Salmat Limited ABN 11 002 724 638
Half Year Financial Report
For the six months ended 31 December 2018

Contents

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

HALF-YEAR REPORT
31 December 2018

Results for announcement to the market

	Half year ended 31-Dec-18 $m	Half year ended 31-Dec-17 $m	% Change Increase / (Decrease)
Total revenue	127.4	130.5	(2%)
Underlying earnings before interest, income tax, depreciation and amortisation from continuing operations (Underlying EBITDA)[1]	10.8	12.7	(15%)
Underlying profit after income tax for the period attributable to members from continuing operations [1]	6.9	8.4	(18%)
Statutory profit after income tax for the period attributable to members from continuing operations	6.2	6.2	-
NTA backing Net tangible assets per ordinary security	0.38c	0.37c	3%
Fully franked dividends			
Interim dividend - Record date 28 February 2019 payment date 28 March 2019	$0.01cps	$0.01cps	

Explanation of results

Refer to the attached ASX announcement for commentary on the results.
The information contained in this report is to be read in conjunction with the 2018 Annual Report and any announcements to the market by Salmat Limited during the period.

[1] Adjusted for significant items, refer to note 2 in the notes to the financial statements for the significant items excluded in the underlying EBITDA and underlying profit after income tax for the period. For the period to December 2018 significant items included restructuring costs and cost relating to collation proof of concept. For the period to December 2017 significant items included restructuring costs and costs relating to the strategic review.

Directors' report

The Directors present their report on the consolidated entity consisting of Salmat Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 collectively referred to as the Group.

DIRECTORS

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

Peter Mattick AM (Chairman)
Mark Webster
Bart Vogel
Stuart Nash

Operating and financial review

The Board presents the interim 2019 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 2019 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group.

Salmat's operations

Principal activities

Salmat is a marketing services provider. We help clients connect with their customers, week-in, week-out. Salmat's unique combination of targeted letterbox and online channels enables clients to effectively Reach, Convert and Serve their customers, improving business performance.

Salmat deploys these key competences across two business segments:

a) The Marketing Solutions segment 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 national letterbox distribution, digital catalogues, pre-shopping website Lasoo, e-commerce, search (SEO, SEM and display advertising) and email.

b) The Managed Services segment provides outsourced business solutions - including back-office processes and digital creative, development services and contact centre services - which are provided via an innovative range of managed service delivery models.

Key developments

2019 half year operating results summary

$ million	**HY1 2019**	**HY1 2018**	**% change (pcp)**
Continuing operations			
Total revenue	127.4	130.5	-2%
Underlying EBITDA from continuing operations	**10.8**	**12.7**	**-15%**
Depreciation and amortisation	-2.2	-3.3	-33%
Underlying EBIT from continuing operations	**8.6**	**9.4**	**-9%**
Significant items (note 2)	-0.7	-2.2	-68%
Net interest	0.4	-0.4	-200%
Tax expense	-2.1	-0.6	250%
NPAT from continuing operations	**6.2**	**6.2**	0%
Profit from discontinued operations	-1.4	5.3	-126%
NPAT for the period	**4.8**	**11.5**	**-58%**

Revenue from continuing operations of $127.4m included a reduction of $4.3m relating to AASB 15 which affected the Marketing Solutions segment. This segment also had a new major client win late in the half and will see more revenue flowing through in the second half of the year. The catalogue industry continues to face volume decline with the impact being felt in the first half combined with expired contracts in the e-commerce business. Managed Services continued to perform strongly with increased growth in headcount of 8.8% leading to a half year revenue increase of $7.3m. Growth in existing client spend for the half year was $5.3m as customers continued to increase headcount and trust in the managed operations model.

Underlying EBITDA from continuing operations of $10.8m was down 15% on the prior year $12.7m after adjusting for discontinued operations. An increase in the relative cost of distribution was a major driver for the lower result as volume decline impacted the network. Managed Services invested in new facilities during the half year with margins expected to improve as utilisation increases. Corporate costs have reduced through lower executive management costs post sale of the Contact business.

Significant items for the half year were $0.7m including restructuring costs of $0.5m and collation proof of concept costs of $0.2m, as the Group used a third party provider for collated letterbox material during the first phase of the collation trial.

Net profit after tax from continuing operations was $6.2m for the half year and included a tax expense of $2.1 m. A loss of ($1.3m) from discontinued operations represents cost incurred in separating the Contact business from the Group.

The Board has elected to pay an interim dividend of 1.0 cent per share.

Financial position and cash flows

Operating cash inflows of $4.4m before income tax for the half year was a decrease of $3.5m on the prior year $7.9m. Impacting the decrease in operating cash flows were timing differences from supporting the Contact separation, restructuring costs and payments for collation proof of concept.

Property, plant and equipment additions were $3.9m as Managed Services added new facilities ($2.4m) during the half and Marketing Solutions purchased collation machinery ($0.8m). Depreciation and amortisation was lower this half compared to the prior year as data centre and Workday implementation assets were fully depreciated at 30 June 2018.

Current liabilities decreased by ($24.6m) over the half as dividends were paid ($16.0m), trade payables relating to terminated contracts ($0.5m), advisor fees ($1.5m), payments for employee related costs ($2.3m) and onerous lease contracts settled ($0.6m) and other timing differences as compared to prior periods

The Group ended the period with net assets of $130.8m, an increase of 1.1% as compared to 30 June 2018.

Business strategy

Salmat's core business strategy is to be the leading Australian marketing partner, enabling our clients to understand and successfully reach all Australian consumers with targeted, data-driven communications.

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.

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. Salmat has established a management-led Risk Management Committee that directs the implementation and operation of an appropriate risk management framework and culture.

Salmat's profitability is directly related to the economic environment, particularly the Australian retail sector. The main risks affecting Salmat include operational risks associated with the reliance on a large number of independent contractors, numerous technology applications in addition to key regulatory risks, external factors and financial risks.

The current economic and competitive trading environment, both domestically and internationally, particularly in the retail sector, remain significant business risks. Salmat's sales volumes and therefore its profitability are directly related to the level of sales achieved by our retail customers particularly in the Marketing Solutions segment.

One of Salmat's focus areas continues to be about long term sustainability of the catalogue distribution industry, which is in the interests of all Salmat's customers, employees, suppliers and shareholders and the millions of Australians who read catalogues every week. We will continue to use all options available to us to maintain and grow our letterbox business, and we will continue to lead the industry, both through innovation and investment.

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 7.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed this 21st day of February 2019 in accordance with a resolution of the Board of Directors.

Peter Mattick AM
Chairman

Sydney
21 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Salmat Limited for the half-year ended 31 December 2018, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Jason Hayes
Partner
PricewaterhouseCoopers

Sydney
21 February 2019

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	Note	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Revenue	3	**127,398**	**130,462**
Other income	4	513	14
Employee benefits expenses		(47,781)	(48,090)
Depreciation and amortisation expense		(2,219)	(3,254)
Freight, distribution and communication expenses		(50,840)	(54,695)
Property related expenses		(8,524)	(7,702)
Equipment related expenses		(4,311)	(4,638)
Other expenses from ordinary activities		(5,831)	(5,040)
Finance costs		(50)	(700)
Share of net (loss)/profit of joint ventures accounted for using the equity method		(86)	410
Profit before income tax		**8,269**	**6,767**
Income tax expense	5	(2,104)	(546)
Profit from continuing operations		**6,165**	**6,221**
(Loss)/profit from discontinued operation	6	(1,347)	5,329
Profit for the period		**4,818**	**11,550**

Earnings per share for profit from continuing operations attributable to owners of the company:	**Cents**	**Cents**
Basic earnings per share	3.11	3.13
Diluted earnings per share	3.02	3.12
Earnings per share for profit attributable to owners of the company:		
Basic earnings per share	2.43	5.80
Diluted earnings per share	2.35	5.78

The above Income Statement should be read in conjunction with the accompanying notes.

	Notes	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Profit for the period		**4,818**	**11,550**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		833	(1,082)
Other comprehensive income/(loss) for the period		**833**	**(1,082)**
Total comprehensive income		**5,651**	**10,468**
Total comprehensive income for the period attributable from:			
Continuing operations		6,998	5,139
Discontinued operations	6	(1,347)	5,329
		5,651	**10,468**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	Half year ended 31 Dec 2018 $000	Full year ended 30 Jun 2018 $000
Current assets			
Cash and cash equivalents		52,380	79,117
Trade and other receivables		32,545	29,534
Other current assets		4,761	4,409
Total current assets		**89,686**	**113,060**
Non-current assets			
Receivables and other non-current assets		4,788	4,121
Investments accounted for using the equity method		1,833	1,855
Property, plant and equipment		6,810	5,127
Deferred tax assets		7,715	9,492
Intangible assets		55,443	55,780
Total non-current assets		**76,589**	**76,375**
Total assets		**166,275**	**189,435**
Current liabilities			
Trade and other payables		23,353	45,631
Provisions		3,775	7,440
Borrowings		1,955	642
Current tax payable		285	266
Total current liabilities		**29,368**	**53,979**
Non-current liabilities			
Provisions and other payables		1,517	2,035
Deferred tax liabilities		1,811	1,911
Retirement benefit obligations		502	434
Other non-current liabilities		2,244	1,703
Total non-current liabilities		**6,074**	**6,083**
Total liabilities		**35,442**	**60,062**
Net assets		**130,833**	**129,373**
Equity			
Contributed equity	9	226,499	226,570
Reserves		(19,572)	(20,160)
Retained earnings		(76,094)	(77,037)
Equity attributable to owners of the company		**130,833**	**129,373**
Total equity		**130,833**	**129,373**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated	Notes	**Contributed equity $000**	**Reserves $000**	**Retained Earnings $000**	**Totals $000**
Balance at 1 July 2018		**226,570**	**(20,160)**	**(77,037)**	**129,373**
Change in accounting policy - adoption of AASB 15	1(b)	-	-	89	89
Retstated total equity at the beginning of the financial year		**226,570**	**(20,160)**	**(76,948)**	**129,462**
Profit for the period		-	-	4,818	4,818
Other comprehensive income		-	833	-	833
Total comprehensive income for the period		**-**	**833**	**4,818**	**5,651**
Purchase of shares through share trust	9	(71)	-	-	(71)
Share-based payments		-	(245)	-	(245)
Dividends paid	7	-	-	(3,993)	(3,993)
Dividends received from trust		-	-	29	29
		(71)	**(245)**	**(3,964)**	**(4,280)**
Balance at 31 December 2018		**226,499**	**(19,572)**	**(76,094)**	**130,833**
Balance at 1 July 2017		**226,585**	**(20,457)**	**(89,268)**	**116,860**
Profit for the period		-	-	11,550	11,550
Other comprehensive income		-	(1,082)	-	(1,082)
Total comprehensive income for the period		**-**	**(1,082)**	**11,550**	**10,468**
Transactions with owners in their capacity as owners:					
Share-based payments		-	56	-	56
		-	**56**	**-**	**56**
Balance at 31 December 2017		**226,585**	**(21,483)**	**(77,718)**	**127,384**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**142,322**	227,500
Payment to suppliers and employees (inclusive of goods and services tax)		**(137,882)**	(219,622)
		4,440	7,878
Income taxes paid		**(367)**	(1,459)
Net cash inflow from operating activities		**4,073**	6,419
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,862)**	(1,374)
Proceeds from sale of property, plant and equipment		**69**	-
Payments for intangible assets		**-**	(134)
Proceeds from sale of businesses		**484**	15,114
Costs associated with sale of business	6	**(6,330)**	-
Interest received		**413**	192
Payment of loan to associate		**(468)**	-
Net cash (outflow)/inflow from investing activities		**(9,694)**	13,798
Cash flows from financing activities			
Repayment of borrowings		**(1,528)**	(1,183)
Dividends paid	7	**(19,945)**	-
Dividends received		**29**	-
Purchase of ESS shares	9	**(71)**	-
Payment for acquisition		**-**	(4,483)
Interest and finance costs paid		**(11)**	(592)
Net cash outflow from financing activities		**(21,526)**	(6,258)
Net (decrease)/increase in cash held		**(27,147)**	13,959
Cash and cash equivalents at the beginning of the period		**79,117**	34,816
Effects of exchange rate changes on cash and cash equivalents		**410**	(544)
Cash and cash equivalents at the end of the period		**52,380**	48,231

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

a) Basis of preparation

This interim financial report for the half-year period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Salmat Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity are consistent with those applied by the consolidated entity in its full year financial report for the year ended 30 June 2018 except for the adoption of new standards and interpretations issued since this date, noted below.

b) New accounting standards

AASB 15 *Revenue from contracts with customers*

The Group adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. This has resulted in a change in accounting policy and adjustments to the amounts recognised in the financial statements for the financial year ended 30 June 2018.

AASB 15 establishes a comprehensive framework for determining the quantum and timing of revenue recognition. The AASB equivalent of IFRS 15 *Revenue from Contract with Customers* replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

(i) Impact on opening retained earnings and interim financial statements

The Group has adopted AASB 15 using the modified retrospective approach. In summary, the following adjustments were made to the amounts recognised at the date of initial application (1 July 2018).

	AASB 118 carrying amount **30 June 2018** **$'000**	**Reclassification** **$'000**	**AASB 15 carrying amount** **1 July 2018** **$'000**
Trade and other receivables	29,534	163	29,696
Trade and other payables	45,631	74	45,705

The impact on the Group's retained earnings as at 1 July 2018 is as follows:

	1 July 2018 $'000
Retained earnings	(77,037)
Recognition of asset for revenue not previously recognised	163
Recognition of liability for revenue previously recognised	(74)
Adjustment to retained earnings from adoption of AASB 15	89
Opening retained earnings 1 July 2018 - AASB 15 adjusted	**(76,948)**

Implementation of AASB 15 had an impact on the interim financial statements that resulted in revenue of $0.2m for Print Services being recognised and revenue of $0.1m for E-commerce being de-recognised for the half year ended 31 December 2018. Consistent with the application of AASB 15, the impact of services provided by the Group where an agency relationship exists, resulted in a $4.3m reduction in revenue due to the reclassification of third party costs. Revenue from continuing operations for the period ending 31 December 2018, as disclosed under AASB 15 is $127.4m, representing a decrease in revenue recognised of $4.2m when compared to the prior standard AASB 118 at $130.4m.

There was no other material impact to the Group's interim financial statements.

(ii) Accounting policies

Significant accounting policies in relation to the Group's various goods and services are set out below.

Revenue

Type of product / service	**Segment**	**Nature, timing of satisfaction of performance obligation**
Letterbox distribution	Marketing Solutions	Revenue is recognised over time as the service is rendered and control has passed to the customer. The transaction price for each contract is measured at fair value and may include variable pricing such and rebates and volume discounts. The 'most-likely' method is used when estimating the variable consideration to the extent that it is highly probable that a significant reversal of revenue will not occur.
Digital catalogues / Lasoo	Marketing Solutions	Revenue is recognised in the accounting period in which the service is rendered and control has passed to the customer, which is when the catalogue is available for use online. The transaction price is measured at fair value and is recognised over time.

Print Services	Marketing Solutions	Revenue is recognised at a point in time when control of the good is transferred to the customer. Control is transferred to the customer when the material becomes available for collection or distribution.
E-commerce	Marketing Solutions	The Group generates revenue from website development, maintenance and hosting, as control passes to the customer over time. Revenue is recognised for website development based on time and materials, maintenance revenue is recognised in line with contracted hours with any unused hours deferred and recognised in line with contract terms and hosting revenue is predominantly recognised as the amount of any service fee to which the Group expects to be entitled net of any third party costs.
Search	Marketing Solutions	The Group generates revenue through Search consulting and the revenue is recognised over time. Where it has been determined in accordance with AASB 15 that the Group is acting as an agent, revenue is recognised as the amount of any service fee to which the Group expects to be entitled net of any third party costs.
Email	Marketing Solutions	The Group generates revenue through Email transactions and the revenue is recognised over time. Where it has been determined in accordance with AASB 15 that the Group is acting as an agent, revenue is recognised as the amount of any service fee to which the Group expects to be entitled net of any third party costs.
Outsourced business solutions	Managed Services	Revenue is recognised over time based on the contract term. The benefits are transferred to the customer when each outsourced service is performed per the contract terms.

Financing components
In the event that payment terms extend beyond 12 months, the receivable and associated revenue is discounted to its present value if the impact of discounting is material. The unwinding of this is recognised as finance income.

Contract costs
The Group applies the practical expedient under AASB 15 *Revenue from contracts with customers* to expense contract acquisition costs as they are incurred, as the expected costs have an amoritsation period of less than twelve months.

Contract balances
Contract assets relate to the Group's rights to consideration in exchange for services that the entity has transferred to a customer but not invoiced at reporting date. Contract assets at reporting date are classified as Trade and other receivables.

Contract liabilities primarily relate to consideration received in advance from customers, for which the performance obligation is yet to be satisfied. Contract liabilities are classified as Trade and other payables.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

AASB 9 Financial instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard was adopted by the Group on 1 July 2018.

The main financial assets impacted upon adoption are trade receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as is the case under AASB 139. The new guidance does not result in a material impact on the classification or measurement of trade receivables, representing a reduction in impairment of less than $0.1m at 31 December 2018.

The new requirements also affect the accounting for financial liabilities that are designated at fair value through profit or loss. There will be no impact on the Group as a result of this change because all financial liabilities have been settled.

c) New accounting standards issued but not yet adopted

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

At 31 December 2018, had this standard been applied there would have been recognition of an asset and a liability for future payments in the region of $25.0m-$30.0m. The current rental expense of $3.9m would no longer be recognised and instead be replaced by depreciation of the asset and interest costs on the discounting of future payments. The estimated increase in depreciation and interest expense would have been in the region of $3.0m-$4.0m and $0.6m-$0.7m respectively.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. This final assessment has not yet been performed. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

2. SEGMENT INFORMATION

A description of each segment is reported below:

Marketing Solutions	The Marketing Solutions division 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 national letterbox distribution, digital catalogues, pre-shopping website Lasoo, e-commerce, search (SEO, SEM and display advertising) and email.
Managed Services	The Managed Services segment provides outsourced business solutions - including back-office processes and digital creative, development services and contact centre services - which are provided via an innovative range of managed service delivery models.

Segment disclosures are consistent with 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.

Segment performance is evaluated based on EBITDA before significant items. Financing, corporate costs (costs of strategic planning decisions, and compliance), and income tax are managed on a Group basis and are not allocated to operating segments.

Half year ended 31 December 2018	Marketing Solutions $000	Managed Services $000	Corporate Costs $000	Total $000
External service revenue	**83,756**	**43,172**	**-**	**126,928**
Timing of revenue recognition				
At a point in time	4,888	-	-	4,888
Over time	78,868	43,172	-	122,040
	83,756	**43,172**	**-**	**126,928**
Finance income				470
Total revenue				**127,398**
Underlying EBITDA before significant items	**6,008**	**7,217**	**(2,444)**	**10,781**
Depreciation and amortisation expense				**(2,219)**
Net finance income				**420**
Underlying profit before income tax from continuing operations				**8,982**
Significant items				(713)
Profit before income tax from continuing operations				**8,269**
Income tax expense				(2,104)
Profit for the period from continuing operations				**6,165**

Half year ended 31 December 2017 (Restated for continuing operations)	Marketing Solutions $000	Managed Services $000	Corporate Costs $000	Total $000
External service revenue	**94,355**	**35,852**	**-**	**130,207**
Timing of revenue recognition				
At a point in time	4,131	-	-	4,131
Over time	90,224	35,852	-	126,076
	94,355	**35,852**	**-**	**130,207**
Finance income				255
Total revenue				**130,462**
Underlying EBITDA before significant items	**9,402**	**6,272**	**(2,996)**	**12,678**
Depreciation and amortisation expense				**(3,254)**
Net finance costs				**(444)**
Underlying profit before income tax from continuing operations				**8,980**
Significant items				(2,213)
Profit before income tax from continuing operations				**6,767**
Income tax expense				(546)
Profit for the period from continuing operations				**6,221**

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.

	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Significant items included in total expenses		
Restructuring costs	(466)	(1,692)
Collation proof of concept costs	(247)	-
Strategic review costs	-	(521)
Significant items	**(713)**	**(2,213)**

3. REVENUE

The Group derives the following type of revenue:

	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Services	126,928	130,207
Finance income	470	255
Total revenue from continuing operations	**127,398**	**130,462**

4. OTHER INCOME

The Group derives the following type of other income:

	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Professional fees	366	-
Other income	147	14
Total	**513**	**14**

5. INCOME TAX EXPENSE

The current period income tax expense of $2.1m represents current tax payable in relation to profitable overseas jurisdictions of $0.5m and a reduction in the deferred tax assets and deferred tax liabilities for Australian operations of $1.6m, compared to the prior period income tax expense of $0.5m which represented tax payable in relation to profitable overseas jurisdictions of $0.4m and a reduction in the deferred tax assets and deferred tax liabilities for Australian operations of $0.1m.

6. DISCONTINUED OPERATIONS

(a) Description

During the 2018 financial year, the Group sold products from the Marketing Solutions and Managed Services segments over three separate transactions:

- Contact - Sale of the Contact centre business to funds advised by Five 5 Capital for $53.0m on the 18th of May 2018. The Contact centre business included operations in Australia, New Zealand and the Philippines.
- MessageNet - Sale of MessageNet Pty Ltd to Message4U Pty Ltd for $14.8m on the 29th of December 2017. The proceeds from this sale comprised of a payment of $14.6m and a deferred element of $0.2m to be paid in 12 months.
- Interactive Services - Trade sale of the customers and products were sold to Oxygen8 for $0.5m on the 31st of October 2017.
- The Fuse platform was discontinued in the period and was sold for an immaterial amount.

As a result of these transactions, revenue and expenses for these products have been restated as discontinued operations in the prior year comparatives of the Income Statement and Statement of Comprehensive Income.

(b) Financial performance and cash flow information of discontinued operations

The financial performance and cash flow information presented is for the six months ended 31 December 2018 and 31 December 2017.

	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Revenue	**-**	**74,210**
Other expenses and income	(73)	40
Expenses from ordinary activities	(1,087)	(78,033)
Loss before income tax	**(1,160)**	**(3,783)**
Income tax expense	-	-
Loss for the period from the discontinued operations	(1,160)	(3,783)
Gain on sale of the discontinued operations after income tax	-	9,112
Net working capital adjustment	(187)	-
(Loss)/profit from discontinued operations	**(1,347)**	**5,329**

Net cash inflow from operating activities	-	2,085
Net cash outflow from investing activities	(6,330)	(2,011)
Net (decrease)/increase in cash from discontinued operations	**(6,330)**	74

7. DIVIDENDS

	Half year ended 31 Dec 2018 $000	Half year ended 31 Dec 2017 $000
Special dividend paid to owners of Salmat Ltd of 8.0 cent per share	15,952	-
Final dividend paid to owners of Salmat Ltd of 2.0 cent per share	3,993	-
Dividends paid as per Statement of Cash Flows	**19,945**	**-**

8. CONTINGENCIES

The Group has been, and is involved in, from time to time various claims and proceedings arising from the conduct of its business. There are no claims or proceedings on foot, either individually or in aggregate, where the quantum of the claim is 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.

9. CONTRIBUTED EQUITY

Ordinary share capital		**Number of shares '000**	**$'000**
Date	**Details**		
1 July 2018	Opening balance	199,317	226,570
	Purchase of shares through share trust	(107)	(71)
31 December 2018	**Balance**	**199,210**	**226,499**

10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Directors have recommended the payment of a interim fully franked ordinary dividend of $1,996,250 (1.0 cent per fully paid share on record date 28 February 2019) to be paid on 28 March 2019

No circumstance has arisen since 31 December 2018 that has 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.

In the Directors' opinion:

1. The financial statements and notes, as set out on pages 8 to 20, are in accordance with the *Corporations Act 2001*, including:

    (a) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements, and;

    (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

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

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

Peter Mattick AM
Chairman

Sydney
21 February 2019

Independent auditor's review report to the members of Salmat Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Salmat Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Salmat Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Salmat Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Jason Hayes
Partner

Sydney
21 February 2019