive Officer and senior executives, who are the key individuals who have or had authority and responsibility for planning, directing and controlling the major activities of Salmat during the financial period and up to the date of this report.

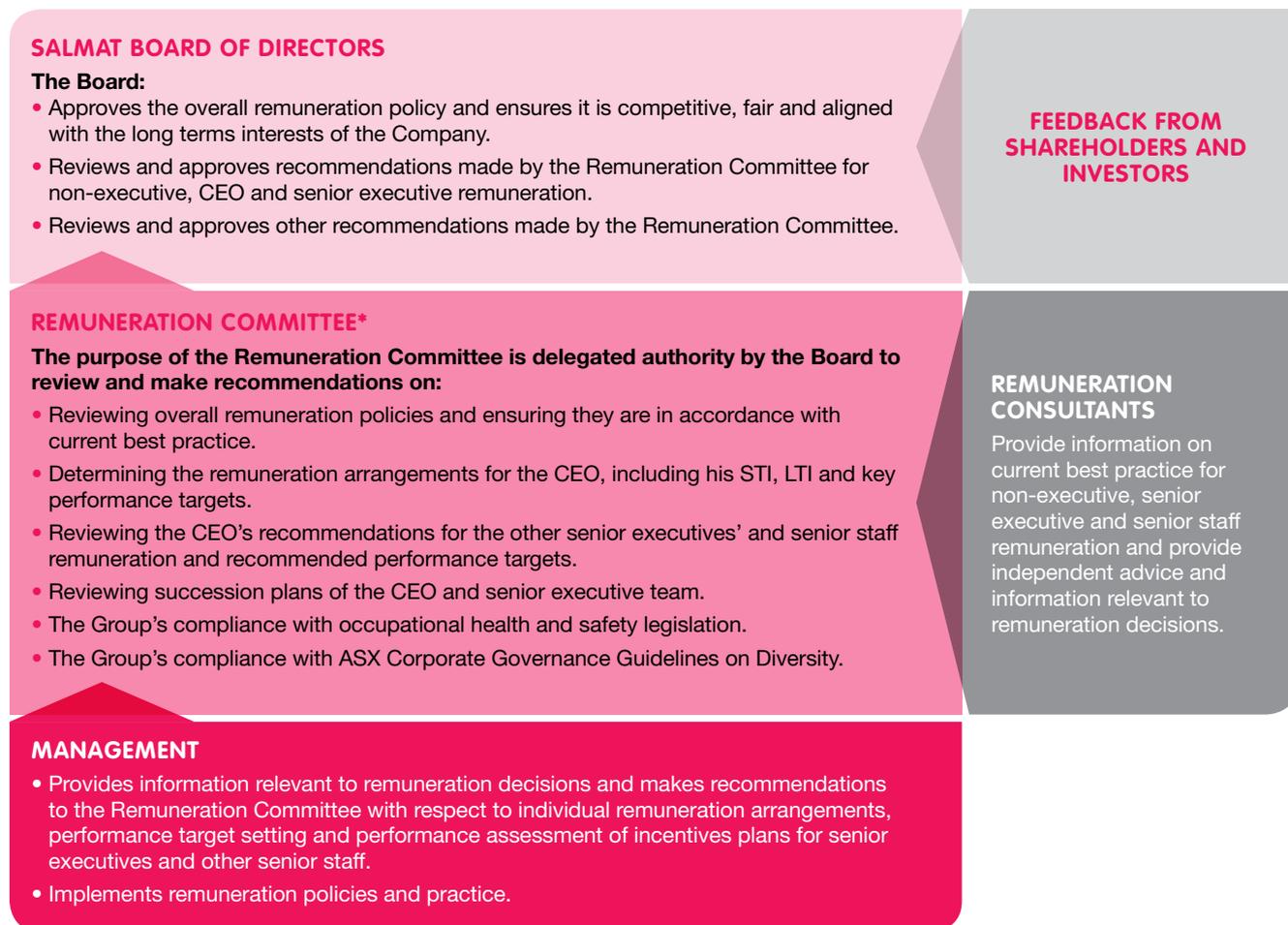
Senior executives

Name	Title	Status	Effective date (if partial year)
Craig Dower	Chief Executive Officer (CEO)	Full year	
Rebecca Lowde	Chief Financial Officer (CFO)	New appointment	13 August 2014
Chris Walsh	Chief Operating Officer (COO)	New appointment	20 April 2015
Nick Warne	Chief Information Officer	Resigned	7 April 2015
Peter Anson	CEO – CMS	Resigned	30 May 2015
David Besson	CEO – CES	Resigned	30 June 2015

REMUNERATION REPORT : CONTINUED

Remuneration governance frame work

The below represents Salmat's remuneration framework:



* The charter adopted by the Remuneration Committee is displayed on the Salmat Limited website www.salmat.com.au.

Use of remuneration consultants

The Remuneration Committee retained Ernst & Young (EY) as an adviser to assist with remuneration issues.

The role of EY during 2015

During the current financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by EY.

EY did provide advice on aspects of the remuneration of the KMP and Remuneration Report:

- Provision of market practice information concerning LTIs, specifically vesting conditions including the performance conditions and period.
- Provision of guidance and key observations on Salmat's Remuneration Report, with some suggested areas where reporting could be made clearer for the benefit of reporting to shareholders.

EY's advice was made free from undue influence by any KMP

Although remuneration recommendations were not provided, consistent with good governance, the following arrangements were made to ensure that EY's advice was free of undue influence:

- EY was engaged by, and reported directly to the Chair of the Remuneration Committee.
- The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee with input from the Chairman of the Board.
- The reports containing remuneration advice were provided by EY directly to the Chair of the Remuneration Committee.

The Board is satisfied that advice provided by EY was made free from undue influence from any of the KMP.

Securities Trading Policy

The Securities Trading Policy of Salmat outlines the responsibilities of all key management personnel including Directors and employees to ensure that any market sensitive information whether about Salmat or any other Company is not used to trade in securities.

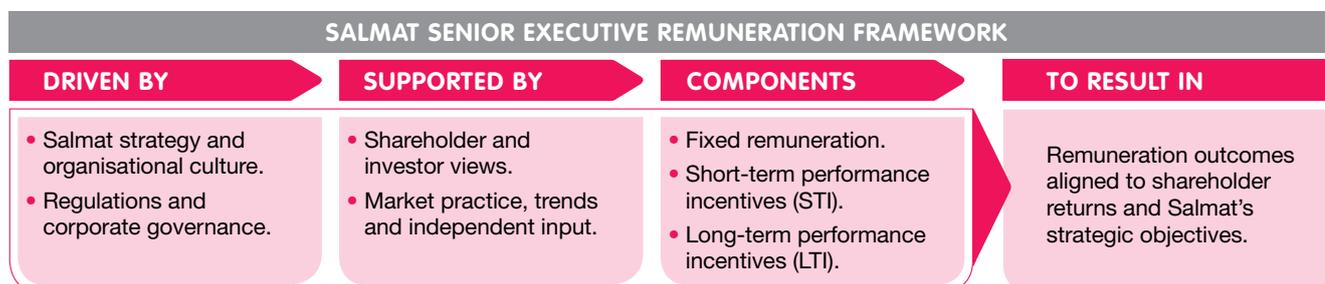
The trading of shares issued to participants under any of Salmat's employee equity plans is subject to, and conditional upon, compliance with this policy. Senior executives are prohibited from entering into any hedging arrangements over unvested rights or deferred shares issued under Salmat's employee share plans. Salmat would consider any breach of this policy as serious.

Salmat issued a new securities trading policy on 26th June 2015 to incorporate changes recommended by the Australian Securities Exchange in January 2015.

REMUNERATION REPORT : CONTINUED

3. Remuneration strategy, structure and framework

Salmat's policy is to remunerate staff in accordance with market rates in alignment with the individual's duties, responsibilities and performance.



The following table sets out a summary of each component of the remuneration package for all senior executives, including its purpose, link to performance and key changes from last year.

Component	Performance measure	Strategic objective and link to performance	Change from 2014
Fixed remuneration – fixed	<p>When setting fixed remuneration and considering external bench marks the Remuneration Committee takes into account:</p> <ul style="list-style-type: none"> Group and individual performance; Job size and complexity; Individual's qualifications and experience; Risk profile of the role; and Internal relativities. 	<p>To provide base strategy and benefits which are competitive with those provided by companies of a similar size and level of complexity.</p> <p>To reward performance relative to expectations based on senior executive's job descriptions and scope of responsibility.</p> <p>To retain talented employees and to not encourage excessive risk taking.</p>	<p>No fixed remuneration increase was awarded to senior executives.</p> <p>Senior executives who were appointed to new roles received fixed remuneration increases to reflect market levels.</p>
STI – at risk	<p>STI performance criteria are set by reference to the Salmat budget and forecast information (financial measures) and individual performance targets relevant to their specific position (non-financial measures).</p>	<p>STI awards objectives are as follows:</p> <ul style="list-style-type: none"> Financial measures: Group, and divisional profit measures of revenue and EBITDA as this delivers financial benefits to shareholders through growth in earnings. Non-financial measures: Individual performance targets relevant to the longer term growth strategy initiative of the Group. <p>STIs are measured over a one year performance period and paid in cash.</p>	<p>As the 2015 financial measures have not been met, no STI will be paid to senior executives for the 2015 fiscal year.</p>
LTI – at risk	<p>An annual LTI grant is made to senior executives. LTI targets are linked to internal growth measures (EPS and ROCE), and external relative out performance measures (TSR) to align senior executives with shareholder interests.</p>	<p>LTI awards are designed to motivate senior executives to achieve Salmat's sustainable long term growth.</p> <p>The internal and external measures were chosen because:</p> <ul style="list-style-type: none"> EPS: Deemed to be a direct measure of growth of Salmat's earnings over the performance period. TSR: As it is a measure of the return generated for shareholders over the performance period relative to a peer group of companies. ROCE: An efficient use of working capital is key to maximising shareholder return in the medium term. <p>LTIs are measured over a three-year performance period and delivered in equity.</p>	<p>No LTI grants were made to the senior executives during the 2015 financial year.</p> <p>Future grants will include an equal split of the internal and external measures: EPS, ROCE and TSR.</p> <p>Salmat has removed the inclusion of a 'strategic component' of LTIs on future grants.</p>

REMUNERATION REPORT : CONTINUED

Remuneration mix

The remuneration strategy provides for a target remuneration mix which links remuneration outcomes to the execution of Salmat's strategy over the short (1 year) and long term (3 years). The target remuneration mix for current senior executives and former senior executives in 2015 is shown below:

	Percentage of total target remuneration		
	Fixed remuneration	STI cash – 1 year	LTI equity – 3 years
CEO	39% ¹	23% ²	38% ³
CFO	70% ¹	17% ²	13% ³
COO	77% ¹	23% ²	– ⁴
Former Senior Executives	62%-68% ¹	32%-38% ²	– ⁴

1) Remuneration portion received in full.

2) Remuneration portion forfeited due to departure or key measures not met.

3) Remuneration portion not received in FY15 financial year.

4) These senior executives contracts of employment did not specifically state LTI allocation as this is at the discretion of the Board. No LTI grants were issued in FY2015.

In the future, LTI will form approximately 35% of the target remuneration mix for both the CFO and senior executives.

4. Fixed remuneration

Fixed remuneration is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits such as health insurance, and car allowances. Fixed remuneration is reviewed annually, or on promotion, to ensure the pay is competitive with the market.

For senior executives, superannuation is included in fixed remuneration. Retirement benefit obligations are delivered to the employee's choice of superannuation fund. Salmat has no ongoing interest or liability to the fund or the employee in respect of retirement benefits.

5. Short Term Incentives

Participants and description

All senior executives are eligible for participation in the STI. The STI is the 'at risk' remuneration component subject to the achievement of pre-defined individual, group and divisional performance hurdles which are set annually by the Remuneration Committee at the beginning of the financial year.

Performance measures

STIs are set based on key performance indicators (KPIs) comprising various financial and non-financial measurable goals. Financial KPIs are set on the basis of group and divisional Revenue and EBITDA results. Non-financial KPIs relate to specific KPIs for each individual to enable the execution of the strategy.

Weighting of financial and non-financial measures

The weighting of financial and non-financial measures for FY15 is as follows:

	Available STI (\$)	Financial (%)	Non-financial (%)
Craig Dower	480,000	60	40
Rebecca Lowde	110,000	50	50
Chris Walsh	121,500	50	50
Nick Warne	145,600	50	50
Peter Anson	254,606	50	50
David Besson	205,000	50	50

As Salmat is at the mid-point of a business transformation strategy, and the financial measures have not been met, it has been agreed by the Board, Remuneration Committee and senior executives that no STI will be paid for the 2015 financial year.

Timing and delivery

The measures are assessed immediately prior to the release of Salmat's financial statements in August. The payments are made in the form of cash, and would have paid in September however no STI will be paid for the 2015 financial year.

Assessment of hurdles

The Remuneration and Compensation Committee is responsible for assessing whether the KPIs of Key Management Personnel are met.

The Board of Directors has final discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes.

REMUNERATION REPORT : CONTINUED

6. Long Term Incentives

Participants and description

Senior executives are eligible for participation in the LTI scheme if a grant is approved by the Board. The LTI is an 'at risk' remuneration component subject to the achievement of pre-defined performance hurdles for a three year period which are set by the Remuneration Committee.

An offer will be made to senior executives subject to approval by the Board. Each participant will be issued performance rights in the form of zero-priced options each year. Each right granted is an entitlement to a fully paid ordinary share in the group on terms and conditions, including vesting conditions linked to service and performance measures up to three years after grant.

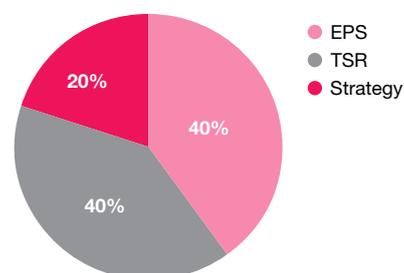
Value of grant of rights

The number of rights granted to an executive is determined by dividing the value of their annual grant by the 5 day VWAP on the date of the grant. The value of an individual's annual grant is determined by the Remuneration Committee based upon the individual's role and responsibilities within the Group.

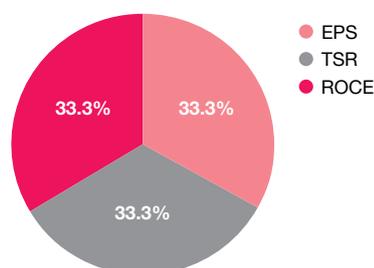
There were no rights granted during the 2015 financial year.

Performance measures

2014



FUTURE YEARS



The rights granted will have performance measures based 33% on EPS performance, 33% on TSR performance and 33% on ROCE. Salmat will report on the achievement of each of these measures retrospectively at the end of each annual reporting period.

EPS

A positive FY2016 target and cumulative growth has been set by the Board for the performance period and will be reviewed on an annual basis. Vesting will not occur unless 90% of the cumulative EPS target is achieved.

TSR

Salmat's Total Shareholder Return (TSR) will be measured relative to the constituents of the ASX small industrials index (XSIAI) for the three fiscal years ending 30 June 2018. Vesting will not occur unless 50% of the hurdle is met and the rights will then vest in a straight-line until 75% achievement occurs where 100% of the rights will vest.

ROCE

The ROCE target has been set by the Board and will be reviewed on an annual basis over the performance period. Vesting will not occur unless 90% of the ROCE target is achieved.

Legal rights

Rights granted as part of the LTI plan do not carry voting or dividend rights nor can the holders attend shareholders meetings; however, shares allocated upon vesting of rights and exercise of options will carry the same rights as other ordinary shares.

Forfeiture and termination

Rights will lapse if performance measures are not met. There is a service condition attached to each tranche of performance rights in that the executive must also be employed by the Company at the date of assessment of the right.

Timing and delivery

For future grants the performance measures will be assessed immediately prior to the release of Salmat's financial statements in August. The rights will vest subject to the satisfaction of performance hurdles. Rights vest and the resulting shares are transferred to the senior executive at no cost to the executive.

The rights will expire two years after they vest, in the case of these rights, it will be June 2020.

Other information – performance rights for new CEO in 2014

In place of participation in the 2014 scheme, the CEO, Craig Dower, received 257,643 performance rights equivalent to \$500,000 to replace rights forfeited from his previous employer upon receipt of satisfactory evidence of LTIs foregone or forfeited at his previous employer. These rights vested and have been exercised during 2015.

REMUNERATION REPORT : CONTINUED

7. Legacy Long Term Incentives

Two of the former senior executives both held rights and deferred shares during the financial year, these have however been forfeited on termination. The below sets out details of these:

Plan name	Type of instrument	Details	Performance measures
Salmat employee option plan	Performance rights (zero priced options)	LTI scheme designed to reward participants for achieving performance measures. Participants receive rights based on value of annual grant and 5 day VWAP on date of grant.	Prior to 2014, 50% EPS and 50% TSR. Post 2014, 40% EPS, 40% TSR and 20% strategic goals. (See section 6 for further change in 2015).
Salmat deferred employee share plan	Ordinary shares	LTI scheme designed to reward participants for achieving performance measures. Participants receive shares based on value of annual grant and 5 day VWAP on date of grant.	50% EPS and 50% TSR.

The below table summarises movements in the above plans:

		Balance at 1 July 2014	Granted during the year	Value of Grant	Exercised/ vested during the year	Value of rights & shares exercise/ vested	Lapsed/ cancelled during the year ¹	Value of rights & shares lapsed/ cancelled ²	Balance at 30 June 2015
Peter Anson	Rights	165,909	–	–	–	–	(165,909)	(129,409)	–
	Deferred Shares	56,564	–	–	–	–	(56,564)	(44,120)	–
David Besson	Rights	119,362	–	–	–	–	(119,362)	(85,940)	–
	Deferred Shares	40,142	–	–	–	–	(40,142)	(28,902)	–

1) For those deferred shares for which the expiry date was September 2014, the key performance measures were not met, and as such lapsed.

2) The value of the rights and deferred shares that were granted as part of remuneration and that were forfeited (lapsed) during the year because a vesting condition was not satisfied was determined at the time of lapsing, or on termination of the KMP.

The below sets out the value of the above plans and key terms:

	Grant date	Date vested and exercisable	Expiry date	EPS hurdle	Value at grant date		Exercise price
					EPS & strategic goals	TSR	
Rights	August 2012	September 2015	September 2015	0.6668	\$2.04	\$1.45	\$0.00
	December 2012	September 2015	September 2015	0.6668	\$2.01	\$1.35	\$0.00
	August 2013	September 2016	September 2016	0.3550	\$1.70	\$1.06	\$0.00
Deferred shares	February 2012	September 2014	September 2014	0.8266	\$2.32	\$1.07	n/a

REMUNERATION REPORT : CONTINUED

8. Executive remuneration

Remuneration expenses for senior executives

Details of the remuneration of senior executives of the Group (as defined in AASB 124 *Related Party Disclosures*) is set out in the following table. This table is prepared in accordance with Accounting Standards and thus presents amounts which differ to the table within the section 'Remuneration at a Glance' which is based upon benefits paid/payable.

A\$		Short-term employee benefits		Long-term	Post-	Share-based payments		Total		
		Salary	Bonus	employee	employment	Shares	Rights			
		\$	\$	benefits	benefits	\$	\$	\$		
				Long	Super-					
			Non-	service	annuation					
			monetary	leave						
			benefits							
			\$	\$	\$	\$	\$	\$		
<i>Current Senior Executives</i>										
	Craig Dower ¹	2015	782,225	–	4,200	671	18,783	–	395,890	1,201,769
		2014	135,385	108,000	1,667	70	4,444	–	104,110	353,676
	Rebecca Lowde ²	2015	359,888	–	3,708	148	18,479	–	–	382,223
		2014	–	–	–	–	–	–	–	–
	Chris Walsh ³	2015	62,307	–	700	92	–	–	–	63,099
		2014	–	–	–	–	–	–	–	–
<i>Former Senior Executives</i>										
	Nick Warne ^{4,5}	2015	282,307	–	3,150	218	18,783	–	–	304,458
		2014	176,387	72,800	3,951	156	7,329	–	–	260,623
	Peter Anson ⁵	2015	398,319	–	3,850	6,354	18,783	–	(99,842)	327,464
		2014	333,984	168,320	94,772	7,680	24,136	(20,231)	61,424	670,085
	David Besson ⁵	2015	426,049	–	–	(5,238)	18,783	–	(71,811)	367,783
		2014	411,766	101,188	–	7,977	22,104	(14,391)	44,198	572,842
	Chad Barton ⁵	2015	–	–	–	–	–	–	–	–
		2014	520,053	40,000	5,239	(5,499)	13,402	(89,841)	(33,616)	449,738
	Total	2015	2,311,095	–	15,608	2,245	93,611	–	224,237	2,646,796
		2014	1,577,575	490,308	105,629	10,384	71,415	(124,463)	176,116	2,306,694

1) Craig Dower was appointed Salmat's CEO on 14 April 2014.

2) Rebecca Lowde was appointed Salmat's CFO on 13 August 2014.

3) Chris Walsh was appointed Salmat's COO on 20 April 2015, and while he was employed within the Group prior to this he received new remuneration details on this date.

4) Nick Warne who was employed throughout the 2014 year became a KMP on 30 December 2013 and his remuneration within this table has been pro-rated.

5) Nick Warne ceased employment on 7 April 2015 receiving a termination payment of \$207,886, Peter Anson ceased employment on 30 May 2015 receiving a termination payment of \$398,861, David Besson ceased employment on 30 June 2015 receiving a termination payment of \$443,713 and Chad Barton ceased employment on 28 February 2014 receiving a termination payment of \$204,205.

Relative proportions of fixed vs variable remuneration expense

The relative proportions of remuneration that are linked to performance and those that are fixed calculated in accordance with the amounts in the table above are as follows:

%	Fixed remuneration		At risk – STI actual		At risk – LTI Actual*	
	2015	2014	2015	2014	2015	2014
<i>Current Senior Executives</i>						
	67	40.0	–	30.5	33.0	29.5
	100	–	–	–	–	–
	100	–	–	–	–	–
<i>Former Senior Executives</i>						
	100	72.1	–	27.9	–	–
	100	70.6	–	23.1	–	6.3
	100	77.1	–	17.7	–	5.2
	–	100	–	–	–	–

* Valued at grant date based on share price on date of issue.

REMUNERATION REPORT : CONTINUED

Performance based remuneration granted and forfeited during the year:

2015	Total STI			Total LTI ¹		
	Total opportunity \$	Awarded %	Forfeited %	Value granted \$	Value exercised ² \$	Value forfeited ³ \$
<i>Current Senior Executives</i>						
Craig Dower	480,000	–	100	–	229,302	–
Rebecca Lowde	110,000	–	100	–	–	–
Chris Walsh	121,500	–	100	–	–	–
<i>Former Senior Executives</i>						
Nick Warne	145,600	–	100	–	–	–
Peter Anson	254,606	–	100	–	–	173,529
David Besson	205,000	–	100	–	–	144,842

1) There are no outstanding rights or deferred shares relating to KMPs at the end of the financial year.

2) The value at the exercise date of rights has been determined as the intrinsic value of the rights at that date.

3) The value of the rights/deferred shares that were granted as part of remuneration and that were forfeited (lapsed) during the year because a vesting condition was not satisfied was determined at the time of lapsing, or on termination of the KMP.

Shareholdings:

The following table shows the relevant shareholdings of each KMP that were held during the financial year, including their close family members and entities related to them.

2015	Balance at the start of the year	Granted during the year as compensation	Received during the year on the exercise of rights	Other acquisition and disposal of shares	Balance at the end of the year
<i>Non-executive Directors – Ordinary shares</i>					
John Thorn	131,101	–	–	–	131,101
Ian Elliot	33,435	–	–	–	33,435
Philip Salter	36,292,238	–	–	400,000	36,692,238
Peter Mattick	36,810,735	–	–	250,000	37,060,735
Fiona Balfour	35,740	–	–	44,000	79,740
<i>Current and Former Senior Executives – Ordinary shares</i>					
Craig Dower	–	–	257,643	–	257,643
Rebecca Lowde	–	–	–	16,000	16,000
Chris Walsh	–	–	–	5,000	5,000
Peter Anson	81,295	–	–	–	81,295
David Besson	83,594	–	–	(11,949)	71,645
Nick Warne	–	–	–	–	–

9. Service agreements

Senior executive contracts specify remuneration components, benefits and notice provisions. Senior executives are typically employed on ongoing contracts that have no fixed term.

	Notice by Salmat	Notice by executive	Treatment on termination with notice by Salmat*
<i>Current Senior Executives</i>			
Craig Dower – CEO	6 months	6 months	Salmat can choose to make payment in lieu of notice, which would not exceed the average base salary plus STIs paid in the 12 months before termination. The senior executives are not entitled to receive any additional retirement or termination benefits.
Rebecca Lowde – CFO	3 months	3 months	
Chris Walsh – COO	3 months	3 months	
<i>Former Senior Executives</i>			
Nick Warne (ceased as employee and KMP on 7 April 2015)	3 months	3 months	On termination under the terms of his contract, he was paid \$207,886 (which includes annual leave).
Peter Anson (ceased as employee and KMP on 30 May 2015)	3 months	3 months	On termination under the terms of his contract, he was paid \$398,861 (which includes annual and long service leave).
David Besson (ceased as employee and KMP on 30 June 2015)	3 months	3 months	On termination under the terms of his contract, he was paid \$443,713 (which includes annual and long service leave).

* Termination clauses are specified in each contract describing treatment on termination based on the reason for termination (i.e. resignation, with notice, due to illness or immediate termination for clause).

REMUNERATION REPORT : CONTINUED

10. Non-executive Director remuneration

Remuneration policy

The remuneration policy for Non-executive Directors is designed to remunerate them at market levels for their time, commitment and responsibilities. The Group is cognisant that it needs to attract and retain well qualified and experienced Directors. The Remuneration Committee also takes into account external market data in setting Non-executive Director fees.

Director fees

The Director's fee is a composite fee and covers all responsibilities of the respective members including Board and Committee duties. The Non-executive Directors do not receive any retirement or performance related or other benefits. Shareholders at the Annual General Meeting in 2009 set the aggregate remuneration for Non-executive Directors at \$1.2 million. Non-executive Directors' fees are reviewed annually in June and reflect the responsibility of the Directors.

The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

\$A'000s	2015			2014		
	Board and Committee fees	Post-employment super-annuation	Total	Board and Committee fees	Post-employment super-annuation	Total
Peter Mattick (Chairman)	238,714	18,783	257,497	234,142	17,775	251,917
John Thorn	113,945	10,825	124,770	113,945	10,540	124,485
Ian Elliot	113,945	10,825	124,770	113,945	10,540	124,485
Philip Salter	113,945	10,825	124,770	113,945	10,540	124,485
Fiona Balfour	113,945	10,825	124,770	113,945	10,540	124,485
Mark Webster ¹	113,945	10,800	124,745	57,279	5,298	62,577
Richard Lee ²	0	0	0	75,434	6,978	82,412
Total	808,439	72,883	881,332	822,635	72,211	894,846

1) Mark Webster became a director on 13 December 2013.

2) Richard Lee retired as Lead Non-executive Director at the Annual General Meeting held on 21 November 2013.

11. Financial information

We aim to align our executive remuneration to our strategic objectives and the creation of shareholder wealth. The tables below show measures of Salmat's financial performance as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded:

\$'000	2015	2014	2013	2012	2011
Revenue	498,119	452,840	467,579	823,879	863,922
Underlying EBITDA	13,289	18,223	36,364	103,546	109,574
(Loss)/Profit for the year attributable to owners of Salmat Limited	(100,550)	261	40,142	30,348	35,954
Return on capital employed	(1.0%)	2.5%	6.5%	14.96%	15.4%

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012	2011
Dividend payments (\$'000)	11,986	23,972	56,732	33,558	54,176
Basic (loss)/earnings per share (cents)	(62.9)	0.2	25.4	19.2	22.7
Share price at financial year end (\$)	0.72	1.62	1.94	2.076	3.414
Decrease in share price (%)	55.6%	16.5%	6.6%	34.1%	5.6%

INSURANCE OF OFFICERS

Insurance has been undertaken for the financial year ended 30 June 2015 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 Limited 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, and
- 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 24.

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.



Peter Mattick
Chairman



John Thorn
Director

Sydney
25 August 2015

Auditor's independence declaration



As lead auditor for the audit of Salmat Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Salmat Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S. Horlin', with a long horizontal flourish extending to the right.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
25 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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Consolidated income statement

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Revenue	3	498,119	452,840
Other income	2c	2,273	–
Employee benefits expenses		(258,502)	(230,755)
Depreciation and amortisation expense	4	(14,648)	(11,533)
Freight, distribution and communication expenses		(155,260)	(146,073)
Materials usage		(151)	(235)
Property related expenses		(23,657)	(19,445)
Equipment related expenses		(12,083)	(9,657)
Other expenses from ordinary activities		(32,410)	(32,444)
Impairment loss	2c	(94,879)	–
Finance costs	4	(3,820)	(5,441)
Share of net profits of joint ventures accounted for using the equity method	20	551	357
(Loss)/Profit before income tax		(94,467)	(2,386)
Income tax (expense)/benefit	5	(3,569)	3,180
(Loss)/Profit for the period		(98,036)	794
Attributable:			
Owners of the company		(100,550)	261
Non-controlling interests		2,514	533
		(98,036)	794
		Cents	Cents
Earnings per share for (loss)/profit for the period:			
Basic (loss)/earnings per share	22	(61.3)	0.2
Diluted (loss)/earnings per share	22	(61.3)	0.2
Earnings per share for (loss)/profit attributable to owners of Salmat Limited			
Basic earnings per share	22	(62.9)	0.2
Diluted earnings per share	22	(62.9)	0.2

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

Consolidated statement of comprehensive income

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
(Loss)/Profit for the year		(98,036)	794
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of cash flow hedges transferred to income statement	18	–	931
Exchange differences transferred to the income statement	18	–	1,567
Exchange differences on translation of foreign operations	18	1,772	1,439
Income tax relating to components of other comprehensive income	18	–	(279)
		1,772	3,658
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Actuarial losses on retirement benefit obligation		270	(59)
Other comprehensive income for the year, net of tax		2,042	3,599
Total comprehensive income		(95,994)	4,393
Attributable:			
Owners of the company		(99,647)	3,860
Non-controlling interests	20	3,653	533
		(95,994)	4,393

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	6	48,640	116,860
Trade and other receivables	7	57,401	55,317
Inventories		65	689
Other current assets	8	4,948	5,696
		111,054	178,562
Non-current assets			
Receivables and other non-current assets	9	6,113	3,783
Investments accounted for using the equity method	20	2,585	2,058
Property, plant and equipment	10	19,863	21,947
Deferred tax assets	5	14,079	16,703
Intangible assets	11	94,245	189,344
Total non-current assets		136,885	233,835
Total assets		247,939	412,397
Current liabilities			
Trade and other payables	12	55,267	65,490
Provisions	13	13,647	13,845
Borrowings	14	–	66,912
Other financial liabilities	15	37,051	1,350
Current tax payable		769	413
Total current liabilities		106,734	148,010
Non-current liabilities			
Provisions	13	3,946	4,130
Borrowings	14	25,525	23
Other financial liabilities	15	1,645	38,661
Deferred tax liabilities	5	2,473	3,466
Retirement benefit obligations		851	469
Other non-current liabilities	16	698	698
Total non-current liabilities		35,138	47,447
Total liabilities		141,872	195,457
Net assets		106,067	216,940
Equity			
Contributed equity	17	210,152	209,231
Reserves	18	(30,465)	(27,419)
Retained earnings	18	(85,792)	26,609
Equity attributable to owners of the company		93,895	208,421
Non-controlling interests	20	12,172	8,519
Total equity		106,067	216,940

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

Consolidated statement of changes in equity

For the year ended 30 June 2015

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2013		205,494	1,399	50,379	-	257,272
Profit for the year		-	-	261	533	794
Other comprehensive income		-	3,658	(59)	-	3,599
Total comprehensive income for the year		-	3,658	202	533	4,393
Transactions with owners in their capacity as owners:						
Dividends paid	19	-	-	(23,972)	-	(23,972)
Cost of share-based payments	30	-	121	-	-	121
Treasury shares	18	3,737	(1,858)	-	-	1,879
Non-controlling interests arising from business acquisitions		-	-	-	7,986	7,986
Business combination reserve	18	-	(30,739)	-	-	(30,739)
		3,737	(32,476)	(23,972)	7,986	(44,725)
Balance at 30 June 2014		209,231	(27,419)	26,609	8,519	216,940
Balance at 1 July 2014		209,231	(27,419)	26,609	8,519	216,940
(Loss)/Profit for the year		-	-	(100,550)	2,514	(98,036)
Other comprehensive income		-	768	135	1,139	2,042
Total comprehensive income for the year		-	768	(100,415)	3,653	(95,994)
Transactions with owners in their capacity as owners:						
Dividends paid	19	-	-	(11,986)	-	(11,986)
Cost of share-based payments	18	-	(646)	-	-	(646)
Treasury shares		921	-	-	-	921
Business combination reserve	18	-	(3,168)	-	-	(3,168)
		921	(3,814)	(11,986)	-	(14,879)
Balance at 30 June 2015		210,152	(30,465)	(85,792)	12,172	106,067

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		540,876	521,619
Payments to suppliers and employees (inclusive of goods and services tax)		(544,673)	(510,798)
		(3,797)	10,821
Income taxes paid		(1,950)	1,687
Net cash (outflow)/inflow from operating activities	28	(5,747)	12,508
Cash flows from investing activities			
Payments for property, plant and equipment		(8,493)	(11,736)
Proceeds from sale of property, plant and equipment		-	23
Payments for intangible assets		(477)	(4,562)
Payments for investment in associate		-	(75)
Payments for purchase of controlled entities		-	(13,938)
Proceeds from sale of investment in associate		2,273	-
Payments of contingent consideration for purchase of controlled entities		(958)	-
Interest received		2,001	5,766
Net cash (outflow)/inflow from investing activities		(5,654)	(24,522)
Cash flows from financing activities			
Repayment of borrowings		(43,486)	(33,341)
Drawdown of borrowings		471	-
Interest and finance costs paid		(2,778)	(5,118)
Finance lease payments		(85)	(113)
Sale of treasury shares		-	1,879
Dividends paid to Company's shareholders	19	(11,986)	(23,972)
Net cash outflow from financing activities		(57,864)	(60,665)
Net (decrease)/increase in cash and cash equivalents		(69,265)	(72,679)
Cash and cash equivalents at the beginning of the financial year		116,860	189,088
Effect of exchange rate changes on cash and cash equivalents		1,045	451
Cash and cash equivalents at end of year	6	48,640	116,860

The above statement of cash flows should be read in conjunction with the accompanying notes.

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CORPORATE INFORMATION

The financial report of Salmat Limited and the entities it controlled for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 25 August 2015.

Salmat Limited (the ultimate parent) is a Company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Registered Office

Level 3, 116 Miller Street
North Sydney NSW 2060

The nature of the operations and principal activities of the Group are described in the Directors' report.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Salmat Limited and its controlled entities (together referred to as the Group).

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 and the *Corporations Act 2001*. Salmat Limited is a for profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a historical costs basis except for financial assets and liabilities (including derivative financial instruments) and retirement benefit obligations which are held at fair value.

i) Compliance with IFRS

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

ii) New and amended standards adopted by the Salmat Group

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 July 2014. The adoption of these standards did not have any impact on the current period or any prior period.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward.

AASB 9 must be applied for financial years commencing on or after 1 January 2018. The Group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the Group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules and has identified that some of the service contracts held in CES and CMS may require the identification of separate performance obligations which could again affect the timing of the recognition of revenue. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) Principles of consolidation

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Salmat limited has only joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for the non-listed investments.

v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Salmat Limited.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Individually immaterial operating segments and those with similar economic characteristics are aggregated for the purpose of identifying reportable segments.

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.

Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction. Foreign currency exchange gains and losses resulting from the settlement of such items, and from the translation of monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates are generally recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined, and translation differences are reported as part of the fair value gain or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates applicable at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at a rate that approximates the exchange rates at the dates of the transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve (FCTR), a separate component of equity, through other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to, a foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

When a foreign operation is sold or borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the rendering of a service is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Percentage 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.

Revenue from the licensing of products developed by the Company for a fixed term is recognised on an accruals basis in accordance with the terms of the relevant agreement (this could be on fee per transaction basis).

Where payment terms extend beyond 12 months, revenue is discounted to its present value if the impact of discounting is material.

Revenue for other business activities is recognised as follows:

Interest income

Interest income 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 income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Salmat Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g) Leases

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

h) Business combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred.

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 non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the 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.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

The fair value of the business combination put options or commitments to purchase are measured at inception and at each period end. This is classified as a financial liability. Movements in fair value are recorded in the income statement. This liability has been recorded against a business combination reserve. This value of this reserve liability will be adjusted against minority interest on exercise of the reserve.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previous held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

If the Group reassesses its Cash Generating Units (CGUs), goodwill and other intangibles are allocated between CGUs based on the relative value of the businesses.

j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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.

Notes to the financial statements

30 June 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

l) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs include direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenses. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within revenue. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

n) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

o) 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.

The depreciation amount of all fixed assets, 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.

- Plant and equipment 14.0% to 33.0%
- Leasehold improvements Over term of lease or 10 years, whichever is less

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

p) Intangible assets

i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

ii) Other intangible asset

Intangible assets including business systems 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 accumulated amortisation and provision for impairment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Other intangible assets include both customer contracts and relationships and costs of acquiring and developing business systems. Useful lives have been established for all other 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	5-12 years
Business systems	3-7 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.

q) 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.

r) 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. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

s) Provisions

Provisions are recognised when the Group 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. Provisions are not recognised for future operating losses.

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. The increase in the provision due to the passage of time is recognised as an interest expense.

t) Employee benefits

i) 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.

ii) 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.

iii) Retirement benefit obligations

All Philippines employees of the Group are entitled to benefits from the superannuation plan on retirement, disability or death. There are two defined benefit schemes, for Salmat Services Inc and Microsourcing International Limited. The defined benefit plan expense for the plan is determined separately for each plan by independent actuarial valuations. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The discount rate applied is based on zero-coupon bond yields (using the RDST-R2 index) and compounded annually. The salary growth rate applied takes into account inflation, seniority, promotion, production, merit and other market factors. The salary growth rate affects all future years, and is considered to be the long-term growth rate. While these are significant actuarial assumption, due to the size of the defined benefit obligation, changes in these are not expected to have a material impact on the obligation at 30 June 2015.

iv) Share-based payments

Share-based compensation benefits are provided to employees of Salmat Limited. Information relating to these schemes is set out in note 30.

The fair value of options and deferred shares granted are recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and deferred shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Notes to the financial statements

30 June 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The share-based payment plans are administered by a Share Trust, which is consolidated in accordance with the consolidation principles in 1(b). When the options are exercised or deferred shares vest, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Shares in the Group held by the share trust are classified and disclosed as treasury shares and deducted from equity.

v) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent entity, 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 ordinary equity holders of the parent entity divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w) 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 statement of financial position.
- Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

x) 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.

y) Comparative amounts

The Group has reclassified certain prior year comparatives to align presentation with the current year.

z) Parent entity financial information

The financial information for the parent entity, Salmat Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Salmat Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

2 SEGMENT INFORMATION

a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. Individually immaterial operating segments and those with similar economic characteristics are aggregated for the purpose of identifying reportable segments. The Chief Executive Officer has identified two reportable segments which are as follows:

Consumer Marketing Solutions (CMS)

The CMS division consists of Universal Catalogue and Digital services focused on delivering the right offer to the right customer through the right channel. Universal Catalogue delivers seamless distribution of physical and digital catalogue content through our best of breed traditional letterbox division combined with Lasoo's universal catalogue platform. Digital solutions include ecommerce, email and SMS marketing.

CMS's Media and Digital solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, ecommerce, SMS, letterbox advertising and catalogue distribution.

Customer Engagement Solutions (CES)

CES helps Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, field sales services and learning and development solutions. CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile, SMS and field sales. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach, an enterprise class contact centre technology solution hosted in the cloud.

Corporate costs

Corporate costs are those costs which are managed on a Group basis and not allocated to business segments. They include costs of strategic planning decisions, compliance costs and treasury-related activities.

Interest revenue and finance costs are not allocated to segments, as this type of activity is driven by the corporate finance team, which manages the cash position of the Group.

Accounting policies

Segment revenues and expenses are those directly attributable to the segments.

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. As intersegment revenues are considered immaterial no disclosure of these is made below.

Measure of performance change from 2014

All references to EBITA have been updated to EBITDA in the current interim financial report. This has been performed to align presentation in the financial report to internal reports used by the Chief Executive Officer in assessing performance and provides more relevant information to the users of the financial statements.

Notes to the financial statements

30 June 2015

2 SEGMENT INFORMATION CONTINUED

b) Segment result

	Consumer Marketing Solutions \$'000	Customer Engagement Solutions \$'000	Corporate Costs \$'000	Total \$'000
2015				
Segment revenue				
Sales to external customers	268,763	227,355		496,118
Interest revenue				2,001
Total revenue				498,119
Underlying EBITDA before significant items	27,061	5,364	(19,136)	13,289
Depreciation and amortisation expense				14,648
Net finance costs				1,818
Underlying loss before income tax				(3,177)
Significant items (note 2c)				(91,290)
Loss before income tax				(94,467)
Income tax expense				(3,569)
Loss for the year				(98,036)

2014

Segment revenue				
Sales to external customers	259,176	187,898		447,074
Interest revenue				5,766
Total revenue				452,840
Underlying EBITDA before significant items	27,300	5,510	(14,587)	18,223
Depreciation and amortisation expense				11,533
Net finance costs				324
Underlying profit before Income tax				7,014
Significant items (note 2c)				(9,400)
Loss before Income tax				(2,386)
Income tax benefit				3,180
Profit for the year				794

c) Significant items

The chief operating decision maker (CODM) assesses the performance of the operating segments based on a measure of underlying EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, acquisition expenses, costs incurred in separating the BPO business, adjustments to contingency consideration and an impairment charge on intangible assets.

	Consolidated			
	2015 \$'000 Pre Tax	2015 \$'000 Post Tax	2014 \$'000 Pre Tax	2014 \$'000 Post Tax
Significant items included in total expenses				
Restructuring costs	4,002	2,801	2,625	1,838
Profit on sale of share in associate	(2,273)	(2,273)	-	-
Acquisition expenses	-	-	1,403	982
Separation costs following the sale of BPO division	-	-	7,800	5,460
Fair value adjustment on contingent consideration	(5,318)	(5,318)	(2,428)	(2,428)
Impairment charge (note 11)	94,879	94,488	-	-
Significant items	91,290	89,698	9,400	5,852

A measure of total assets and liabilities are not regularly provided to the CODM.

Notes to the financial statements

30 June 2015

2 SEGMENT INFORMATION CONTINUED

d) Geographical information

The following table presents Salmat's segment revenues and assets by geographical area.

	Segment revenues		Segment assets	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Australia	391,249	387,344	202,786	354,218
New Zealand	45,455	42,302	8,316	9,913
Philippines	57,490	21,733	17,611	28,698
Other	1,924	1,461	5,147	2,865
Total	496,118	452,840	233,860	395,694
Unallocated: deferred tax asset			14,079	16,703
Total			247,939	412,397

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

In 2015 two customers generated 10.2% and 7.4% of total revenue. In 2014 two customers generated 12.8% and 8.3% of total revenue.

3 REVENUE

	Consolidated	
	2015 \$'000	2014 \$'000
The Group derives the following type of revenue:		
Services	496,118	447,074
Finance income	2,001	5,766
Total	498,119	452,840

4 EXPENSES

	Consolidated	
	2015 \$'000	2014 \$'000
Depreciation		
Plant and equipment	11,092	9,581
Amortisation		
Customer intangibles	2,227	1,632
Other intangibles	1,329	320
Total amortisation	3,556	1,952
Depreciation and amortisation expense	14,648	11,533
Finance costs	3,820	5,441
Net loss on disposal of property, plant and equipment	62	189
Rental expense relating to operating leases	16,392	13,778
Net foreign exchange losses	29	67
Defined contribution superannuation expense	14,444	12,948
Share based payments expense	11	121
Fair value gain on other financial liabilities at fair value through profit and loss	(5,318)	(2,428)
Impairment of goodwill and intangible assets	94,879	-

Notes to the financial statements

30 June 2015

5 INCOME TAX AND DEFERRED TAX

	Consolidated	
	2015 \$'000	2014 \$'000
a) Income tax expense		
Current tax	2,304	2,440
Deferred tax	1,241	(3,560)
Adjustments for current tax of prior periods	24	(2,060)
Total income tax expense/(benefit)	3,569	(3,180)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before tax	(94,467)	(2,386)
Tax at the Australian tax rate of 30% (2014: 30%)	(28,340)	(716)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable deductions	1,374	178
Non-taxable income	(2,331)	–
Goodwill impairment	28,072	–
Research and development in prior year	–	(1,427)
Over provision for income tax in prior year	24	(633)
Difference in overseas tax rates	(2,036)	(473)
Share of joint ventures (profits)/losses not assessable	(191)	(109)
Unrecognised tax losses	6,997	–
Total income tax expense/(benefit)	3,569	(3,180)
c) Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	–	(279)
d) Tax losses		
Gross unused tax losses for which no deferred tax asset has been recognised	23,324	–
Potential benefit at 30%	6,997	–

The Group has recognised deferred tax losses to the extent that short term tax forecasts support their utilisation. The unrecorded tax losses of \$23 million are available for utilisation, however the Directors consider it prudent not to recognise these as their utilisation is not expected in the short term. However they will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

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 installments.

Notes to the financial statements

30 June 2015

5 INCOME TAX AND DEFERRED TAX CONTINUED

f) Non-current deferred tax assets

	Consolidated	
	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	197	468
Employee benefits	4,533	4,729
Property, plant & equipment	1,007	1,051
Intangibles	281	281
Accruals	535	4,763
Other provisions	2,703	588
Tax losses	4,823	4,823
	14,079	16,703
Movements:		
Opening balance at 1 July	16,703	13,781
(Charged)/credited to the income statement	(2,641)	3,099
Charged to equity	–	(279)
Acquisition of controlled entity	17	102
Closing balance at 30 June	14,079	16,703

Critical accounting estimate

The deferred tax assets include an amount of \$4.8 million which relates to carried forward tax losses of Salmat Limited. The Group has incurred losses over the last two financial years as a result of investment costs relating to the growth strategy. Management has exercised its judgement, and concluded that the deferred assets will be recoverable using the estimated future taxable income based on the Board-approved FY16 budget, business forecasts for FY17-FY18 and FY19-FY20 projections. The Group is expected to generate taxable income from FY17.

g) Non-current deferred tax liabilities

	Consolidated	
	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Intangible assets	2,473	2,820
Share-based payments	–	646
	2,473	3,466
Movements:		
Opening balance at 1 July	3,466	1,265
Credited to the income statement	(1,400)	(461)
Charged to equity	407	–
Acquisition of controlled entities	–	2,662
Closing balance at 30 June	2,473	3,466

6 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 \$'000	2014 \$'000
Cash at bank	48,623	116,842
Cash on hand	17	18
	48,640	116,860

\$15 million (2014: \$60 million) of cash at bank is held within term deposits and can be drawn down as required. \$485,000 (2014: \$794,000) of cash is held in trust and is restricted for use for the settlement of short-term and long-term incentives.

Notes to the financial statements

30 June 2015

7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Net trade receivables		
Trade receivables	50,727	52,502
Provision for impairment (note (a))	(851)	(2,589)
	49,876	49,913
Other receivables	7,525	5,404
	57,401	55,317

a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of \$850,894 (2014: \$2,589,763) were impaired. The individually impaired receivables mainly relate to clients, which are in an unexpectedly difficult economic situation.

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

	Consolidated	
	2015 \$'000	2014 \$'000
At 1 July	2,589	1,367
Allowance for impairment recognised during the year	33	280
Receivables written off during the year as uncollectible	(2,028)	(325)
Additions due to business combinations	–	1,338
Net exchange difference on translation of foreign operations	257	(71)
At 30 June	851	2,589

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 2015, trade receivables of \$10,048,000 (2014: \$9,255,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
1-30 days	7,551	7,527
31-60 days	1,314	1,188
greater than 60 days	1,183	540
	10,048	9,255

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. 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. Outstanding balances are unsecured and are repayable in cash.

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 Group does not hold any collateral as security. Refer to note 21 for more information on the risk management policy of the Salmat Group and the credit quality of the entity's trade receivables.

8 CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated	
	2015 \$'000	2014 \$'000
Prepayments	3,598	4,615
Withholding tax receivable	152	–
Recoverable deposits	1,198	1,081
	4,948	5,696

Notes to the financial statements

30 June 2015

9 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Related party receivable – joint venture	2,320	2,741
Recoverable deposits	546	–
Prepayments	415	–
Other receivables	2,832	1,042
	6,113	3,783

a) Fair values

The carrying amounts for all non-current receivables are a reasonable approximation of fair value.

b) Related party transaction

The loan to Reach Media NZ limited is considered to be a transaction with a related party. This is classified as a non-current receivables as they are not due for repayment until 30 June 2017, and is made on normal commercial terms and conditions and at market rates.

10 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000
At 30 June 2013	
Cost	96,614
Accumulated depreciation	(82,655)
Net book amount	13,959
Year ended 30 June 2014	
Opening net book amount	13,959
Additions	12,831
Disposals	4,704
Impairment	(209)
Depreciation charge	(9,581)
Net exchange difference on translation of foreign operations	243
Closing net book amount	21,947
At 30 June 2014	
Cost	114,112
Accumulated depreciation	(92,165)
Net book amount	21,947
Year ended 30 June 2015	
Opening net book amount	21,947
Additions	8,493
Disposals	(62)
Depreciation charge	(11,092)
Net exchange difference on translation of foreign operations	577
Closing net book amount	19,863
At 30 June 2015	
Cost	108,939
Accumulated depreciation	(89,076)
Net book amount	19,863

Notes to the financial statements

30 June 2015

11 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	Software Assets \$'000	Customer Intangible \$'000	Total \$'000
As at 30 June 2014				
Cost	173,153	11,394	26,704	211,251
Accumulated amortisation and impairment	(6,987)	(1,914)	(12,533)	(21,434)
Foreign currency translation impact	(32)	–	(441)	(473)
Net book amount	166,134	9,480	13,730	189,344
Year ended 30 June 2014				
Opening net book amount	149,104	5,238	1,940	156,282
Additions	17,062	4,562	13,863	35,487
Amortisation charge	–	(320)	(1,632)	(1,952)
Foreign exchange translation impact	(32)	–	(441)	(473)
Closing net book amount	166,134	9,480	13,730	189,344
Year ended 30 June 2015				
Opening net book amount	166,134	9,480	13,730	189,344
Additions	–	477	–	477
Amortisation charge	–	(1,329)	(2,227)	(3,556)
Impairment	(93,547)	–	(1,332)	(94,879)
Foreign currency translation impact	685	–	2,174	2,859
Closing net book amount	73,272	8,628	12,345	94,245
At 30 June 2015				
Cost	166,134	9,957	13,730	189,821
Accumulated amortisation and impairment	(93,547)	(1,329)	(3,559)	(98,435)
Foreign currency translation impact	685	–	2,174	2,859
Net book amount	73,272	8,628	12,345	94,245

In the current reporting period the Group has retrospectively decreased goodwill recognised for acquisitions made in the prior year by \$46,982 to reflect new information obtained about facts and circumstances that existed as at the acquisition date. The Group is still within the measurement period of one year from the acquisition date.

a) Impairment tests for goodwill

The Group performs impairment testing of goodwill annually, or at other times if there is an indicator of impairment.

As part of the products and services review during the second half of the year, the Group has reassessed its Cash Generating Units (CGUs). The impact of this reassessment is to divide the Consumer Marketing Solutions CGU into two CGUs – Media and Digital. These separate CGUs continue to form part of and be presented in the CMS reportable segment as Digital is not considered to be significant.

During the year the Group recognised the following impairment charges relating to intangible assets:

CES – goodwill impairment charge of \$64,613,000 recognised in 1H15 in order to bring the carrying value of CES in line with its recoverable amount. This impairment related to a number of items relating to the flow-on effect of delays in the Reach platform. Forecasts were revised based on the known timing of the Reach platform and market conditions, as well as a review of the Direct Sales business.

CMS – impairment charge of \$12,445,000 relating to goodwill and \$1,305,000 of customer intangibles for a recent acquisition that has not performed in accordance with expectations. A portion of this intangible impairment is offset by a cumulative \$6.2m writeback of contingent consideration relating to that acquisition (\$3.8m FY15; \$2.4m FY14).

Digital (in CMS segment) – impairment charge of \$16,516,000 in order to bring the carrying value of Digital goodwill and intangible assets in line with their recoverable amount. This impairment relates to a reassessment of the cash flow to be generated by the Digital business following completion of the product and services review.

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

	Consumer Marketing Solutions \$'000	Customer Engagement Solutions \$'000	Total \$'000
2015			
Goodwill	54,034	19,239	73,272
2014			
Goodwill	82,969	83,165	166,134

The recoverable amount of a CGU is determined based on value in use using discounted cash flow calculations.

Notes to the financial statements

30 June 2015

11 NON-CURRENT ASSETS – INTANGIBLE ASSETS CONTINUED

b) Key assumptions

In performing the value-in-use calculations for each CGU, the Group has applied the following key assumptions:

- Revenue forecasts for a five-year forecast period based on the detailed Board-approved FY16 budget, business forecasts for FY17-FY18 and projections for FY19-FY20. Average five-year growth rates are 3.7% for CES and 0.7% for CMS.
- Growth rates to extrapolate cash flows beyond the five-year period of 2.5% for CES and CMS.
- A discount rate applied to forecast pre-tax cash flows for both CES of 14.0% and CMS of 13.8% respectively (2014: 14.7%). The equivalent post-tax discount rate is 10.3% (2014: 10.3%).

Discount rates reflect the Group's estimate of the time value of money and the risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital of the Group and business risk specific to that segment. Risk related to operating in different geographic locations has been reflected in the underlying cash flows prior to applying the discount rate.

c) Critical accounting estimate

The value in use calculation requires management to exercise its judgement in the process of applying the key assumptions noted above.

d) Impact of possible changes in key assumptions

The Customer Engagement Solutions CGU's recoverable amount exceeds its carrying amount by \$1.8 million. All other things being equal, if the following reasonably possible changes occurred in the CES cash flow model's key assumptions, the CGU's recoverable amount would equal its carrying amount:

- a reduction in average annual revenue growth rates from 3.7% to 3.6%;
- a reduction in the terminal growth rate by 0.3%; or
- an increase in the post-tax discount by 0.2%.

12 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Trade payables	5,775	10,242
Accrued expenses	45,706	50,657
Other payables	3,786	4,597
	55,267	65,490

13 PROVISIONS

	Consolidated	
	2015 \$'000	2014 \$'000
Current		
Employee benefits – long service leave (note a)	4,825	5,140
Provision for surplus lease space (note c)	375	–
Employee benefits – annual leave	8,447	8,705
	13,647	13,845
Non-current		
Employee benefits – long service leave	1,186	1,440
Other provisions – lease make good (note b)	2,760	2,690
	3,946	4,130
Total provisions	17,593	17,975

Recent research concluded that there is a sufficiently observable, deep and liquid market in high quality corporate bonds in Australia. As a result, it is no longer appropriate to use a government bond rate to discount employee benefit liabilities and a corporate bond rate should be used to satisfy the requirements of AASB 119 Employee benefits.

As a consequence of the change of estimate, leave obligations liabilities have been measured at the corporate bond rate as at 30 June 2015. A gain of \$806,000 was recorded within the profit and loss. The impact is expected to decrease the interest cost on the leave obligations by \$34,000 in the next reporting period.

Notes to the financial statements

30 June 2015

13 PROVISIONS CONTINUED

a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Salmat Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Salmat Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2015 \$'000	2014 \$'000
Current leave obligations to be settled after 12 months	1,186	1,287

b) 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.

Movements in the lease make good provision is set out below:

	Consolidated	
	2015 \$'000	2014 \$'000
Carrying amount at start of year	2,690	2,920
Additional provision recognised	142	1,200
Provision utilised	(72)	(1,430)
Carrying amount at end of year	2,760	2,690

c) Provision for surplus leave space

As the Group no longer occupies some of its leased space, a provision has been made considering sub-lease opportunities, and reflects the least net cost alternative of exiting the lease. It is based on the cash flows for the unavoidable costs in meeting the obligations under the lease and any estimated future economic benefits from the lease.

14 BORROWINGS

	Consolidated	
	2015 \$'000	2014 \$'000
Current		
Bank loans	–	66,829
Lease liabilities	–	83
Total current borrowings	–	66,912
Non-current		
Bank loans	25,508	–
Lease liabilities	17	23
Total non-current borrowings	25,525	23
Total borrowings	25,525	66,935

a) Bank loans and bank overdraft

The bank loans are unsecured. Credit support is provided through negative pledge contained in the facility agreement and guarantee over the assets of certain Group companies.

The loans have been classified as non-current based on the expiry date of the loan facility agreements. The carrying amounts of assets pledged as guarantee for the borrowings are the full value of the assets held by certain members of the consolidated Group.

Notes to the financial statements

30 June 2015

14 BORROWINGS CONTINUED

b) Financing arrangements

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

	Consolidated	
	2015 \$'000	2014 \$'000
Floating rate		
Bank overdraft	1,000	1,000
Loan facilities	35,063	100,200
Guarantee facility	8,000	12,500
	44,063	113,700
Used at balance date		
Loan facilities	25,595	66,829
Guarantee facility	5,304	4,954
	30,899	71,783
Unused at balance date		
Bank overdrafts	1,000	1,000
Loan facilities	9,468	33,371
Guarantee facility	2,696	7,546
	13,164	41,917

The bank overdraft facilities may be drawn at any time. Interest-bearing liabilities recorded in the statement of financial position includes deferred borrowing costs. The current interest rates on loan facilities are 2.6% to 4.55% (2014: 4.6% to 5.0%) and on bank overdraft 4.25% (2014: 3.95% to 9.5%).

c) Fair value

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

Consolidated	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair Value \$'000
Bank loans	25,508	25,040	66,829	66,829
Lease liabilities	17	17	106	106
	25,525	25,057	66,935	66,935

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

15 OTHER FINANCIAL LIABILITIES

	Consolidated	
	2015 \$'000	2014 \$'000
Financial liabilities at fair value through profit or loss		
Contingent consideration	5,216	9,421
Put/call option	30,264	30,590
Purchase commitment	3,216	–
	38,696	40,011
Total other financial liabilities	38,696	40,011
Current	37,051	1,350
Non-current	1,645	38,661
Total other financial liabilities	38,696	40,011

All of the above financial liabilities at fair value through profit and loss arose as part of the purchase agreements of companies acquired during FY14.

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15 OTHER FINANCIAL LIABILITIES CONTINUED

Movements in other financial liabilities are set out below:

	Consolidated	
	2015 \$'000	2014 \$'000
Carrying amount at start of year	40,011	–
Amount recognised through business combinations	–	42,439
(Decrease)/increase in fair value	(5,318)	(2,428)
Unwinding of discount rate	1,793	–
Payment of contingent consideration	(958)	–
Commitment to purchase remaining shareholding of subsidiary	3,168	–
Carrying amount at end of year	38,696	40,011

Critical accounting estimate

In the process of calculating the fair value of these level 3 instruments (refer note 21), management has exercised its judgement due to unobservable market inputs. The fair value is estimated by calculating the present value of the future expected cash flows, and is based on probability-adjusted EBITDA forecasts of the relevant subsidiary, and discounted accordingly. The forecast EBITDA and application of an appropriate discount rate require a degree of judgement.

16 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

	Consolidated	
	2015 \$'000	2014 \$'000
Deferred profit	698	698

The deferred profit relates to profit on sale of a subsidiary's business to an associated entity Reach Media NZ Limited. This profit will be recognised on disposal or impairment of the investment in Reach Media NZ Limited.

17 CONTRIBUTED EQUITY

	Notes	Consolidated		Consolidated	
		2015 Shares '000	2014 Shares '000	2015 \$'000	2014 \$'000
a) Share capital					
Ordinary shares					
Fully paid	(b)	159,813	159,813	210,152	210,882
Treasury shares	(c)	–	(625)	–	(1,651)
		159,813	159,188	210,152	209,231

b) Ordinary share capital

There has been no movement in ordinary share capital in 2014 or 2015.

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.

c) Treasury shares

Treasury shares are shares in Salmat Limited that are held by the Salmat Limited employee share trust for the employee deferred share and option plan and are deducted from equity (see note 30 for further information).

Date	Details	Notes	Number of shares '000	\$'000
1 July 2013	Opening balance		1,545	5,388
	Employee deferred share and option plan issue	(d)	(73)	(245)
	Treasury shares sold		(847)	(3,492)
30 June 2014	Balance		625	1,651
1 July 2014	Opening balance		625	1,651
	Employee deferred share scheme and option plan issue	(d)	(253)	(596)
	Employee exempt share plan		(75)	(177)
	Other		(297)	(878)
30 June 2015	Balance		–	–

Notes to the financial statements

30 June 2015

17 CONTRIBUTED EQUITY CONTINUED

d) Employee deferred share and option plan

Information relating to the employee deferred share and option plan, including details of deferred shares and options issued, and exercised under the schemes, are set out in note 30.

e) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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 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 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 statement of financial position plus net debt.

As a company is in a net cash position, the monitoring and forecasting of the net cash position is a key measure that capital management targets are assessed against. At 30 June 2015 the Company had a net cash position of \$ 23,115,000 (2014: \$49,925,000).

18 OTHER RESERVES AND RETAINED EARNINGS

	Consolidated	
	2015 \$'000	2014 \$'000
a) Other reserves		
Hedging reserve – cash flow hedges	–	–
Share-based payments reserve	2,105	2,751
Foreign currency translation reserve	1,337	569
Business combination reserve	(33,907)	(30,739)
	(30,465)	(27,419)

	Consolidated	
	2015 \$'000	2014 \$'000

Movements:

Hedging reserve – cash flow hedges

Balance 1 July	–	(652)
Revaluation	–	–
Reclassification to income statement	–	931
Deferred tax	–	(279)
Balance 30 June	–	–

Movements:

Share-based payments reserve

Balance 1 July	2,751	4,488
Shares and options expense	11	121
Treasury shares vested and issued	(657)	(1,858)
Balance 30 June	2,105	2,751

Movements:

Foreign currency translation reserve

Balance 1 July	569	(2,437)
Exchange differences transferred to the income statement	–	1,567
Exchange differences on translation of foreign operations	768	1,439
Balance 30 June	1,337	569

Movements:

Acquisition reserve

Balance 1 July	(30,739)	–
Recognition of put/call option on acquisition of subsidiary	–	(30,739)
Commitment to purchase remaining shareholding of subsidiary	(3,168)	–
Balance 30 June	(33,907)	(30,739)

Notes to the financial statements

30 June 2015

18 OTHER RESERVES AND RETAINED EARNINGS CONTINUED

	Consolidated	
	2015 \$'000	2014 \$'000
b) Retained earnings		
Balance 1 July	26,609	50,379
Net profit for the year attributable to owners of the Company	(100,550)	261
Remeasurement of retirement benefit obligation recognised directly in retained earnings	135	(59)
Dividends	(11,986)	(23,972)
Balance 30 June	(85,792)	26,609

c) Nature and purpose of other reserves

i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

ii) Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued but not exercised, the grant date fair value of deferred shares granted to employees but not yet vested and the issue of shares held by the Salmat Limited employee share trust to employees.

iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d). The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

iv) Business combination reserve

The business combination reserve arises from transactions with non-controlling interests, where commitments are made or there are obligations to purchase the remaining shares of subsidiaries that are not wholly owned. Initial recognition is through this reserve, any subsequent changes in the fair value of the liability are recognised through the income statement.

19 DIVIDENDS

	Consolidated	
	2015 \$'000	2014 \$'000
a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2014 of 7.5 cents (2013: 7.5 cents) per fully paid share paid on 18 September 2014.	11,986	11,986
Interim ordinary dividend for the year ended 30 June 2014 of 7.5 cents per fully paid share paid on 3 April 2014	–	11,986
	11,986	23,972
Paid in cash	11,986	23,972

b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the Directors have recommended no dividend payment per fully paid ordinary share (2014: 7.5 cents).

	–	11,986
	–	11,986

c) Franked dividends

The franked portions of any dividends recommended after 30 June 2015 will be franked out of existing franking credits.

Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	33,052	38,189
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

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

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30 June 2015

20 GROUP INTERESTS, AND RELATED PARTIES

a) Parent entity

The ultimate parent entity within the group is Salmat Limited.

b) Subsidiaries

The Group's material subsidiaries and interests in these at the end of the reporting period are as follows:

			Equity Holding	
			2015	2014
			%	%
Local Direct Network Pty Limited *	Australia	Ordinary	100	100
Salmat MediaForce Pty Limited *	Australia	Ordinary	100	100
SalesForce Australia Pty Ltd *	Australia	Ordinary	100	100
SalesForce New Zealand Limited	New Zealand	Ordinary	100	100
Salmat Digital Pty Limited *	Australia	Ordinary	100	100
SalesForce Direct Sales Pty Limited *	Australia	Ordinary	100	100
MicroSourcing Philippines Inc **	Philippines	Ordinary	50	50
MicroSourcing International Ltd **	Hong Kong	Ordinary	50	50

* These subsidiaries have been granted relief from the necessity to prepare financial report in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 29.

** The Group owns 50% of the issued capital. The Directors have control over these entities as they are able to control the Board and direct the day to day running of these entities through key clauses in the shareholder agreement. It is considered appropriate to consolidate these entities. Share of income related to non-controlling interest has been disclosed as minority interest.

c) Non-controlling interests

Set out below is summarised information for each subsidiary that has non-controlling interests that in the opinion of the Directors are material to the Group. The amounts disclosed are before inter-company eliminations.

		MicroSourcing International Limited – consolidated	
		2015	2014 *
		\$'000	\$'000
Summarised balance sheet			
Current assets		14,926	9,698
Current liabilities		5,107	6,047
Current net assets		9,819	3,651
Non-current assets		5,713	4,193
Non-current liabilities		601	301
Non-current net assets		5,112	3,892
Net assets		14,931	7,543
Accumulated NCI		12,172	8,519
Summarised statement of comprehensive income			
Revenue		48,711	15,213
Profit for the period		5,297	1,393
Other comprehensive income		270	(59)
Total comprehensive income		5,567	1,334
Profit/(loss) allocated to NCI		2,514	533
		2015	2014 *
		\$'000	\$'000
Summarised cash flows			
Cash flows from operating activities		7,424	2,794
Cash flows from investing activities		(3,243)	(432)
Cash flows from financing activities		(600)	(582)
Net increase in cash and cash equivalents		3,581	1,780

* Information presented is for the period from date of acquisition, 13 February 2014.

Notes to the financial statements

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20 GROUP INTERESTS, AND RELATED PARTIES

d) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group at 30 June 2015. These are both accounted for using the equity method.

Name of Company	Principal activity	Ownership interest		Carrying amount	
		2015 %	2014 %	2015 \$'000	2014 \$'000
<i>Unlisted – no quoted prices available</i>					
Reach Media NZ Limited, New Zealand (Joint Venture)	Unaddressed mail distribution	50	50	2,585	2,058
Online Media Holdings Pty Ltd (Associate)	Online location based services	29	47	-	-
				2,585	2,058
				Consolidated	
				2015	2014
				\$'000	\$'000
Carrying amount at the beginning of the financial year				2,058	1,701
Foreign exchange loss				(24)	-
Share of profits recognised, after income tax				551	357
Carrying amount at the end of the financial year				2,585	2,058

21 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market (including foreign currency and, interest rate risk), credit and liquidity risk. 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 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 risks; aging analysis for credit risk and rolling cash flow forecasts for liquidity 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 non derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	48,640	116,860
Trade and other receivables	63,514	59,100
Other financial assets	-	1,081
	112,154	177,041
Financial liabilities		
Trade and other payable	55,267	65,490
Borrowings	25,525	66,935
Other financial liabilities	38,696	40,011
	119,488	172,436

a) Market risk

i) Foreign exchange risk

The 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 Group's income and operating cash flows are not materially exposed to any particular foreign currency.

The US dollar denominated bank loans are expected to be repaid with receipts from US denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the 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.

During 2014 and 2015, the Group's borrowings at variable rate were mainly denominated in Australian dollars and US dollars. As at 30 June 2015 the Group is in a net cash position, and so the Group's exposure to interest rate risk considered minimal.

Notes to the financial statements

30 June 2015

21 FINANCIAL RISK MANAGEMENT CONTINUED

b) Credit risk

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

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 clients is assessed and the use of credit ratings and other information in order to set appropriate account limits. Clients that do not meet minimum credit criteria are required to pay up front. Clients who fail to meet their account terms are reviewed for continuing credit worthiness.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 51. As at 30 June 2015, the Group's exposure to clients with a balance greater than \$1 million totalled \$6.8 million (2014: \$5.8 million). The Group does not consider that there is any significant concentration of credit risk.

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. 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 Group's and the parent entity's financial liabilities, net and gross settled non-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.

Contractual maturities of financial liabilities	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
At 30 June 2015							
<i>Non-derivatives</i>							
Trade payables	55,267	-	-	-	-	55,267	55,267
Borrowings (excluding finance leases)	-	-	-	25,508	-	25,508	25,508
Finance lease liabilities	17	-	-	-	-	-	17
Other financial liabilities	1,480	37,039	1,908	-	-	40,427	38,696
Total non-derivatives	56,764	37,039	1,908	25,508	-	121,202	119,488
At 30 June 2014							
<i>Non-derivatives</i>							
Trade payables	65,490	-	-	-	-	65,490	65,490
Borrowings (excluding finance leases)	66,829	-	-	-	-	66,829	66,829
Finance lease liabilities	43	43	26	-	-	112	106
Other financial liabilities	-	1,350	3,076	39,128	-	43,554	40,011
Total non-derivatives	132,362	1,393	3,102	39,128	-	175,985	172,436

d) Fair value measurements

i) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The contingent considerations payable, put/call option and purchase commitment associated with business combinations completed in 2014 are classified as level 3 financial liabilities.

The Group has no level 1 or level 2 financial liabilities, and no material financial assets requiring fair value measurement.

ii) Valuation techniques

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.

The fair value for contingent considerations, the put/call option and purchase commitment have been calculated using a discounted cash flow model with the key inputs being the discount rate and the expected future earnings growth rate.

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21 FINANCIAL RISK MANAGEMENT CONTINUED

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2015 \$'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationships of unobservable inputs to fair value
Contingent consideration – MicroSourcing	3,571	Discount rate	4.24%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would result in a fair value increase of \$302,930
Put/call option – MicroSourcing	30,264	Expected future earnings growth	24-55%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would result in a fair value increase of \$3,275,067
		Discount rate	4.24%	
Contingent consideration – Other acquisitions	1,645	Expected future earnings growth	20->100%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would result in a fair value increase of \$408,569
		Discount rate	4.32%	
Purchase commitment – Fuse	3,216	Expected future earnings growth	9%	There is a minimum exercise price of \$3,360,000. Expected future earnings growth increase of greater than 45% would result in the exercise price exceeding this minimum.
		Discount rate	4.24%	

iii) Valuation process

The finance team of the Group performs the valuations required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Risk and Compliance Committee (ARCC). Discussions of valuation processes and results are held between the CFO, ARCC and the finance team at least once every six months, in line with the Group's half-yearly reporting periods. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial liabilities are determined using a rate that reflects current market assessments of the time value of money.
- Expected future earnings growth that determine contingent consideration are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

22 (LOSS)/EARNINGS PER SHARE

	Consolidated	
	2015	2014
a) Basic (loss)/earnings per share		
Earnings per share attributable to owners of Salmat Limited	(61.3)	0.2
Earnings per share for (loss)/profit	(62.9)	0.2

b) Diluted (loss)/earnings per share

Diluted earnings per share attributable to owners of Salmat Limited	(61.3)	0.2
Diluted earnings per share for (loss)/profit	(62.9)	0.2

c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2015 \$'000	2014 \$'000
(Loss)/profit for the year attributable to owners of Salmat	(100,550)	261
(Loss)/profit for the year	(98,036)	794

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

	Consolidated	
	2015 Quantity '000	2014 Quantity '000
Weighted average number of shares on issue used to calculate basic EPS	159,813	160,438
Effect of dilutive securities – weighted average number of options outstanding	–	1,521
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	159,813	161,959

Notes to the financial statements

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22 (LOSS)/EARNINGS PER SHARE CONTINUED

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 30.

23 KEY MANAGEMENT PERSONNEL

Key management personnel compensation

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	2,326,703	2,173,512
Long-term benefits	2,245	10,384
Post-employment benefits – Defined contribution fund contributions	93,611	71,415
Share-based payments	224,237	51,653
	2,646,796	2,306,964

Detailed remuneration disclosures are provided in the remuneration report on pages 12-22. Short-term employee benefits excludes termination payments of \$1,050,460 (2014: \$204,205). There are no transactions with key management personnel or entities related to them, other than remuneration detailed.

24 REMUNERATION OF AUDITORS

PricewaterhouseCoopers (PwC) was appointed at the 2014 Salmat AGM. During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices:

	Consolidated	
	2015	2014
	\$	\$
Amounts received, or due and receivable by auditors of the company:		
PricewaterhouseCoopers:		
Audit and half year review of the financial reports	345,700	276,750
Other services		
– assurance related	9,800	5,500
– tax compliance	–	–
	355,500	282,250
Member firms of PricewaterhouseCoopers in relation to subsidiaries of Salmat for:		
Audit of the financial reports	62,848	12,000
	62,848	12,000

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group is compelling.

25 CONTINGENT LIABILITIES

a) Legal and regulatory proceedings

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business. Currently one claim has the potential to proceed to a hearing, however the Group's legal advice is that it is in a strong position to successfully defend the claim.

There are no other claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's financial position. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

b) Guarantees

	2015	2014
	\$	\$
Guarantees in respect of performance under contracts and premise leases	5,304	4,954
	5,304	4,954

These guarantees may give rise to liabilities in the Salmat Group if the subsidiaries do not meet their obligations under the terms of the leases or overdraft subject to the guarantees.

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26 COMMITMENTS

Lease commitments

i) Non-cancellable operating leases

The 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	
	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	20,743	14,701
Later than one year but not later than five years	52,362	31,396
Later than five years	4,646	8,190
	77,751	54,287

ii) Finance leases

The Group leases various plant and equipment under finance lease expiring within five years. This totals \$17,000 (2014: \$106,000).

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since 30 June 2015 that have significantly affected, or may significantly affect:

- i) the Group's operations in future financial years; or
- ii) the results of those operations in future financial years; or
- iii) the Group's state of affairs in future financial years.

28 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2015 \$'000	2014 \$'000
(Loss)/profit for the year	(98,036)	794
Depreciation and amortisation	14,648	11,533
Impairment loss	94,879	–
Non-cash financing costs	1,702	91
Non-cash employee benefits share based payments	270	121
Non-cash retirement benefits expense	381	–
Fair value adjustment – other financial liabilities	(5,318)	(2,428)
Exchange differences transferred to income statement	–	1,567
Net loss on sale of non-current assets	62	189
Net gain on sale of share in associate	(2,273)	–
Share of net profit of joint venture	(551)	(357)
Interest revenue	(2,001)	(5,766)
Finance costs	3,820	5,441
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in trade and other receivables	(4,412)	2,877
Decrease in inventories	624	564
Decrease/(increase) in other assets	745	(1,370)
Decrease/(increase) in deferred tax assets	2,624	(3,096)
(Decrease)/increase in trade and other payables	(11,524)	2,578
Increase in provision for income taxes payable	395	2,063
(Decrease) in provision for deferred income tax	(1,400)	(460)
(Decrease) in other provisions	(382)	(1,833)
Net cash (outflow)/inflow from operating activities	(5,747)	12,508

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30 June 2015

29 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 MediaForce Pty Limited
- Salmat SalesForce Pty Limited
- SalesForce Australia Pty Ltd
- Salmat Digital Pty Limited
- Salmat MSI Pty Limited
- Salmat International Pty Limited

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

a) Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

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 earnings for the year ended 30 June 2015 of the Closed Group.

	2015 \$'000	2014* \$'000
Consolidated income statement		
(Loss) before income tax	(114,265)	(10,694)
Income tax (expense)/benefit	(3,367)	4,880
Loss after tax	(117,632)	(5,814)
Profit from discontinued operations	-	-
Loss for the year	(117,632)	(5,814)
Consolidated statement of comprehensive income		
(Loss) for the year	(117,632)	(5,814)
Other comprehensive income		
Cash flow hedges	-	931
Income tax relating to components of other comprehensive income	-	(279)
Exchange differences on translation of foreign operations	1,772	-
Other items that may not be reclassified subsequently to profit of loss – Actuarial losses on retirement benefit obligation	270	-
Other comprehensive income for the year, net of tax	2,042	652
Total comprehensive income for the year	(115,590)	(5,162)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	24,465	52,734
(Loss) for the year	(117,632)	(5,814)
Change of entities within the Closed Group	18,049	1,517
Dividends provided for or paid	(11,986)	(23,972)
Retained earnings at the end of the financial year	(87,104)	24,465

* In the prior year the following companies were also included in the Deed of Cross Guarantee: Local Direct Network Pty Ltd, Vecommerce Ltd, SDS Data Insights Pty Ltd, Pardrive Pty Ltd, SalesForce Services Pty Ltd, Tri Screen Entertainment Pty Ltd, Lasoo Pty Ltd, SalesForce Global Pty Ltd, SalesForce Direct Sales Pty Ltd, C4 Communication Pty Ltd and MessageNet Pty Ltd.

Notes to the financial statements

30 June 2015

29 DEED OF CROSS GUARANTEE CONTINUED

b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2015 of the Closed Group.

	2015 \$'000	2014 \$'000
Current assets		
Cash and cash equivalents	48,265	108,238
Trade and other receivables	55,559	41,977
Current tax receivable	–	10
Inventories	9	637
Other current assets	4,907	5,213
Total current assets	108,740	156,075
Non-current assets		
Receivables	6,112	118,473
Other financial assets	4,001	3,721
Property, plant and equipment	19,563	16,505
Deferred tax assets	13,498	16,279
Intangible assets	92,951	173,199
Total non-current assets	136,125	328,177
Total assets	244,865	484,252
Current liabilities		
Trade and other payables	54,486	56,583
Borrowings	–	58,047
Derivative financial instruments	661	–
Other financial liabilities (current)	37,050	–
Provisions	13,394	12,094
Total current liabilities	105,591	126,724
Non-current liabilities		
Payables	1,645	125,173
Borrowings	25,525	–
Provisions	3,733	4,439
Deferred tax liabilities	2,473	1,509
Retirement benefit obligation	852	–
Other liabilities	698	–
Total non-current liabilities	34,926	131,121
Total liabilities	140,517	257,845
Net assets	104,348	226,407
Equity		
Contributed equity	210,152	200,690
Reserves	(30,331)	1,252
Retained earnings	(87,104)	24,465
Non-controlling interest	11,631	–
Total equity	104,348	226,407

Notes to the financial statements

30 June 2015

30 SHARE-BASED PAYMENTS

a) Employee Option Plan

The Salmat Executive Performance Option Plan allows the Company to grant performance rights in the form of zero price options over shares to key executives. The plan is designed to provide long-term incentives for senior managers and above to deliver long term shareholder returns. Under the plan participants are offered rights to purchase shares if certain performance standards are met. The consideration for the right is zero. The amount of rights that vest depends on Salmat's Total Shareholder Return (TSR), EPS and non-financial measures. There is also a service condition attached to each tranche of performance rights in that the executive must also be employed by the Company at the date of assessment of the right.

Participation in the plan is at the Board's discretion. Rights generally may not be transferred and do not carry any voting rights or the right to dividends. Quotation of rights on the ASX will not be sought. However, the Company will apply for official quotation of shares issued on the exercise of rights. Shares issued on the exercise of rights will rank equally with other shares of the Company.

A right 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 right is granted, subject to the applicable performance hurdles detailed above and other exercise restrictions.

Once vested, the right remains exercisable for a period 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.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated – 2015								
Apr 14	Apr 15	–	257,643	–	–	(257,643)	–	–
Aug 13	Sep 16	–	481,416	–	(316,823)	–	164,593	–
Aug 12	Sept 15	–	333,781	–	(243,446)	–	90,335	–
Dec 12	Sept 15	–	17,027	–	–	–	17,027	–
Total			1,089,867		(560,269)	(257,643)	271,955	–
Weighted average exercise price								
			–	–	–	–	–	–
Consolidated – 2014								
Apr 14	Apr 15	–	–	257,643	–	–	257,643	–
Aug 13	Sep 16	–	–	644,856	(163,440)	–	481,416	–
Aug 12	Sept 15	–	503,595	–	(132,232)	(37,582)	333,781	–
Dec 12	Sept 15	–	17,027	–	–	–	17,027	–
Total			520,622	902,499	(295,672)	(37,582)	1,089,867	–
Weighted average exercise price								
			–	–	–	–	–	–

Fair value of rights granted

The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using an adjusted form of the Black Scholes model which includes a Monte Carlo simulation that takes into account the exercise price, the term of the option, the impact of dilution (where material), 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 the rights issued during the year ended 30 June 2014 included:

August 13 Grant

- Share price at date of grant: \$2.06 on 24 July 2013
- Rights issued have no exercise price
- Risk free interest rate: 2.63% on 24 July 2014
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 6.1%
- Expiry and vesting date: 1 September 2016

April 14 Grant

The rights issued were based on the weighted average market price during the five day trading up to including the grant.

There were no rights issued during the year ended 30 June 2015.

Notes to the financial statements

30 June 2015

30 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. 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.

Long-term incentives to the Chief Executive Officer and senior managers are made by way of grants of deferred shares subject to service and performance conditions under Salmat's Deferred Employee Share Plan. From July 2012 the Group ceased issuing grants of deferred shares under this plan. This was replaced by issue of Performance Rights.

Grant date	Date vested and exercisable	Expiry date	Fair value per share at grant date
February 2012	September 2014	September 2014	\$2.32
February 2012	September 2014	September 2014	\$1.07

The assessed fair value at grant date of deferred shares granted to individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Fair value at grant date is independently determined using a Binomial Approximation Valuation option pricing model and a Monte Carlo simulation model that takes into account share price at grant date and expected price volatility of the underlying share, exercise price, the expected dividend yield and the risk free interest for the term of the deferred share.

All of the shares under the deferred employee share plan lapsed in September 2014 due to performance hurdles not being met.

Details of shares in the Company provided as remuneration to key management personnel of the parent entity and the Group are set out below.

	2015 Number of shares '000	2014 Number of shares '000
Exempt Employee Share Plan		
Opening balance	148	284
Transfers/disposals	(148)	(209)
Acquisitions	-	73
Closing balance	-	148
Deferred Employee Share Plan		
Opening balance	487	1,503
Transfers/disposals	(487)	(1,016)
Acquisitions	-	-
Closing balance	-	487

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Rights issued under employee option plan	13	353
Rights issued under deferred employee share scheme	(2)	(232)
	11	121

Notes to the financial statements

30 June 2015

31 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Parent Entity	
	2015 \$'000	2014 \$'000
Statement of financial position		
Current assets	38,021	112,677
Non-current assets	104,339	149,619
Total assets	142,360	262,296
Current liabilities	24,378	89,119
Non-current liabilities	18,735	1,243
Total liabilities	43,113	90,362
Shareholders' equity		
Contributed equity	210,151	210,882
Reserves	(2,471)	2,117
Retained earnings	(108,433)	(41,065)
	99,247	171,934
(Loss)/profit for the year	(56,527)	16,463
Total comprehensive (loss)/income	(56,527)	16,463

b) Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the deed of cross guarantee and the subsidiaries subject to the deed are disclosed in note 29.

c) Contingencies and commitments

For information about contingent liabilities and commitments contracted by the parent entity please see note 26.

Directors' declaration

30 June 2015

In the Directors' opinion:

- a) the financial statements and notes set out on pages 25 to 60 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 consolidated entity's financial position as at 30 June 2015 and of its performance 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) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 29 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 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chairman and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

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



Peter Mattick
Chairman



John Thorn
Director

Sydney
25 August 2015

Independent auditor's report

to the members of Salmat Limited



REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Salmat Limited (the company), which comprises the statement of financial position as at 30 June 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Salmat Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of Salmat Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards including the Australian Accounting Interpretations and the *Corporations Regulations 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

DX 77 Sydney, Australia

T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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Independent auditor's report

to the members of Salmat Limited



REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 12 to 22 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Salmat Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'S. Horlin', with a long horizontal flourish extending to the right.

Susan Horlin
Partner

Sydney
25 August 2015

Shareholder information

As at 4 September 2015

SHARES AND OPTIONS

Shares on issue 159,812,799
Performance rights on issue 151,393

DISTRIBUTION OF SHAREHOLDINGS AS AT 4 SEPTEMBER 2015

Range	Total holders	Units	% issued capital
1 to 1,000	1,109	471,392	0.29
1,001 to 5,000	1,139	2,999,580	1.88
5,001 to 10,000	352	2,660,035	1.66
10,001 to 100,000	303	7,727,645	4.84
100,001 and Over	34	145,954,147	91.33
Total	2,937	159,812,799	100.00

There were 861 holders of less than a marketable parcel of shares.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT 4 SEPTEMBER 2015

Name	Units	% issued capital
TEAMNEWS PTY LIMITED	34,917,120	21.85
TEAMDATE PTY LIMITED	29,415,964	18.41
J P MORGAN NOMINEES AUSTRALIA LIMITED	17,585,015	11.00
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	17,220,737	10.78
CITICORP NOMINEES PTY LIMITED	11,726,038	7.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,595,419	6.63
MR PHILIP JOHN SALTER	5,099,113	3.19
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,826,601	3.02
NATIONAL NOMINEES LIMITED	3,509,279	2.20
SANDHURST TRUSTEES LTD <SISF A/C>	1,550,000	0.97
BT PORTFOLIO SERVICES LIMITED <SALTER FAMILY S/FUND A/C>	1,469,019	0.92
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,136,517	0.71
PACIFIC CUSTODIANS PTY LIMITED SLM PLANS CTRL A/C	1,112,689	0.70
BKI INVESTMENT COMPANY LIMITED	1,089,951	0.68
MATTICK FAMILY RETIREMENT & PENSION FUND NO 2 PTY LTD <MATTICK FAM S/FUND NO2 A/C>	546,284	0.34
MATTICK FAMILY RETIREMENT & PENSION FUND PTY LTD <MATTICK FAM S/FUND NO1 A/C>	531,826	0.33
DARRELL JAMES HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	500,000	0.31
TEAMNEWS PTY LTD <MATTICK FAMILY A/C>	364,522	0.23
TEAMNEWS PTY LTD <MATTICK FAMILY A/C>	282,189	0.18
LEE SUPER PTY LTD <LEE FAMILY SUPER FUND A/C>	261,013	0.16

SUBSTANTIAL SHAREHOLDERS AS AT 28 AUGUST 2015

Name	Units	% issued capital
Mr Peter Mattick	36,958,121	23.13
Mr Philip J Salter	36,550,719	22.87
Allan Gray Investment Mgt	30,977,480	19.38
Investors Mutual	21,598,442	13.51
Celeste Funds Mgt	10,191,915	6.38

No changes in substantial holders have been notified to the company in accordance with 617B of the *Corporations Act 2001* since that time.

Directory

SALMAT LIMITED

ABN 11 002 724 638

REGISTERED OFFICE

Level 3, 116 Miller Street
North Sydney NSW 2060

Telephone: (02) 9928 6500

Facsimile: (02) 9928 6652

www.salmat.com.au

DIRECTORS

Peter Mattick Chairman

Fiona Balfour Non-executive Director (Independent)

Ian Elliot Non-executive Director (Independent)

Philip Salter Non-executive Director

John Thorn Non-executive Director (Lead Independent)

Mark Webster Non-executive Director (Independent)

COMPANY SECRETARY

Stephen Bardwell

AUDITORS

PricewaterhouseCoopers

GPO Box 2650

Sydney NSW 1171

BANKERS

Australia and New Zealand Banking Group Limited

SHARE REGISTRY

Link Market Services

Locked Bag A14

Sydney South NSW 1235

Telephone: 1300 554 474 or (02) 8280 7111

International: +61 2 8280 7111

Facsimile: (02) 9287 0303

www.linkmarketservices.com.au

STOCK EXCHANGE LISTING

Salmat Limited shares are listed on the
Australian Securities Exchange.

ASX code: SLM

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at:

10.00am Friday 27 November 2015

Museum of Sydney

Corner Bridge and Phillip Streets

Sydney NSW 2000

Please refer to the formal Notice of Meeting for full details.

KEY DATES

Annual General Meeting 27 November 2015

Half year results February 2016

Full year results August 2016

The Australian Securities Exchange will be notified of any changes to these dates.



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