

**Salmat Limited** ABN 11 002 724 638  
**Half Year Financial Report**  
**For the six months ended 31 December 2016**

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

HALF-YEAR REPORT  
31 December 2016  
Results for announcement to the market

	Half year ended 31-Dec-16 \$m	Half year ended 31-Dec-15 \$m	% Change Increase / (decrease)
Revenue	224.5	235.6	(5%)
Net profit/(loss) for the period attributable to members	4.1	(1.7)	341%
Net profit/(loss)	4.2	(0.5)	940%
Net tangible asset backing	0.14c	0.07c	100%
<b>Fully Franked Dividends</b>			
<b>Fully franked interim dividend</b>	-	-	-

**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 2016 Annual Report and any announcements to the market by Salmat Limited during the period.

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 2016.

## **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  
Fiona Balfour  
John Thorn  
Mark Webster

Ian Elliot was in office until his resignation on 31 December 2016.

## **REVIEW OF OPERATIONS**

### **Salmat's operations**

#### ***Principal activities***

Salmat's core business is a marketing services business. We help clients with the constant pressure of acquiring and servicing customers, week-in, week-out. With media, digital and contact capabilities we manage on behalf of our clients the fundamentals - *Reach* the right consumers, *Convert* them to customers, *Serve* them with a high-quality experience - to ensure this happens like clockwork.

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

- a) The Media + Digital 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, ecommerce, search (SEO, SEM and display advertising), email and SMS marketing and competitions.
- b) The Contact division helps trusted brands to generate revenue, exit cost, and improve their customer experience. Our contact centre solutions specialise in maximising customer lifetime value using inbound and outbound voice, email, webchat, SMS, social media, customer experience solutions and sophisticated speech technology and automation solutions including natural language speech recognition and voice biometrics. Salmat's MicroSourcing business provides Philippines-based outsourced business solutions - including contact centre services, back-office processes and digital creative and development services - which are provided via an innovative range of managed service delivery models.

## Key developments

### 2017 half year operating results summary

\$ million	HY1 2017	HY1 2016	% change (pcp)
Reported revenue	224.5	235.6	-5%
<b>EBITDA</b>	<b>13.4</b>	<b>9.2</b>	<b>+46%</b>
Depreciation and amortisation	(7.1)	(7.1)	0%
Net interest	(0.9)	(0.9)	0%
<b>Profit before income tax</b>	<b>5.4</b>	<b>1.2</b>	<b>+350%</b>
Income tax expense	(1.2)	(1.7)	-29%
<b>Profit/(Loss) for the period</b>	<b>4.2</b>	<b>(0.5)</b>	<b>+940%</b>

Revenue of \$224.5m was up 4.3% on the second half of FY16. It was \$11.1 down on prior corresponding period as new business is not yet fully compensating for the decline in revenue following the product and services rationalisation. Reduced discretionary spend and expired contracts also impacted total revenue.

EBITDA of \$13.4m was up 46% on the first half 2016 total of \$9.2m. This was mostly due to the transformation program and associated cost-saving initiatives, which contributed approximately \$6m. New business secured around \$3.8m in earnings.

Depreciation and amortisation is consistent with the prior corresponding period and includes an acceleration of the amortisation of the Reach product.

Net profit after tax of \$4.2m included a tax expense of \$1.2m. The tax expense was due to profits generated from overseas entities and movements in timing related differences.

### Financial position and cash flows

Net cash was \$8.0m at 31 December 2016 and included investment in capex of \$4.4m and \$1.7m in dividends paid to a non-controlling interest. Operating cash flows were positive for this period and assisted in maintaining the overall net cash position.

The Board has elected not to pay an interim dividend for this period following the substantial payment for the remaining 50% acquisition of MicroSourcing. Dividends will continue to be considered in the context of Salmat's capital management strategy.

### Business strategies and prospects

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace, enabling clients to grow their business through proven marketing strategy and practices. 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 physical and digital channels, Salmat is uniquely positioned to enable its clients to distribute more engaging content and to cost effectively market to customers, maximising their sales and return on investment.

In HY1 2017, Salmat completed the first phase of a Business Transformation strategy which commenced in January 2015. The key objectives of the transformation are 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.

This has been a successful program that has delivered measurable cost savings and efficiency benefits. Salmat's senior management team is currently reviewing a number of strategic alternatives to follow on from the transformation process to drive revenue growth and deliver value to shareholders. This review will be completed by the end of FY17.

### **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.

Salmat's operation of an outsourced data centre model and handling of customer data increases its exposure to regulatory and reputation risk and we have employed a number of checks and controls to mitigate this risk.

The current economic and competitive trading environment - both domestically and internationally and 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 Media + Digital division.

One of Salmat's focus areas continues to be the long term sustainability of the catalogue distribution industry, which is in the interests of all Salmat's customers, employees 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 6.

### **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 23<sup>rd</sup> day of February 2017 in accordance with a resolution of the Board of Directors.



**Peter Mattick**  
Chairman



## Auditor's Independence Declaration

As lead auditor for the review of Salmat Limited for the half-year ended 31 December 2016, 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.

A handwritten signature in black ink, appearing to read 'S. Horlin', is written in a cursive style.

Susan Horlin  
Partner  
PricewaterhouseCoopers

Sydney  
23 February 2017

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Salmat Limited  
Consolidated Income Statement  
For the half year ended 31 December 2016

	<b>Half year ended 31 Dec 2016 \$000</b>	<b>Half year ended 31 Dec 2015 \$000</b>
<b>Revenue</b>	<b>224,503</b>	<b>235,577</b>
Other Income	707	1,468
Employee benefits expenses	(109,159)	(119,069)
Depreciation and amortisation expense	(7,116)	(7,143)
Freight, distribution and communication expenses	(71,530)	(73,800)
Property related expenses	(12,961)	(13,121)
Equipment related expenses	(4,805)	(4,002)
Other expenses from ordinary activities	(13,391)	(17,495)
Finance costs	(1,233)	(1,436)
Share of net profits of joint ventures accounted for using the equity method	369	202
<b>Profit before income tax</b>	<b>5,384</b>	<b>1,181</b>
Income tax expense	(1,235)	(1,685)
<b>Profit/(loss) for the period</b>	<b>4,149</b>	<b>(504)</b>
<b>Attributable:</b>		
Owners of the company	4,107	(1,704)
Non-controlling interests	42	1,200
<b>Earnings per share for profit/(loss) attributable to owners of Salmat Limited</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>2.3</b>	(1.07)
Diluted earnings per share	<b>2.3</b>	(1.07)

Salmat Limited  
Consolidated Statement of Comprehensive Income  
For the half year ended 31 December 2016

	Half year ended 31 Dec 2016 \$000	Half year ended 31 Dec 2015 \$000
<b>Profit/(loss) for the period</b>	<b>4,149</b>	<b>(504)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Exchange differences on translation of foreign operations	948	852
<i>Items that may not be reclassified subsequently to profit and loss:</i>		
Actuarial gains on retirement benefit obligation	95	80
<b>Other comprehensive income for the period</b>	<b>1,043</b>	<b>932</b>
<b>Total comprehensive income</b>	<b>5,192</b>	<b>428</b>
Attributable		
Owners of the company	5,335	(923)
Non-controlling interest	(143)	1,351
	<b>5,192</b>	<b>428</b>

Salmat Limited  
Consolidated Statement of Financial Position  
For the half year ended 31 December 2016

		Half year ended 31 Dec 2016 \$000	Full year ended 30 Jun 2016 \$000
<b>Current Assets</b>			
Cash and cash equivalents		41,796	42,911
Trade and other receivables		58,015	51,192
Inventories		288	99
Current tax receivable		73	-
Other current assets		5,441	7,235
<b>Total Current Assets</b>		<b>105,613</b>	<b>101,437</b>
<b>Non-Current Assets</b>			
Receivables and other non-current assets		6,802	4,993
Investments accounted for using the equity method		3,516	3,107
Property, plant and equipment		11,853	13,441
Deferred tax assets		12,898	12,743
Intangibles assets		90,340	91,170
<b>Total Non-Current Assets</b>		<b>125,409</b>	<b>125,454</b>
<b>Total Assets</b>		<b>231,022</b>	<b>226,891</b>
<b>Current Liabilities</b>			
Trade and other payables		42,891	43,486
Provisions		11,949	10,696
Borrowings		11,835	7,526
Other financial liabilities	7	15,195	36,832
Current tax payable		-	750
<b>Total Current Liabilities</b>		<b>81,870</b>	<b>99,290</b>
<b>Non-Current Liabilities</b>			
Provisions and other payables		3,270	3,610
Borrowings		22,024	20,731
Other financial liabilities	7	1,571	1,492
Deferred tax liabilities		2,508	2,430
Retirement benefit obligations		716	720
Other non-current liabilities		698	698
<b>Total Non-Current Liabilities</b>		<b>30,787</b>	<b>29,681</b>
<b>Total Liabilities</b>		<b>112,657</b>	<b>128,971</b>
<b>Net Assets</b>		<b>118,365</b>	<b>97,920</b>
<b>Equity</b>			
Contributed equity	9	226,649	209,976
Reserves		(18,880)	(29,056)
Retained earnings		(89,404)	(93,598)
<b>Equity attributable to owners of the company</b>		<b>118,365</b>	<b>87,322</b>
<b>Non-controlling interests</b>	7	-	<b>10,598</b>
<b>Total Equity</b>		<b>118,365</b>	<b>97,920</b>

Salmat Limited  
Consolidated Statement of Changes in Equity  
For the half year ended 31 December 2016

		Contributed Equity \$000	Retained Profits \$000	Reserves \$000	Non-controlling interest \$000	Totals \$000
<b>Balance at 1 July 2016</b>		<b>209,976</b>	<b>(93,598)</b>	<b>(29,056)</b>	<b>10,598</b>	<b>97,920</b>
Profit for the period		-	4,107	-	42	4,149
Other comprehensive income		-	87	1,141	(185)	1,043
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>4,194</b>	<b>1,141</b>	<b>(143)</b>	<b>5,192</b>
Transactions with owners in their capacity as owners:						
Issued share capital	9	16,673	-	-	-	16,673
Cost of share-based payments		-	-	272	-	272
Dividends paid	6	-	-	-	(1,692)	(1,692)
Transaction with NCI reserve	7	-	-	8,763	(8,763)	-
		<b>16,673</b>	<b>-</b>	<b>9,035</b>	<b>(10,455)</b>	<b>15,253</b>
<b>Balance at 31 December 2016</b>		<b>226,649</b>	<b>(89,404)</b>	<b>(18,880)</b>	<b>-</b>	<b>118,365</b>
<b>Balance at 1 July 2015</b>		<b>210,152</b>	<b>(85,792)</b>	<b>(30,465)</b>	<b>12,172</b>	<b>106,067</b>
(Loss)/Profit for the period		-	(1,704)	-	1,200	(504)
Other comprehensive income		-	40	741	151	932
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(1,664)</b>	<b>741</b>	<b>1,351</b>	<b>428</b>
Transactions with owners in their capacity as owners:						
Cost of share-based payments		-	-	31	-	31
Dividends paid		-	-	-	(1,411)	(1,411)
		<b>-</b>	<b>-</b>	<b>31</b>	<b>(1,411)</b>	<b>(1,380)</b>
<b>Balance at 31 December 2015</b>		<b>210,152</b>	<b>(87,456)</b>	<b>(29,693)</b>	<b>12,112</b>	<b>105,115</b>

	Half year ended 31 Dec 2016 \$000	Half year ended 31 Dec 2015 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	240,987	260,158
Payment to suppliers and employees (inclusive of goods and services tax)	(233,196)	(259,734)
Income taxes paid	(1,693)	(1,340)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,098</b>	<b>(916)</b>
<b>Cash flows from investing activities</b>		
Payments of deferred consideration for purchase of controlled entities	-	(4,187)
Payments for property, plant and equipment	(3,425)	(2,425)
Payments for intangible assets	(934)	-
Interest received	185	465
Repayments from loan to associate	380	-
Proceeds from sale of investment in associate	702	840
Proceeds from sale of business	-	100
<b>Net cash outflow from investing activities</b>	<b>(3,092)</b>	<b>(5,207)</b>
<b>Cash flows from financing activities</b>		
Proceeds from rights issue - entitlement offer	15,063	-
Transaction costs from rights issue - entitlement offer	(1,004)	-
Proceeds from borrowings drawdown	5,000	3,783
Transaction with non-controlling interest	(19,898)	-
Repayment of borrowings	(1,177)	(771)
Interest and finance costs paid	(597)	(565)
Dividends paid to non-controlling interest	(1,692)	(1,411)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(4,305)</b>	<b>1,036</b>
<b>Net decrease in cash held</b>	<b>(1,299)</b>	<b>(5,087)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>42,911</b>	<b>48,640</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>184</b>	<b>544</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>41,796</b>	<b>44,097</b>

## 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

### a) Basis of preparation

This interim financial report for the half-year period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB134 *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 2016 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 2016 except for the adoption of new standards and interpretations issued since this date, noted below.

### b) New accounting standards

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## 2. SEGMENT INFORMATION

### (a) Business 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. A measure of total assets and liabilities are not regularly provided to the CODM. The Chief Executive Officer has identified two segments which are as follows:

#### *Media + Digital Services*

The Media + Digital 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, ecommerce, search (SEO, SEM and display advertising), email and SMS marketing and competitions.

#### *Contact Services*

The Contact segment helps trusted brands to generate revenue, exit cost, and improve their customer experience. Our contact centre solutions specialise in maximising customer lifetime value using inbound and outbound voice, email, webchat, SMS, social media, customer experience solutions and sophisticated speech technology and automation solutions including natural language speech recognition and voice biometrics. Salmat's MicroSourcing business provides Philippines-based outsourced business solutions - including contact centre services, back-office processes and digital creative and development services - which are provided via an innovative range of managed service delivery models.

**2. SEGMENT INFORMATION (Continued)**

**(a) Business Segments (Continued)**

*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.

**(b) Segment information provided to the chief operating decision maker**

<b>Six months to 31 December 2016</b>				
	<b>Media + Digital</b>	<b>Contact</b>	<b>Corporate Costs</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Segment revenue</b>				
Sales to external customers	124,996	99,151		224,147
Interest revenue				356
<b>TOTAL revenue</b>				<b>224,503</b>
EBITDA	15,725	1,373	(3,721)	13,377
Depreciation and amortisation expense				(7,116)
Net finance costs				(877)
<b>Profit before income tax</b>				<b>5,384</b>
Income tax expense				(1,235)
<b>Profit for the period</b>				<b>4,149</b>

**2. SEGMENT INFORMATION (continued)**

**(b) Segment information provided to the chief operating decision maker (continued)**

Six months to 31 December 2015				
	Media + Digital	Contact	Corporate Costs	Total
	\$000	\$000	\$000	\$000
<b>Segment revenue</b>				
Sales to external customers	135,966	99,104		235,070
Interest revenue				507
<b>TOTAL revenue</b>				<b>235,577</b>
EBITDA	12,742	2,670	(6,159)	9,253
Depreciation and amortisation expense				(7,143)
Net finance costs				(929)
<b>Profit before income tax</b>				<b>1,181</b>
Income tax expense				(1,685)
<b>Loss for the period</b>				<b>(504)</b>

**3. REVENUE**

The group derives the following type of revenue:

	Half year ended 31 Dec 2016 \$000	Half year ended 31 Dec 2015 \$000
Services	224,147	235,070
Finance income	356	507
<b>Total</b>	<b>224,503</b>	<b>235,577</b>

**4. OTHER INCOME**

The group derives the following type of other income:

	Half year ended 31 Dec 2016 \$000	Half year ended 31 Dec 2015 \$000
Profit on sale of share in associate	702	840
Sale of BSI Learning	-	328
Other Income	5	300
<b>Total</b>	<b>707</b>	<b>1,468</b>

**5. INCOME TAX EXPENSE**

The income tax expense of \$1,235,000 represents current tax payable in relation to profitable overseas jurisdictions.

**6. DIVIDENDS**

	<b>Half year ended 31 Dec 2016 Pre Tax \$000</b>	<b>Half year ended 31 Dec 2015 Pre Tax \$000</b>
Dividend paid to Non-Controlling Interests	1,692	1,411
Dividend paid to owners	-	-
<b>Dividends paid as per Statement of Cash Flows</b>	<b>1,692</b>	<b>1,411</b>

The Board has elected not to pay an interim dividend for this period following the substantial payment for the remaining 50% acquisition of MicroSourcing. Dividends will continue to be considered in the context of Salmat's capital management strategy. (2015: Nil).

**7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

*(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 and put/call options associated with business combinations completed in the prior year 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.

The carrying value less impairment provision of trade receivables and trade payables are assumed to approximate their fair values due to their short term nature. The carrying value of the bank loan is not materially different to its fair value.

*(ii) Summary of level 3 financial instruments*

The fair value for contingent considerations and the put/call options have been calculated using a discounted cash flow model with the key input being the discount rate.

**7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

Reconciliation of the level 3 financial liabilities for the current year:

	<b>\$000</b>
Carrying amount at the start of the year	38,324
Increase in fair value	88
Unwinding of discount rate	629
Payment of put/call option	(19,898)
Interest on put/call option	230
Foreign exchange on put/call option	(307)
Issue of share capital to settle put/call option	(2,300)
<b>Carrying amount at the end of the year</b>	<b>16,766</b>
Current	15,195
Non-current	1,571
	<b>16,766</b>

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

Description	Fair value at 31 Dec 2016 \$'000	Unobservable inputs	Inputs	Relationships of unobservable inputs to fair value
Put/call option - MicroSourcing	10,082	The fair value is based on actual results of MicroSourcing for the year ended 31 March 2016. On 10 August 2016, the Group completed the remaining 50% acquisition of MicroSourcing International, for \$32.3m. \$22.3m of this liability was settled on 10 August 2016, through a \$20m cash payment and \$2.3m share issue. The payment terms for the remaining \$10.1m were re-negotiated to defer cash settlement dates. The amounts are due in April 2017 (\$5m) and August 2017 (\$5m). As MicroSourcing was 100% owned as at 10 August 2016, the derecognition of NCI was completed on this date.		
Contingent consideration – Other acquisitions	6,684	Discount rate	4.37%	The fair value is based on actual results for the year ended 31 December 2016. The amounts are due for payment in February 2017 (\$5.2m) and February 2019 (\$1.7m).

## 8. CONTINGENCIES

The Group has been, and is involved, from time to time in 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, aside from one claim which is currently stayed, and which ultimately the Group believes it is in a strong position to defend. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

## 9. CONTRIBUTED EQUITY

The Group successfully completed a \$9.8m Institutional Entitlement Offer on 17 October 2016 and a \$5.3m Retail Entitlement Offer on 10 November 2016. The gross proceeds of \$15.1m were offset by transaction costs net of tax of \$0.7m. All proceeds, less costs, were used to fund the settlement of the put/call option. Set out below is a full reconciliation of share capital for the period:

Ordinary share capital		Number of shares '000	\$'000
Date	Details		
1 July 2016	Opening balance	159,489	209,976
	MicroSourcing share issue	4,820	2,300
	Capital raising proceeds - net	35,030	14,373
		<hr/>	<hr/>
<b>31 December 2016</b>	<b>Balance</b>	<b>199,339</b>	<b>226,649</b>
		<hr/>	<hr/>

## 10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2016 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.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (a) Comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements, and;
  - (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed this 23<sup>rd</sup> day of February 2017 on behalf of the Board.



**Peter Mattick**  
Chairman



## ***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 2016, the Consolidated Income Statement and 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 explanatory notes and the directors' declaration for Salmat Limited Group (the consolidated entity). The consolidated entity 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 consolidated entity's financial position as at 31 December 2016 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 consolidated entity's financial position as at 31 December 2016 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*

*PricewaterhouseCoopers*

*S. Horlin*

Susan Horlin  
Partner

Sydney  
23 February 2017