

Salmat Limited ABN 11 002 724 638

Half Year Financial Report

For the six months ended 31 December 2019

Contents

Appendix 4D	2
Directors' Report	3
Auditor's Independence Declaration to the Directors of Salmat Limited	7
Consolidated Income Statement	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	20
Independent Auditor's Report to Members of Salmat Limited	21

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

HALF-YEAR REPORT
31 December 2019

Results for announcement to the market

	Half year ended 31-Dec-19 \$m	Half year ended 31-Dec-18 \$m	% Change Increase / (Decrease)
Total revenue	0.2	0.4	(50.0%)
Underlying EBITDA before interest, income tax, depreciation and amortisation from continuing operations ¹	(2.5)	(2.4)	4.2%
Underlying loss after income tax for the period attributable to members from continuing operations ¹	(7.9)	(2.7)	192.6%
Statutory (loss)/profit after income tax for the period attributable to members	(9.9)	4.8	(306.3%)
NTA backing Net tangible assets per ordinary security	0.25c	0.45c	(44.4%)
Fully franked dividends			
Special dividend - paid 4 October 2019	\$0.05cps	-	
Special dividend - paid 5 July 2018	-	\$0.08cps	
Final dividend - paid 4 October 2018	-	\$0.02cps	

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 2019 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 from the underlying EBITDA and underlying profit/(loss) after income tax for the period. For the period to December 2019 significant items included strategic review fees and impairment of non-current assets. For the period to December 2018 significant items related to restructuring costs.

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 2019 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 (resigned 26 November 2019)
Stuart Nash

Operating and financial review

The Board presents the half-year 2020 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 the period to 31 December 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

Since the announcement of the two sale transactions in late 2019, Salmat no longer has a principal activity. The description below outlines the two business segments that Salmat operated during the period to 31 December 2019, prior to the announcement of the intention to dispose of each business unit.

During the period, Salmat entered into agreements to sell both of the business segments:

Principal activities

- 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 and pre-shopping website Lasoo.
- 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.

For further details in relation to the sale transactions, refer to the key developments as well as note 5 discontinued operations. Continuing operating results consist of only Corporate costs.

Key developments

2020 half year operating results summary

\$ million	31 Dec 2019	31 Dec 2018	% change (pcp)
Continuing operations			
Total revenue	0.2	0.4	(50.0%)
Underlying EBITDA from continuing operations	(2.5)	(2.4)	4.2%
Depreciation and amortisation	(0.1)	(0.6)	(83.3%)
Underlying EBIT from continuing operations	(2.6)	(3.0)	(13.3%)
Significant items (note 2)	(0.6)	(0.1)	500.0%
Net interest	0.2	0.4	(50.0%)
Tax expense	(4.9)	0.0	NMF
NLAT from continuing operations	(7.9)	(2.7)	192.6%
(Loss) / profit from discontinued operations	(2.0)	7.5	(126.7%)
NLAT / NPAT for the period	(9.9)	4.8	(306.3%)

During the period Salmat announced sale transactions relating to the two trading segments, Marketing Solutions - the Australian-based catalogue distribution business - and MicroSourcing, the Philippines-based outsourcing business.

The Marketing Solutions business was sold for \$25.0 million, subject to customary working capital adjustments, on the 25th of November 2019 to a wholly-owned subsidiary of the IVE Group Limited. As part of the transaction, the IVE Group also acquired all the shares in the Salmat subsidiary, Reach Media New Zealand Ltd, which operates a catalogue distribution business in New Zealand. Completion occurred on 1 January 2020.

The MicroSourcing business was sold for \$100.0 million, subject to customary working capital adjustments, on the 30th of December 2019 to Probe BPO Holdings Pty Ltd. The sale is subject to shareholder approval as MicroSourcing is the disposal of Salmat's main undertaking. Subject to shareholder approval, the sale is expected to complete 28 February 2020.

Underlying EBITDA from continuing operations was in line with the prior comparative period and comprises Corporate overheads including the Board, executive management, legal and advisory fees as well as minor facility and administrative expenses.

Significant items were \$0.6 million for the period, including \$0.4 million in strategic review fees that were incurred during the sale processes mentioned above. An impairment expense of \$0.2 million was recognised on property, plant and equipment that did not transfer with either sale. This mainly related to the written down value of fit out costs for the head office lease that was not transferred with either sale.

Depreciation and amortisation of \$0.1 million was significantly lower than the prior year due to a number of assets ending their useful life at the end of FY19.

Income tax expense of \$4.9 million from continuing operations is the write-off of deferred tax assets relating to income tax losses the Group is no longer expecting to recover.

The loss after tax from discontinued operations was \$2.0 million for the period. Marketing Solutions made a net loss before tax of \$4.0 million for the period, which included shutdown costs for the Netstarter and other digital businesses not included in the business sale. MicroSourcing made a net profit before tax of \$5.6 million. Included in income tax expense was a withholding tax payment on overseas dividends of \$2.7 million. Refer to note 5 for further explanation.

Financial position and cash flows

Operating cash inflows of \$2.2 million before income tax for the half year decreased by \$2.2 million compared to the prior comparative period. The reduced operating cash flow result was impacted by the loss of the Woolworths contract, increased costs of distribution in the weekend network with the loss of the ALDI contract and shut down costs for the Netstarter and other digital businesses. Additionally, the Group chose not to finance supplier payments for insurance in FY20, with the annual premiums being paid in the first half of FY20.

Assets and liabilities held for sale were \$88.5 million and \$56.9 million respectively, a total net asset held for sale position of \$31.6 million, that included intangible assets of \$22.3 million.

The Group holds \$45.7 million in cash at the end of the period after paying out dividends of \$10.0 million in October 2019. Transaction related costs of \$1.1 million were paid during the period as the Group incurred legal and advisory costs as a result of the business sale transactions. Tax-related payments of \$2.7 million were made for withholding tax on overseas dividends as profits retained in the Philippines were transferred to Australia.

The Group ended the period with net assets of \$77.8 million, a decrease of 20% as compared to 30 June 2019.

Business strategy

Following successful completion of the sale of the Marketing Solutions and MicroSourcing businesses, Salmat Limited will review all options available to the Group to return value to shareholders.

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

Salmat's profitability was directly related to the economic environment, particularly the Australian retail sector. The main risks affecting Salmat included 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, were significant business risks. Salmat's sales volumes and therefore its profitability were directly related to the level of sales achieved by our retail customers, particularly in the Marketing Solutions segment.

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 Group 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 25th day of February 2020 in accordance with a resolution of the Board of Directors.



Peter Mattick AM
Chairman

Sydney
25 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Salmat Limited for the half-year ended 31 December 2019, 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
25 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Income Statement

		Half year ended 31 Dec 2019	Half year ended 31 Dec 2018
	Notes	\$000	\$000
Revenue	3	164	400
Employee benefits expenses		(1,271)	(1,253)
Depreciation and amortisation expense		(114)	(617)
Property related expenses		(72)	(50)
Equipment related expenses		(75)	(11)
Other expenses from ordinary activities		(1,472)	(1,215)
Impairment loss		(217)	0
Finance costs		-	(9)
Loss before income tax		(3,057)	(2,755)
Income tax expense	4	(4,826)	-
Loss from continuing operations		(7,883)	(2,755)
(Loss)/profit from discontinued operations	5	(1,977)	7,573
(Loss)/profit for the period		(9,860)	4,818
Earnings per share for loss from continuing operations attributable to owners of the company:			
		Cents	Cents
Basic earnings per share		(3.95)	(1.39)
Diluted earnings per share		(3.95)	(1.45)
Earnings per share for (loss)/profit attributable to owners of the company:			
Basic earnings per share		(4.94)	2.43
Diluted earnings per share		(4.94)	2.36

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

Salmat Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2019

		Half year ended 31 Dec 2019 \$000	Half year ended 31 Dec 2018 \$000
Notes			
	(Loss)/profit for the period	(9,860)	4,818
	Other comprehensive income		
	<i>Items that may be reclassified subsequently to profit and loss:</i>		
	Exchange differences on translation of foreign operations	150	833
	Other comprehensive income for the period	150	833
	Total comprehensive (loss)/income	(9,710)	5,651
	Total comprehensive (loss)/income for the period attributable from:		
	Continuing operations	(7,733)	(1,922)
	Discontinued operations	(1,977)	7,573
5		(9,710)	5,651

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

Salmat Limited
Consolidated Statement of Financial Position
For the half year ended 31 December 2019

		Half year ended 31 Dec 2019 \$000	Full year ended 30 Jun 2019 \$000
Notes			
Current assets			
		45,733	59,188
		2,321	26,876
		2,429	3,899
	5(c)	88,538	-
		139,021	89,963
Non-current assets			
		-	3,316
		-	7,143
		-	22,683
		-	7,275
		-	40,417
Total assets			
		139,021	130,380
Current liabilities			
		4,012	23,079
		333	4,583
		-	315
	5(c)	56,862	-
		61,207	27,977
Non-current liabilities			
		-	1,707
		-	726
		-	2,470
		-	4,903
Total liabilities			
		61,207	32,880
Net assets			
		77,814	97,500
Equity			
	8	226,499	226,499
		(18,025)	(18,175)
		(130,660)	(110,824)
		77,814	97,500
Equity attributable to owners of the company			
Total equity			
		77,814	97,500

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

Salmat Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

Notes	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 1 July 2019	226,499	(18,175)	(110,824)	97,500
Loss for the period	-	-	(9,860)	(9,860)
Other comprehensive loss	-	150	-	150
Total comprehensive loss for the period	-	150	(9,860)	(9,710)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(9,976)	(9,976)
	-	-	(9,976)	(9,976)
Balance at 31 December 2019	226,499	(18,025)	(130,660)	77,814
Balance at 1 July 2018	226,570	(20,160)	(77,037)	129,373
Change in accounting policy - adoption of AASB15	-	-	89	89
Restated 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	5,652
Transactions with owners in their capacity as owners:				
Purchase of shares through share trust	(71)	-	-	(71)
Share-based payments	-	(245)	-	(245)
Dividends provided for or paid	-	-	(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

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

Salmat Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

		Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
	Notes		
<i>Cash flows from operating activities</i>			
Receipts from customers (inclusive of goods and services tax)		137,531	142,321
Payments to suppliers and employees (inclusive of goods and services tax)		(135,340)	(137,881)
		2,191	4,440
Withholding tax paid on overseas dividends		(2,648)	-
Income taxes paid		(427)	(367)
Net cash (outflow)/inflow from operating activities		(884)	4,073
<i>Cash flows from investing activities</i>			
Payments for property, plant and equipment		(1,136)	(3,862)
Proceeds from sale of property, plant and equipment		-	69
Interest received		180	413
Payments to loan to joint venture		-	(468)
Proceeds from sale of business		-	484
Costs associated with sale of business		(1,139)	(6,330)
Net cash outflow from investing activities		(2,095)	(9,694)
<i>Cash flows from financing activities</i>			
Purchase of shares through the share trust		-	(71)
Dividends paid	6	(9,976)	(19,945)
Dividends received		-	29
Interest and finance costs paid		(7)	(11)
Repayment of borrowings		(633)	(1,528)
Net cash outflow from financing activities		(10,616)	(21,526)
Net decrease in cash and cash equivalents		(13,595)	(27,147)
Cash and cash equivalents at the beginning of the period		59,188	79,117
Effects of exchange rate changes on cash and cash equivalents		140	410
Cash and cash equivalents at the end of the year		45,733	52,380

The above Consolidated 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 half-year financial report for the half-year period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements.

The sale of the Marketing Solutions business was formally completed on 1 January 2020 while a separate agreement was entered to sell the Philippines-based MicroSourcing business on 30 December 2019 with completion expected to take place by 28 February 2020. At the date of this report the Group does not have any reason to believe the MicroSourcing business transaction will not progress to completion. The respective gains on sales of these businesses will be recognised on completion.

Following successful completion of the sale of these businesses, the directors will review all options available to the Group to return value to shareholders. Given the sale of the Group's two main trading segments, and the subsequent review by the Board of Directors, the Directors have determined that the going concern basis of preparation is no longer appropriate.

Accordingly, the half-year financial report has not been prepared on a going concern basis and non-financial assets have been written down to the lower of their carrying amounts and their net realisable values. Net realisable value is the estimated selling price the entity expects to obtain under the circumstances less the estimated costs necessary to make the sale. Non-current assets and non-current liabilities have been reclassified to current where they are expected to be realised or settled within the next twelve months from the reporting date. No additional liabilities have been recognised as a result of the decision made by the Company.

This half-year 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 2019 and any public announcements made by Salmat Limited during the half-year 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 2019 except for the adoption of new standards and interpretations issued since this date, noted below.

b) New accounting standards

AASB 16 Leases

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has applied AASB 16 using the 'modified retrospective' approach with no restatement of comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.66%.

The associated right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

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

In applying AASB 16 for the first time, the group has made the following additional choices and used the following practical expedients permitted by the standard:

- Application of the low-value asset and short-term lease exemption to existing contracts previously classified as operating leases where applicable.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on previous assessments on whether leases are onerous.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

The impact of the transition to AASB 16 on the Group's financial position was as follows:

	1 July 2019 \$ '000
Assets	
Non-current right-of-use assets (included in property, plant and equipment)	29,494
Liabilities	
Current lease liability	8,228
Non-current lease liability	22,767
	30,995

The net impact on retained earnings on 1 July 2019 was \$Nil.

Right-of-use assets and lease liability were reclassified as held for sale as at 31 December 2019.

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.
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. During the period, both the Marketing Solutions business and the MicroSourcing business (which was included in the Managed Services segment) were agreed to be sold. Refer to note 5 discontinued operations for further details.

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. This information is presented below:

2. SEGMENT INFORMATION (Continued)

	Marketing Solutions ¹	Managed Services ¹	Corporate Costs	Total
Half year ended 31 December 2019	\$'000	\$'000	\$'000	\$'000
External service revenue	-	-	-	-
Finance income	-	-	-	164
Total revenue				164
Underlying EBITDA from continuing operations before significant items	-	-	(2,517)	(2,517)
Depreciation and amortisation expense				(114)
Net Finance costs				164
Underlying loss before income tax from continuing operations				(2,467)
Significant items				(590)
Loss before income tax from continuing operations				(3,057)
Income tax expense				(4,826)
Loss after tax from continuing operations				(7,883)

	Marketing Solutions ¹	Managed Services ¹	Corporate Costs	Total
Half year ended 31 December 2018	\$'000	\$'000	\$'000	\$'000
External service revenue	-	-	-	-
Finance income	-	-	-	400
Total revenue				400
Underlying EBITDA from continuing operations before significant items	-	-	(2,444)	(2,444)
Depreciation and amortisation expense				(617)
Net Finance costs				391
Underlying loss before income tax from continuing operations				(2,670)
Significant items				(84)
Loss before income tax from continuing operations				(2,754)
Income tax expense				-
Loss after tax from continuing operations				(2,754)

¹ Refer to note 5 discontinued operations for further details on disposed segments.

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.

2. SEGMENT INFORMATION (Continued)

	Half year ended 31 Dec 2019 \$000	Half year ended 31 Dec 2018 \$000
Significant items included in total expenses		
Strategic review costs	(373)	-
Restructuring costs	-	(84)
Impairment loss	(217)	-
	(590)	(84)

3. REVENUE

The Group derives the following type of revenue:

	Half year ended 31 Dec 2019 \$000	Half year ended 31 Dec 2018 \$000
Services	-	-
Finance income	164	400
Total revenue from continuing operations	164	400

4. INCOME TAX EXPENSE

The current period income tax expense from continuing operations of \$4.9 million represents a reduction in deferred tax assets relating to income tax losses held on the balance sheet at 30 June 2019. The Group has made the decision to derecognise the deferred tax assets as it no longer has an active trading business.

The current period income tax expense from discontinued operations includes withholding tax paid on overseas dividends of \$2.7 million, current tax payable in relation to a profitable overseas jurisdiction of \$0.4 million and a reduction in deferred tax assets and deferred tax liabilities for Australian operations of \$0.8 million.

5. DISCONTINUED OPERATIONS

(a) Description

During the period, both the Marketing Solutions business and the MicroSourcing business (which was included in the Managed Services segment) were agreed to be sold, as detailed below.

- Sale of the Marketing Solutions business for \$25.0 million on the 25 November 2019 to a wholly-owned subsidiary of the IVE Group Limited was a combination of an Asset and Share sale. As part of the transaction, the Group acquired the remaining 50% shareholding in its subsidiary Reach Media New Zealand Ltd, which operates a catalogue distribution business in New Zealand. Completion occurred on 1 January 2020.
- Sale of the MicroSourcing business for \$100.0 million on the 30 December 2019 to Probe BPO Holdings Pty Ltd, by way of a share sale. The sale is subject to shareholder approval with the sale expected to complete 28 February 2020.

The current year earnings for each of the above businesses are included in discontinued operations, all the assets and liabilities relating to the transactions have been disclosed as “held for sale”. As a result of these transactions, revenue and expenses for the disposal groups have been restated as discontinued operations in the prior year comparatives of the Consolidated 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 2019 and 31 December 2018.

(b) Financial performance and cash flow information

Half year ended 31 December 2019

	Marketing Solutions \$'000	Managed Services \$'000	Other \$'000	Total \$'000
Revenue	72,191	50,182	-	122,373
Other expenses and income	137	-	-	137
Expenses from ordinary activities	(76,370)	(44,524)	392	(120,502)
Profit/(loss) before income tax	(4,042)	5,658	392	2,008
Income tax expense				(3,985)
Loss for the period from the discontinued operations				(1,977)
Net cash inflow from operating activities				2,223
Net cash outflow from investing activities				(2,275)
Net decrease in cash generated from discontinued operations				(52)

5. DISCONTINUED OPERATIONS (Continued)

Half year ended 31 December 2018

	Marketing Solutions \$'000	Managed Services \$'000	Other \$'000	Total \$'000
Revenue	83,801	43,197	-	126,998
Other expenses and income	513	-	(73)	440
Expenses from ordinary activities	(78,893)	(37,595)	(1,087)	(117,575)
Profit/(loss) before income tax	5,421	5,602	(1,160)	9,863
Income tax expense				(2,104)
Profit for the period from the discontinued operations				7,759
Net working capital adjustment				(186)
Profit from discontinued operations				7,573
Net cash inflow from operating activities				6,602
Net cash outflow from investing activities				(10,107)
Net decrease in cash generated from discontinued operations				(3,505)

(c) Assets and liabilities of disposal group classified as held for sale

Assets and liabilities that were classified as held for sale in relation to discontinued operations as at 31 December 2019:

	Marketing Solutions \$'000	Managed Services \$'000	Total \$'000
Assets classified as held for sale			
Cash and cash equivalents	450	-	450
Trade and other receivables	15,767	11,367	27,134
Property, plant and equipment	15,554	19,375	34,929
Intangible assets	-	22,261	22,261
Other assets classified as held for sale	3,133	631	3,764
Total assets of disposal groups held for sale	34,904	53,634	88,538
Liabilities directly associated with assets classified as held for sale			
Trade and other payables	10,104	6,688	16,792
Provisions	3,441	146	3,587
Lease liabilities	14,242	16,278	30,520
Retirement Benefit Obligation	-	812	812
Other liabilities directly associated with assets classified as held for sale	1,539	3,612	5,151
Total liabilities of disposal groups held for sale	29,326	27,536	56,862

6. DIVIDENDS

	Half year ended 31 Dec 2019 \$000	Half year ended 31 Dec 2018 \$000
Dividends paid		
FY20 Special dividend paid to owners of Salmat Ltd of 5.0 cent per share	9,976	-
FY18 Special dividend paid to owners of Salmat Ltd of 8.0 cent per share	-	15,952
FY18 Final dividend paid to owners of Salmat Ltd of 2.0 cent per share	-	3,993
Dividends paid as per Consolidated Statement of Cash Flows	9,976	19,945

7. 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.

8. CONTRIBUTED EQUITY

Ordinary share capital

		Number of shares	
		'000	\$'000
Date	Details		
1 July 2019	Opening balance	199,210	226,499
	Movements	-	-
31 December 2019	Balance	199,210	226,499

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Except for the completed sale of Marketing Solutions and the expected completion of the sale of the MicroSourcing business, as disclosed in note 5, no other circumstance has arisen since 31 December 2019 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 19, 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 2019 and of its performance for the half-year ended on that date.
2. As disclosed in note 1(a) to the half-year financial report, the directors have prepared the half-year financial report on the basis that the group is no longer a going concern due to the disposal of the two main trading segments.

The Directors will review all options available to the Group to return value to shareholders within twelve months from the date of this report. The assets exceed the liabilities and there are reasonable grounds to believe that the Group 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
25 February 2020



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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, consolidated income statement, 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.

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 gives a true and fair view and 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 2019 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



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 2019 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*.

Emphasis of Matter – going concern no longer appropriate

We draw attention to Note 1(a) in the half-year financial report which indicates that due to the disposal of the two main trading segments the directors will review all options available to the Company to return value to shareholders. As a result, the half-year financial report has been prepared in accordance with the basis of preparation described in Note 1(a) and not on a going concern basis. Our conclusion is not modified in respect of this matter.



PricewaterhouseCoopers



Jason Hayes
Partner

Sydney
25 February 2020