

## Appendix 4E

### Preliminary Final Report Year ending 30 June 2015

Name of entity:

SAI Global Limited

ABN

Financial year ended  
(current period)

Financial year ended  
(previous period)

67 050 611 642

30 June 2015

30 June 2014

## 2. Results for announcement to the market

The following information is to be read in conjunction with the Financial Statements for the year ended on 30 June 2015, which form part of this Appendix 4E.

				A\$'000
Revenues from ordinary activities (including interest income)	up	3.7%	to	547,986
Earnings before interest, tax, depreciation and amortisation	up	10.9%	to	103,511
Profit from ordinary activities after tax attributable to members	up	11.2%	to	39,264

#### Brief explanation of any of the figures reported above:

Operational efficiency initiatives undertaken in the current period and, combined with those undertaken in the prior period, are the drivers of the 10.9% improvement in EBITDA. This growth was achieved despite incurring \$22.8M of significant charges. Underlying EBITDA, which reverses the adverse impact of the significant charges, increased by 17.9% to \$126.3M and the underlying profit after tax was up 23.8% to \$55.9M.

The organic revenue growth profile was mixed across the business resulting in the overall growth of 3.7% (3.8% excluding interest income), despite a positive contribution from the weaker Australian dollar. For more details please refer to the attached Financial Statements.

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Current Period:</b>		
Final dividend (80% franked)	9.0 cents	7.2 cents
Interim dividend paid on 10 <sup>th</sup> April 2015 (60% franked)	7.5 cents	4.5 cents
<b>Previous corresponding period:</b>		
Final dividend (45% franked)	8.5 cents	3.8 cents
Interim dividend paid on 1 <sup>st</sup> April 2014 (100% franked)	7.0 cents	7.0 cents
<p>Note: This dividend will include 0.8 cents per share of conduit foreign income (CFI) free from Australian dividend withholding tax when paid to non-Australian resident shareholders.</p>		

**Record date for determining entitlements to the final dividend:  
31 August 2015**

**Payment date of the dividend:  
23 September 2015**

**Ex-dividend date:  
27 August 2015**

### 3. Earnings per share

	<b>Current period</b>	<b>Previous period</b>
<b>Earnings/(loss) per share (cents)</b>	18.6	16.8

### 4. Net tangible assets

	<b>Current period</b>	<b>Previous period</b>
<b>Net tangible assets per security (cents per share)</b>	(88.1)	(75.4)
<p>A large proportion of the Company's assets are intangible in nature, relating to goodwill and identifiable intangible assets acquired</p>		

through business combinations. These assets are excluded from the calculation of net tangible assets per security, which results in the negative outcome above. Net assets per share at 30 June 2015, including intangible assets, were 187.5 cents per share compared to 163.3 cents per share at 30 June 2014.

## 5. Control gained/lost over entities

### Details of entities over which control has been gained or lost during the period.

Name of, or nature of, businesses acquired	Date of gain of control	Estimated contribution to entity's profit from ordinary activities (AUD'000)
OCICERT Mexico S.A de C.V	17 July 2014	Not material

## 6. Dividend reinvestment plans

### Dividend Reinvestment Plan

Shareholders may elect to have some or all of their shareholding participate in the Dividend Reinvestment Plan (DRP).

In the operation of the DRP for any dividend, the Company may, in its discretion, either issue new shares or cause existing shares to be acquired on-market for transfer to shareholders who participate in the DRP. Shares issued or transferred are free of brokerage, commission and stamp duty costs, and rank equally with existing SAI Global Limited shares. Directors have determined that for this dividend, shares will be purchased on market for transfer to the participants of the DRP.

Shares will be allotted or transferred at a price which is equal to the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all SAI Global Limited shares sold on the Australian Securities Exchange during the ten days commencing two business days after the Record Date for payment of the relevant dividend. There will be no discount applied to the volume weighted average market price calculation.

The Directors have also determined that for this dividend, no limit applies to the number of shares that can be issued to any shareholder in the DRP. Application for participation in the DRP must be made on a duly completed and executed DRP Notice.

Last date of receipt of a DRP election notice	<b>31 August 2015</b>

## 7. Associates and joint ventures

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to net profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period A\$'000	Previous corresponding period A\$'000
Telarc SAI Limited	25%	25%	189	258

## 8. Foreign entities

The results of foreign entities are presented in accordance with International Accounting Standards.

## 9. Audit or review status

### Audit or review status

This report is based on accounts to which one of the following applies:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> <b>The accounts have been audited</b>                             | <input type="checkbox"/> <b>The accounts have been subject to review</b>           |
| <input type="checkbox"/> <b>The accounts are in the process of being audited or subject to review</b> | <input type="checkbox"/> <b>The accounts have not yet been audited or reviewed</b> |

The remaining information required by Appendix 4E is contained in the attached Financial Statements.

# **SAI GLOBAL LIMITED**

**Financial Statements**  
**Year Ended 30 June 2015**

# SAI GLOBAL LIMITED

## CORPORATE GOVERNANCE

### Introduction

This statement describes SAI Global Limited's (SAI) corporate governance framework, policies and practices as at 18 August 2015. It follows the order of the Principles and Recommendations issued by the ASX Corporate Governance Council, and has been approved by the Board.

The Board's approach to corporate governance is based on a set of values and behaviours which underpin day-to-day activities, provide transparency and protect stakeholder interests.

This approach includes a commitment to excellence in governance standards which the Board sees as fundamental to the sustainability of SAI's business and performance. It includes monitoring local and global developments in corporate governance and assessing their implications and adopting new practices as required.

### **Principle 1. Lay solid foundations for management and oversight:**

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

### **Recommendation 1.1**

A listed entity should disclose:

- a) the respective roles and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

#### **1.1.1 The membership, expertise and experience of the Board**

Details of the Board and the experience of its members are included in the Directors' Report and on the Company's website [www.saiglobal.com](http://www.saiglobal.com)

#### **1.1.2 The role and responsibilities of the Board**

The Board is accountable to shareholders for the performance of SAI Global and has formalised its roles and responsibilities and those of Management in the Corporate Governance Policy. This is available on the SAI Global website.

In summary the Board's responsibilities are:

- To enhance shareholder value.
- To monitor Management's performance and implementation of strategy.
- To appoint, and when required, remove the Chief Executive Officer and evaluate his or her ongoing performance against pre-determined criteria.

- To ratify the appointment and, where appropriate, removal of the Chief Financial Officer and Company Secretary.
- To review the structure and composition of the Board and Board Committees to ensure that the Board adds value and is of a size and composition to adequately discharge its responsibilities.
- To test Management assertions and to require the Board to be kept fully informed of operational, financial and strategic initiatives.
- To review and ratify systems of risk management, internal compliance and control, codes of business conduct and legal compliance.
- To monitor workplace health and safety issues across the SAI Global group and to consider workplace health and safety reports and information.
- To recommend the appointment of the external auditor, oversee the audit process and review reports from the external auditor.
- To recommend the appointment of the internal auditor, oversee the internal audit process and review reports from the internal auditor.
- To monitor processes for keeping key stakeholders informed in a timely and meaningful fashion.
- To review and, if considered appropriate:
  - approve the strategic direction of the Company, as detailed annually in the rolling three year strategic plan and the annual operating plan which includes the budget for the ensuing financial year.
  - approve budgets and strategic operational targets and review performance against them, initiating corrective action where required.
  - adopt periodic financial statements and approve their release to ASX.
  - approve dividend policy.
  - approve the capital structure and capital management strategy of the Company.
  - approve policies on key issues including risk management, codes of conduct, and workplace health and safety.
  - approve the Company's remuneration policy in order to ensure that executive remuneration is fair and reasonable and that its relationship to corporate and individual performance is well defined.
  - approve the total remuneration of the Chief Executive Officer and his or her direct reports.
  - approve succession plans for the Chief Executive Officer and his or her direct reports.

Where necessary and with the prior consent to the expenditure, the Board, Board Committees and individual Directors may seek independent professional advice at the Company's expense to assist them to fulfil their responsibilities.

### **1.1.3 Conflicts of interest of Directors**

Any Director who considers that he or she has a conflict of interest in a matter before the Board must disclose that conflict, and, if necessary withdraw from any discussion on that matter, and not vote on that matter.

SAI also has a framework for managing conflicts of interests for senior executives.

#### **1.1.4 Meetings of the Board**

The Board ordinarily schedules 8-10 meetings a year and in addition will meet as necessary to deal with specific matters. The Chairman and Chief Executive Officer establish meeting agendas to ensure adequate coverage of strategic, financial and risk areas.

Directors are encouraged to participate and to exercise their independent judgment. Management attends meetings by invitation and provides specific presentations on key business units or activities as requested by the Board.

Non-Executive Directors regularly allocate time during scheduled Board meetings to meet without Management present so that they can discuss issues appropriate to such a forum.

Meetings held and attended by each Director during the period are set out in the Directors' Report.

#### **1.1.5 Board Committees and Membership**

At the date of this report there are five Committees of the Board:

- The Audit Committee
- The Risk Committee
- The Remuneration and People Committee
- The Capital Programme and IT Committee
- The Nomination Committee

With effect from 10<sup>th</sup> August 2015 the Company's Audit and Risk Committee has been replaced by two Committees, The Audit Committee and The Risk Committee.

The powers and procedures of the Committees are governed by the Company's Constitution and Committee Charters.

The Committees' membership and Directors' attendance records are set out in the Directors' Report.

Other committees may be formed from time to time to consider specific matters of importance that do not fall within the remit of constituted Committees.

The roles and responsibilities of each Committee are set out in the Committee Charter which is available in the corporate governance section of the Company's website.

The Board Committees meet as programmed by the Board and as required by the Committee Chair. All Directors can attend any Committee Meeting and receive Committee papers and reports. Committee Chairs report to the Board meeting following the Committee meeting. Management is invited to attend Committee meetings as required.

The objectives of the Audit, Risk, Remuneration and People and Nomination Committees are set out later in this report. The objective of the Capital Programme and IT Committee is to provide leadership in affirming SAI's commitment at the highest level to the implementation of successful change



and the effective management of technology. Specific responsibilities include overseeing the performance of the Company's capital expenditure plan, reviewing any required sign off on capital expenditure associate with the Company's Programme Portfolio, overseeing the performance of the Information Technology function and the status of the Information Technology change programme.

### **Recommendation 1.2**

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

#### **1.2.1. Nomination and Election of Directors**

SAI uses the services of a reputable recruitment agency to source a shortlist of potential Directors. Prior to their nomination by the Nomination Committee, the agency conducts due diligence to establish the candidates' fitness and propriety for the role.

SAI provides security holders in the Notice of Meeting with all the requisite information relevant to a decision whether or not to elect or re-elect a Director.

### **Recommendation 1.3**

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

#### **1.3.1 Directors' Letter of Appointment**

Directors agree to abide by certain terms set out in a formal letter of appointment.

Non-Executive Directors receive no payments other than their Directors' fees, superannuation guarantee contributions, and reasonable expenses. Directors are not entitled to a payment or benefit on retirement other than their minimum superannuation guarantee.

### **Recommendation 1.4**

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

### **1.4.1 Role of Company Secretary and Access to Information**

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

Directors receive regular detailed financial and operational reports and have unrestricted access to Company records and information. The Group General Counsel and Company Secretary provides ongoing advice on such issues as corporate governance and the Company's Constitution and the law. Non-Executive Directors have access to, and meet with, Management and may consult or request additional information from any member of staff.

#### **Recommendation 1.5**

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

### **1.5.1 Diversity**

SAI Global values diversity and aims to create a vibrant and inclusive workplace, reflective of the communities in which it operates.

Equal opportunity is at the core of the Company's People strategy, as the Board believes that a diverse workforce is critical for SAI's business to attract and retain the most talented people. In particular, the Board is convinced that gender diversity in leadership positions facilitates different and more innovative thinking, more informed decision-making and ultimately better business outcomes.

The Board is committed to the ASX Corporate Governance Council's gender diversity principles and has set a target to increase the proportion of women in senior management roles at SAI Global (defined as employees in levels C1, C2, where the CEO is level C, C1 is a direct report of the CEO etc.), from 28% at the end of FY11 to between 35% and 40% by the end of FY16. As of 30<sup>th</sup> June 2015 this target had been achieved with 36.2% of C1 and C2 being female, up from 31% at 30<sup>th</sup> June 2014.

In support of further increasing this percentage the Board has reviewed the Company's approach to Equal Opportunities and agreed with Management the following specific actions aimed at increasing the proportion of females in management:

- 1) An annual pay gap analysis to ensure there is no systemic bias in salaries.
- 2) The introduction of a requirement that at least one female be included on each shortlist for vacant positions at levels C1 and C2.
- 3) The promotion of greater flexibility in when work is conducted, where it is conducted and how it is conducted. This will include:

- flexible working hours
- increased part-time opportunities
- working outside of traditional office hours
- weekend working where it suits employees
- more working from home
- where the job permits, working from home
- increased opportunities to split work between home and office
- increased job sharing
- shared management roles
- shared front-line roles

At the end of FY15 52.2% of the SAI's global workforce was female, compared with 52.5% at the end of FY14. A copy of the Company's annual public report for 2015, as lodged with the Workplace Gender Equality Agency, is available on the website.

At the Board level, two of the six Non-Executive Directors are female.

#### **Recommendation 1.6:**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### **1.6.1 Board Performance**

The Board has in place a procedure for the Chairman to review the overall performance of the Board, Board Committees, and individual Directors including the Chief Executive Officer. The results of these reviews are discussed with individual Directors and Committee Chairs.

In March 2015 The Board commissioned an independent review of board performance which was undertaken by Baker & Baptist Pty Ltd. As part of the process a number of documents were reviewed including the Company's Constitution, Board and Committee Charters, Directors' Letters of Appointment, policies signed off by the Board, the Annual Report and sample Board and Committee packs, including minutes. This was followed by face to face interviews with the Chairman, the five other Non-Executive Directors, the

Chief Executive Office/Managing Director, the Chief Financial Officer, the Chief Commercial Officer and the Company Secretary/General Counsel. Following this process feedback on overall Board and individual Director performance and skill sets was provided.

### **Recommendation 1.7**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### **1.7.1 Performance of Senior Executives**

The Board has in place a procedure for periodically evaluating the performance of senior executives.

Performance evaluations were undertaken in the reporting period in accordance with that process.

**Principle 2. Structure the board to add value:** A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

### **Recommendation 2.1**

The board of a listed entity should:

- a) have a nomination committee which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director,
  - 3) and disclose:
    - 4) the charter of the committee;
    - 5) the members of the committee; and
  - 6) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

### **2.1.1 The Nomination Committee**

The SAI Global Nomination Committee is responsible for reviewing certain nomination matters including the process for the nomination and selection of Non-Executive Directors to the Board, succession plans for Non-Executive Directors, induction programmes for Non-Executive Directors, establishing desirable competencies of the Board and establishing and monitoring strategies for gender diversity for the Board.

The Committee is comprised of all Non-Executive Directors and is chaired by the Chairman of the Board.

The Board determines its composition in accordance with the Company's Constitution and needs of good governance and efficiency. The minimum number of Directors is three and the maximum is twelve. The Board is currently comprised of six Non-Executive Directors and one Executive Director, the latter being the Chief Executive Officer.

Recommendations for nominations of new Directors are made by the Nomination Committee. Nominees are assessed against criteria including background, experience, professional skills, personal qualities and whether these attributes will augment the existing Board.

If a new Director is appointed other than at the Annual General Meeting, that Director will stand for election by shareholders at the next Annual General Meeting. Shareholders will be provided with all relevant information on candidates for election.

The Company's Constitution requires that, with the exception of the Chief Executive Officer, one third (rounded down) of Non-Executive Directors retire each year, and that the maximum time that each Director can serve in any single term is three years. Directors, who retire by rotation, being eligible, may offer themselves for re-election by shareholders at the Annual General Meeting. The Board will evaluate the contribution of retiring Directors prior to endorsing their candidature.

No policy on compulsory retirement age has been adopted by the Board at this time.

The Board actively considers succession planning and monitors the skills and experience required to execute the strategic plans of the Company. The Board is also responsible for the succession planning for the role of Chief Executive Officer.

#### **Recommendation 2.2**

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

### **2.2.1 Skills Matrix**

A Board review was conducted in 2015, part of the output of which was a skills matrix which identified the following collective areas of expertise of the current Board:

- Strategy and sustainability
- Sales and marketing
- Global mindset
- Financial governance
- Capital management
- Corporate governance
- Operations and asset optimisation
- People and capabilities
- Executive performance and remuneration
- Stakeholder engagement
- Information technology

The Board is satisfied it has the necessary expertise with the current Non-Executive Directors to effectively carry out its responsibilities. If, at any time, different skills are required, the Board, via the Nomination Committee, will look at these skills as part of its Board succession plan.

### **Recommendation 2.3**

A listed entity should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

#### **2.3.1 Independence**

The SAI Global Board assesses the independence of Directors against the criteria established by the ASX Corporate Governance Council to ensure they are in a position to exercise independent judgment. Directors are considered independent if they are independent of Management and free from any relationship that could materially interfere with, or could reasonably be perceived to interfere with independent judgment.

A “material interest” of a Director is defined as:

- Having control of, or association with, more than 2½% of issued shares in SAI Global Limited, or
- Having control of, or association with, a principal of a supplier of goods or services where that supply in total represents more than 10% of the organisation’s total supply to all parties of those goods or services.

Each Non-Executive Director provides an annual attestation of his or her interests and independence.

The Board has formed the view that all of the Non-Executive Directors are independent.

Anna Buduls has been a Non-Executive Director of the company for 11 years.

The other members of the Board have formed the unanimous view that she has retained her independence from Management notwithstanding her length of service. In determining this view the Directors considered all relevant factors including the fact that the appointment of a new Chief Executive Officer was imminent.

#### **Recommendation 2.4**

A majority of the board of a listed entity should be independent directors.

Refer 2.3.1 above

#### **Recommendation 2.5**

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

##### **2.5.1 The Chairman**

The Chairman is selected by the Board from the Non-Executive Directors. The Chairman's role includes:

- Leadership of the Board, for the efficient organisation and conduct of the Board's function.
- Briefing Directors in relation to issues arising between Board meetings.
- Encouraging the effective contribution of all Directors.
- Promoting constructive and respectful relations between Board members and between the Board and Management.
- Liaising with shareholders
- Committing the time necessary to discharge the role effectively. In that context the number of other roles, and the associated time commitment are taken into account.

The current Chairman, Andrew Dutton, joined the Board in August 2008 and became Chairman in October 2013 at the conclusion of the 2013 AGM.

#### **Recommendation 2.6**

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

##### **2.6.1 Induction of New Directors**

Any new Director appointed to the Board is required to undergo appropriate induction training to familiarise himself or herself with the business and issues

before the Board. A formal induction programme and information pack have been developed for this purpose.

**Principle 3. Act ethically and responsibly:** A listed entity should act ethically and responsibly.

### **Recommendation 3.1**

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) disclose that code or a summary of it.

#### **3.1.1 Code of Conduct**

SAI is committed to ensuring that the highest standard of law abiding and ethical conduct is practised by its Directors and employees. SAI's "Code of Business Conduct" sets out the Board's expectations for business conduct which is encompassed by the guiding principle that all Directors and employees treat others, including customers, shareholders, business prospects, suppliers and each other with the same honesty, respect and consideration that they themselves would expect to receive. A copy of the Code is available on our website.

SAI Global also has a range of internal guidelines, communications and training processes and tools, including an online learning module entitled "Integrity Matters", which apply to and support our Code of Business Conduct.

In addition to the Code of Business Conduct and Principles, SAI Global also has a number of key policies to manage compliance and human resource requirements.

SAI manages perceived and actual conflicts of interest through our Code of Conduct as well as our suite of Anti-Bribery and Corruption policies, copies of which are available on our website.

Under our Whistle-blower Policy, employees are encouraged to raise any concerns about activities or behaviour that may be unlawful or unethical. Concerns may include suspected breaches of the Code of Business Conduct and any internal policy or regulatory requirement. A copy of the policy is available on the website.

Employees can raise possible wrongdoings on an anonymous basis through either of our internal or external whistle-blower reporting mechanisms by logging their report onto an internal reporting system or calling the Whistle-blower Hotline ("Listen up").

Concerns raised are investigated in a manner that is fair, objective and affords natural justice to all people involved. If the investigation shows that wrongdoing has occurred, processes are changed as appropriate, and action taken in relation to employees who have behaved inappropriately. Where illegal conduct has occurred, this may involve reporting the matter to relevant



authorities. All cases submitted to Listen Up are reported to the Risk Committee as a matter of routine.

Directors and all employees are restricted from dealing in SAI Global Limited shares if they possess inside information. They are also prohibited from passing on inside information to others who may use that information to trade in securities. In addition, Directors and any employees, who, because of their seniority or the nature of their position, may have access to material non-public information about SAI, are subject to further restrictions, including only trading in permitted windows following the annual and half-year profit announcements and the Annual General Meeting.

The mechanisms used to manage and monitor SAI's obligations include:

- The insider trading provisions of our Share Trading Policy, which prohibits any dealing in any securities where a Director or employee has access to inside information that may affect the price of those securities. A copy of the policy is available on our website.
- Restrictions limiting the periods in which the Directors and certain senior employees can trade in SAI Global Limited shares (Trading Windows).
- Requiring Directors and senior employees to notify their intention to trade during those Trading Windows and confirm that they have no inside information.
- Monitoring the trading of SAI Global Limited securities by Directors and senior employees.
- Trades by Directors of SAI securities are notified to ASX within five business days as required under the ASX Listing Rules.

**Principle 4. Safeguard integrity in corporate reporting:** A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

#### **Recommendation 4.1**

The board of a listed entity should:

a) have an audit committee which:

- 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- 2) is chaired by an independent director, who is not the chair of the board,
- 3) and disclose:
- 4) the charter of the committee;
- 5) the relevant qualifications and experience of the members of the committee; and
- 6) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

#### **4.1.1 The Audit Committee**

The SAI Global Audit Committee is responsible for all matters relating to the integrity of financial statements, overview of risk management policy and procedures, the performance of external audit and internal audit, legal compliance and compliance with ethical standards, and oversight of related communication with stakeholders. A copy of its charter is available on our website.

The Committee is comprised of four Non-Executive Directors who satisfy the criteria of independence. The members of the Committee have financial expertise, experience of the industry sector and general commercial experience.

Best practice in financial and audit governance is changing with the introduction of new and revised Accounting Standards. The Board is committed to producing true and fair financial reports which comply with applicable accounting rules and policies, and to ensuring that the external auditors are independent and serve shareholder interests by ensuring they can access and form an opinion on the Company's true financial position.

The Board has established a process and policy for the selection of an external auditor which is available on the Company's website. The selection of auditors takes into account key criteria including audit approach and methodology, internal governance processes, global resources, key personnel and cost. This External Auditor Policy is reviewed on an annual basis by the Audit Committee.

The auditor will provide audit and audit related services that are consistent with their role as auditors. This will include the following:

- Assurance to shareholders as to the integrity of the half-year and full-year financial statements;
- Assurance as to the integrity of the relevant statutory accounts; and
- Attendance at the Annual General Meeting.

The Directors exercise caution in awarding any non-audit services to the Company's auditor. Non-audit services are awarded only where the auditor has demonstrated expertise or there are other compelling reasons to award such services to the auditor, for example in relation to international taxation services. The auditor is not employed in relation to any financial due diligence work on potential acquisitions.

Where the auditor could ultimately be required to express an opinion on its own or a related entity's work or there is a threat, or perceived threat, to the auditor's independence, such services will not be undertaken as this may conflict with the role of external auditor. The precluded services are detailed in the selection policy and any recommendation to provide a precluded service requires an estimation of the risk materiality of the proposed engagement to be assessed. The underlying intention is that non-audit services be limited to retrospective, not prospective matters.

In line with current legislation, the Company requires the audit partner and review partner of its external auditors to rotate every 5 years. Consistent with this requirement, a new audit partner will take over from the incumbent partner with effect from the FY16 financial period.

In addition, the Audit Committee will from time to time review the audit function and recommend to the Board whether a tender process should be undertaken.

#### **Recommendation 4.2**

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **4.2.1 Declarations from CEO and CFO**

In accordance with Section 295A of the Corporations Act 2001, the Chief Executive Officer and the Chief Financial Officer of SAI Global Limited provide an annual statement to the Board, in writing, that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant Accounting Standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Chief Executive Officer and Chief Financial Officer also make a similar attestation in relation to the half-year financial report.

#### **Recommendation 4.3**

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

#### **4.3.1 Auditor's Attendance at AGM**

The external auditor is required to attend the AGM and answer questions relevant to the audit.

**Principle 5. Make timely and balanced disclosure:** A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

### **Recommendation 5.1**

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

#### **5.1.1 Continuous disclosure**

A copy of our Continuous Disclosure Policy is available on the website.

**Principle 6. Respect the rights of security holders:** A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

### **Recommendation 6.1**

A listed entity should provide information about itself and its governance to investors via its website.

#### **6.1.1 Website**

Extensive information about SAI Global is available on the Company website, including all the key policies referenced in this Corporate Governance section of the 2015 Annual Report.

### **Recommendation 6.2**

A listed entity should design and implement an investor relations programme to facilitate effective two-way communication with investors.

#### **6.2.1 Investor Relations**

The Chief Executive Officer and Chief Financial Officer conduct regular meetings with fund managers and stockbroking analysts, as well as periodically speaking at investment seminars and conferences. All presentations and communications are filed with the ASX and uploaded to the Company's website. In 2015 the Company appointed its first specialist Investor Relations Executive.

### **Recommendation 6.3**

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

### 6.3.1 Participation at Meetings

Investors are invited to the AGM via the Notice of Meeting. They are also advised that they can lodge questions in advance by telephone or email, and participate in the AGM by telephone or by watching a webcast. The webcast is subsequently available on our website.

#### **Recommendation 6.4**

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

### 6.4.1 Electronic Communications

This facility is available through our security registry.

**Principle 7. Recognise and manage risk:** A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

#### **Recommendation 7.1**

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

### 7.1.1 Risk

The SAI Global Risk Committee oversees the operation of the risk management system and assesses its adequacy. The Committee monitors the internal policies for identifying and determining key risks to which the Company is exposed. Divisional Management is required to attend Risk Committee meetings periodically to explain the risk management framework pertaining to each division and to enable the Committee to challenge, test and assess the

robustness of the framework and Management's action in that regard.

SAI recognises that risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities. The Company is committed to managing risk in a manner appropriate to achieve its strategic objectives. The Company will keep investors informed of material changes to the Company's risk profile through its periodic reporting obligations and investor presentations.

SAI Global applies the principles in Australia/New Zealand Standard AS/NZS ISO31000:2009 Risk Management in identifying, assessing, monitoring and reviewing risks.

Risk identification, assessment and treatment are part of the annual business planning process. Risk assessment is undertaken by Management and reviewed by the Board, and is conducted using risk matrices, taking existing controls into consideration.

Risk treatment options are considered in determining the suitable risk treatment strategy. Planned actions supporting the strategy are recorded in an on-line risk management tool identifying responsibilities and time lines. Risk treatment options include:

- Avoid the risk;
- Reduce the likelihood of the occurrence;
- Reduce the consequences;
- Transfer the risk (mechanisms include insurance arrangements); or
- Retain the risk.

Management monitors and reviews existing risks. It is the responsibility of Management to ensure that risk records are kept up to date. A report of key risks with progress of risk treatment implementation is reviewed by Management regularly. The key risk report is also made available to the Risk Committee for review.

To further assist in managing risks which may arise internally and externally with customers, the Company (excluding the Assurance business) utilises ISO9001:2008 *Quality Management System* which was independently audited during the year by SIRIM QAS International Sdn. Bhd. (SIRIM), an accredited certification body.

The Company's Assurance business manages its risks by ensuring compliance with relevant standards - ISO/IEC 17021 (Audit and Certification of Management Systems), ISO/ IEC 17020 (Performing Inspections), ISO/IEC Guide 65 (Product Certification), ISO/IEC17025 (Accreditation of Laboratories), appropriate accreditation procedures, and any additional specific requirements in specialist areas, such as food (BRC, SQF, for example).

The Assurance business is subjected to periodic, independent audits by the relevant accreditation bodies, against SAI's registered/approved scope in accordance with the above referenced standards. Accreditations held include:

- Accreditation Body of Indonesia (Komite Akreditasi Nasional) (KAN)
- Accreditation Services International (ASI)

- American National Standards Institute (ANSI)
- ANSI-ASQ National Accreditation Board
- Ente Italiano di Accreditamento (Italian National Accreditation Body) (Accredia)
- IAOB (the International Automotive Oversight Bureau based in USA)
- IEC Quality Assessment System for Electronic Components (IECQ)
- Irish National Accreditation Board (INAB)
- Joint Accreditation System of Australia and New Zealand (JAS-ANZ)
- Korea Accreditation Board (KAB)
- Mexican Accreditation Entity (Entidad Mexicana de Acreditacion (EMA)
- Spanish Accreditation Entity (Entidad Nacional de Acreditacion (ENAC)
- Standards Council of Canada (SCC)
- United Kingdom Accreditation Service (UKAS)

The Assurance division's processes are periodically reviewed by the various accreditation bodies and, in addition, the business undertakes its own internal audits.

Risk management is the responsibility of all staff. Management is responsible for monitoring and reviewing the risk register for completeness, continued relevance of risk assessment, effectiveness of risk treatment plan and timeliness of implementation of risk treatment actions, taking into account changing circumstances.

Management, in addition to its general and specific responsibilities, is responsible for providing to the Internal Auditor any assistance required to execute the Board Committee approved internal audit plan.

The Chief Executive Officer and the Chief Financial Officer provide a half-yearly statement to the Board in writing that the Company's internal compliance and control system is operating efficiently and effectively in all material respects.

### **Recommendation 7.2**

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

#### **7.2.1 Oversight of Risk Management framework**

The SAI Global Board oversees the establishment and implementation of the Company's risk management framework and reviews the effectiveness of that system bi-annually. Evaluations were undertaken in the reporting period in accordance with this process.

### **Recommendation 7.3**

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

#### **7.3.1 Internal Audit**

In addition to the risk management framework, the Company has an internal compliance and control system based on the following:

- An internal audit programme approved by the Audit Committee; and
- A financial reporting control system which aims to ensure that financial reporting is both accurate and timely.

SAI Global has a number of control processes to ensure that the information presented to Management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and half-year review by the external auditor;
- Planned review by internal auditors of the quality and effectiveness of internal processes, procedures and controls; and
- Monthly review of financial performance compared to budget and forecast.

In accordance with Section 295A of the Corporations Act 2001, the Chief Executive Officer and the Chief Financial Officer provide an annual statement to the Board, in writing, that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant Accounting Standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Chief Executive Officer and Chief Financial Officer also make a similar attestation in relation to the half-year financial report.

The Audit Committee is responsible for recommending the appointment of the internal auditor and approving the annual internal audit plan. The internal audit function is independent of the external auditor and has direct access to the Chairman of the Board and Chairman of the Audit Committee.

Periodically, each division is subject to a fraud risk and control internal audit, and undertakes a self-assessment process prior to the audit being undertaken.

Internal Audit reports that identify deviation from Company policies are directed to Management for action and to the Audit Committee for information or further action.

Internal audit provides independent assurance to the Audit Committee of the effectiveness of the Company's risk management and internal compliance and control system through regular reviews of internal controls, operation of the risk management framework and the quality management system.



The Audit Committee is responsible for reviewing and analysing the effectiveness of the risk management framework, the internal compliance and control systems and reports on the same to the Board, no less than annually or at such intervals as determined by the Board.

#### **Recommendation 7.4**

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

#### **7.4.1 Economic, Environmental and Social Sustainability Risks**

SAI does not believe that it has any material exposure to economic, environmental and social sustainability risks which could substantively impact its ability to create or preserve value for security holders over the short, medium or long term.

**Principle 8. Remunerate fairly and responsibly:** A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

#### **Recommendation 8.1**

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; 43 or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

#### **8.1.1 Remuneration and People Committee**

Details are provided in the Remuneration Report on pages 70 to 108.

**Recommendation 8.2**

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

**8.2.1 Remuneration of Executives**

Details are provided in the Remuneration Report on pages 70 to 108.

**Recommendation 8.3**

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- b) disclose that policy or a summary of it.

**8.3.1 Equity Based Remuneration**

SAI employees are forbidden to enter into any hedging arrangements in relation to their unvested employee shares or securities.

## DIRECTORS' REPORT

The Directors present their report on SAI Global Limited (SAI or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

### Directors

The following persons were Directors of SAI Global Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Andrew Dutton	Chairman	Executive Chairman until 5 <sup>th</sup> November 2014
Peter Mullins	Chief Executive Officer	Appointed on 5 <sup>th</sup> November 2014
Robert Aitken	Non-Executive Director	
Anna Buduls	Non-Executive Director	
Peter Day	Non-Executive Director	Deputy Chairman until 5 <sup>th</sup> November 2014
Sylvia Falzon	Non-Executive Director	
David Spence	Non-Executive Director	

Andrew Dutton was Executive Chairman from the beginning of the period until 5 November 2014, when he reverted back to the position of Non-Executive Chairman. Peter Day was Deputy Chairman from the beginning of the period until 5 November 2014.

### Principal activities

During the year the principal activities of SAI's businesses consisted of:

#### *Assurance Services:*

- Assessing system and product conformity to international and locally based Standards, supported by one of the most widely recognizable symbols of excellence and assurance in Australia, the "five ticks" StandardsMark
- Providing a suite of services across the food value chain, from agricultural production through to the point of sale or service, aimed specifically at managing risks within the supply chain and improving the quality, safety and security of food products
- Providing tools for improving critical business processes
- Providing Standards and Food Safety related training and business improvement solutions

#### *Compliance Services:*

- Advisory services in relation to regulatory compliance needs and solutions
- Providing governance, risk and compliance (GRC) solutions that catalogue, monitor, update, notify and manage a company's operational GRC needs

- Providing an extensive library of web-based learning and awareness solutions, supported by a learning management system providing both audit and compliance learning management capability
- Whistle-blower and related case management and incident reporting services

*Standards & Technical Information:*

- Distributing, through on-line information management tools, technical and business information such as Standards, legislation and other technical information
- Providing internally developed intellectual property such as bibliographic databases and property certificates
- Providing newsfeeds, alerts and databases covering key compliance and regulatory topics

*Property Services:*

- Business process outsourcing services; and
- Information broking and data services

## **OPERATIONAL AND FINANCIAL REVIEW**

### **1. Operations and financial performance**

#### ***(a) Consolidated result***

##### Overview

The summary financial analysis below shows the results both on a statutory and underlying basis. The underlying basis is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's underlying performance. The underlying basis excludes significant charges. In general terms, significant charges are associated with acquiring and integrating new businesses, costs associated with any major restructuring within the business, any impairment charges and any other specific items deemed to be significant on account of their nature or size. In FY15 the significant charges include external professional fees and associated incidental charges incurred in responding to the unsolicited, indicative, conditional and non-binding proposal received in May 2014 and conducting a formal process to review strategic options.

The reconciliation between the statutory results and underlying results has not been audited or reviewed by the Company's auditor. However, the auditor has undertaken procedures to confirm that the information used and presented by the Directors in determining the underlying results is consistent with the Company's financial records and also applied on a comparatively consistent basis.

\$'000	Statutory			Underlying <sup>1,2</sup>		
	FY15	FY14	Change	FY15	FY14	Change
<b>Sales revenue</b>	<b>547,661</b>	527,749	<b>3.8%</b>	<b>547,661</b>	527,749	<b>3.8%</b>
Other income	(205)	(508)		(205)	(231)	
	<b>547,456</b>	527,241	<b>3.8%</b>	<b>547,456</b>	527,518	<b>3.8%</b>
Less: direct costs	<b>252,374</b>	252,863	<b>(0.2%)</b>	<b>252,374</b>	252,863	<b>(0.2%)</b>
<b>Gross profit</b>	<b>295,082</b>	274,378	<b>7.5%</b>	<b>295,082</b>	274,655	<b>7.4%</b>
Less: overheads	<b>191,571</b>	181,029	<b>5.8%</b>	<b>168,773</b>	167,518	<b>0.7%</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>103,511</b>	93,349	<b>10.9%</b>	<b>126,309</b>	107,137	<b>17.9%</b>
Less: depreciation	<b>25,928</b>	22,139	<b>17.1%</b>	<b>25,928</b>	22,139	<b>17.1%</b>
Less: amortisation of acquired intangible assets	<b>12,095</b>	12,427	<b>(2.7%)</b>	<b>12,095</b>	12,427	<b>(2.7%)</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>65,488</b>	58,783	<b>11.4%</b>	<b>88,286</b>	72,571	<b>21.7%</b>
Less: net financing costs	<b>10,742</b>	11,353	<b>(5.4%)</b>	<b>10,742</b>	11,353	<b>(5.4%)</b>
Add: associated companies	<b>189</b>	258		<b>189</b>	258	
<b>Net profit before income tax</b>	<b>54,935</b>	47,688	<b>15.2%</b>	<b>77,733</b>	61,476	<b>26.4%</b>
Less: income tax	<b>15,382</b>	12,226	<b>25.8%</b>	<b>21,807</b>	16,291	<b>33.9%</b>
<b>Net profit after income tax</b>	<b>39,553</b>	35,462	<b>11.5%</b>	<b>55,926</b>	45,185	<b>23.8%</b>
Profit is attributable to:						
<b>Equity holders of SAI Global Limited</b>	<b>39,264</b>	35,295	<b>11.2%</b>	<b>55,637</b>	45,018	<b>23.6%</b>
Minority interests	<b>289.00</b>	166.83	<b>73.2%</b>	<b>289</b>	167	<b>73.2%</b>
	<b>39,553</b>	35,462	<b>11.5%</b>	<b>55,926</b>	45,185	<b>23.8%</b>

1. Excludes significant charges

2. Unaudited

Sales revenue increased by \$19.9M to \$547.7M, up 3.8%, driven by the impact of the weaker Australian dollar, organically generated growth and the impact of recent acquisitions.

Management has continued to address the cost base of the Company during the period through the pursuit of operational efficiency initiatives. The results of these initiatives have seen direct costs reduce by 0.2%, notwithstanding the growth in revenue.

At the same time a comprehensive transformation project has been undertaken to align the Standards & Technical Information, Compliance and Assurance divisions into an integrated risk management solutions business ready to operate on a regional basis with effect from 1 July 2015. Overheads increased by 5.8% compared with the prior corresponding period. Much of the increase in overheads can be attributed to significant charges which were incurred in order to reduce the cost base of the Company. These steps involved a combination of external consulting assistance, workforce reductions and office rationalisation. These costs amounted to \$11.2M and have been highlighted as part of total significant charges below. The benefits associated with these actions will flow through into FY16 and beyond.

EBITDA increased by 10.9% to 103.5M, up from 93.3M in FY14. Underlying EBITDA of \$126.3M is a 17.9% improvement over the prior corresponding period.

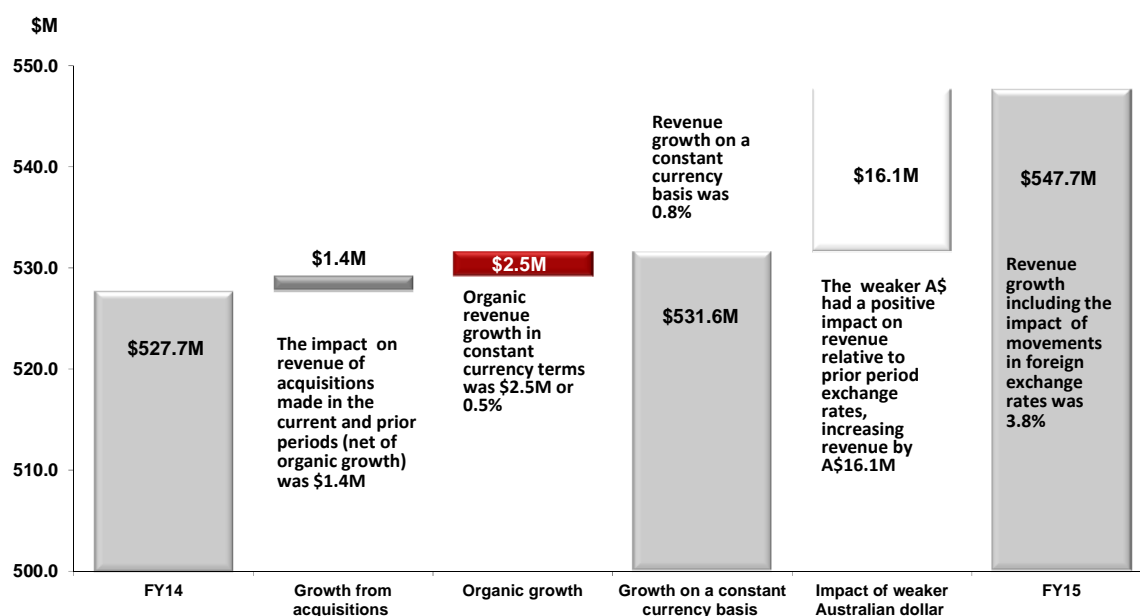
The Company achieved a statutory net profit after tax attributable to shareholders of \$39.3M, up from \$35.3M in FY14, an increase of 11.2%. Underlying net profit after tax attributable to shareholders of \$55.6M is a 23.6% improvement over the prior corresponding period.

Net cash inflows from operating activities were \$80.0M, down slightly from \$80.5M in FY14, on account of the increase in significant charges. Net operating cash inflows before significant charges for the year were \$94.3M, up 6.2% from \$88.8M achieved in FY14.

### Revenue

SAI experienced modest revenue growth in FY15, achieving growth in sales revenue from \$527.7M to \$547.7M, an increase of 3.8%. Revenue growth in constant currency terms was 0.8% of which organic growth was 0.5% and this growth was enhanced by the contribution from recent acquisitions which added a further 0.3%. The weaker Australian dollar relative to FY14 generated favourable translation impacts on the foreign currency revenues generated by SAI's overseas businesses, particularly those in North America and Europe, contributing \$16.1M and resulting in the headline revenue growth of 3.8%.

These factors are summarised in the schematic below:



All divisions recorded revenue growth in the period. The Standards & Technical Information division achieved revenue growth of 3.0%. The Property business grew revenue by 1.5% (4.9% if the government authority fee pass through component of revenue is excluded), despite the loss of a contract with a second tier bank. The Compliance Services and

Assurance Services both benefitted from the impact of the weaker Australian dollar posting revenue growth of 5.2% and 6.6% respectively.

In constant currency terms organic revenue growth was below recent trends. Whilst parts of the business achieved satisfactory, and in some cases strong, revenue growth, others such as Compliance Learning and the Assurance business in Australia saw constant currency revenues reduce. The Assurance businesses in the Americas, EMEA and Asia all achieved mid to high single digit growth, and the Compliance GRC business in North America grew revenue over 12% on a constant currency basis.

The Board and Management team are focussed on improving organic revenue growth and during the second-half we have laid foundations to accelerate growth through three key initiatives. Firstly, we have harmonised sales and marketing into a single global team under the leadership of a Chief Commercial Officer, Paul Butcher. Secondly, we have introduced a Group Marketing Director to streamline and optimise our customer engagement to drive greater customer demand. Thirdly, we are underway in redesigning both our web interface and ecommerce platform to drive increases in the revenues from solutions enabled, sold and delivered through digital media.

Improved constant currency organic revenue growth is expected in FY16.

#### Direct costs and overheads

The reduction in direct costs of 0.2% reflects the impact of the Company's operational efficiency initiatives, resulting in a pleasing expansion in the gross margin from 52.0% to 53.9%. Overheads increased by 5.8%, which included \$22.8M of significant charges which are explained further below. On an underlying basis overheads increased by a modest 0.7%, again reflecting the positive impact of operational efficiency initiatives to reduce costs and improve productivity.

#### Significant charges

The significant charges incurred in FY15 amounted to \$22.8M before tax and \$16.4M after tax. In the overview section above these costs are added back to the overheads line in the "statutory" column to determine underlying overheads as set out in the "underlying" column. Similarly, the tax credit associated with the significant charges is added back to the statutory income tax line to determine the underlying charge for income tax.

Details of the significant charges are set out below:

<b>\$000's</b>	<b>FY15</b>	<b>FY14</b>
Accounting, legal, tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach and subsequent process	<b>5,228</b>	-
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)	<b>11,228</b>	8,379
Strategy formulation and transformation (consulting fees, temporary resources and other incidental costs)	<b>2,635</b>	-
Incidental charges relating to acquisition activity	<b>808</b>	188
Winding up / closure of the Canadian defined benefit plan	<b>2,399</b>	741
IT governance review	-	790
CEO transition and other senior management changes	-	2,975
Other significant charges of a non-recurring nature	<b>500</b>	715
<b>Significant charges before tax</b>	<b>22,798</b>	13,788
Income tax credit applicable to significant charges	<b>6,425</b>	4,065
<b>Significant charges after tax</b>	<b>16,373</b>	9,723

In May 2014 the Company announced that it had received an unsolicited, indicative, conditional and non-binding proposal from Pacific Equity Partners Pty Limited to acquire 100% of the outstanding shares in the Company through a recommended scheme of arrangement for an indicative price in the range of \$5.10 to \$5.25. In June 2014 the Board announced that the Company had been approached by a number of other parties also expressing interest in SAI and its businesses and that the Board had determined that it was in the best interests of shareholders to conduct a formal process to review its strategic options. The process concluded on 13 October 2014 following the Board's determination that discussions would not result in a transaction that would be in the best interests of the Company's shareholders. The significant item of \$5,228K in the table above is the combined cost of external professional fees incurred in the period of responding to the proposal and conducting the formal process.

The expenses relating to the operational efficiency initiatives consist of three major categories as follows:

<b>\$000's</b>	<b>FY15</b>	<b>FY14</b>
Consulting fees	<b>2,836</b>	1,490
Office rationalisation	<b>661</b>	2,124
Workforce reduction through productivity gains	<b>7,731</b>	4,765
<b>Operational efficiency initiatives</b>	<b>11,228</b>	8,379

In May 2015 the Company announced that it had entered into a managed services agreement with HCL Australia Services Pty Ltd and its Indian based parent company, HCL Technologies Limited (HCL), whereby a number of SAI's IT applications will be managed by HCL. Not only does this agreement



improve the Company's capacity to respond to variable IT workloads, but it also provides access to robust development capabilities and processes. The Company expects to save around A\$27M in operating costs and capital expenditure over the five year term of the agreement from 1 October 2015. Following a transition period, it is anticipated that SAI's global IT workforce will be reduced by around 90 employees. The costs of bringing about these changes are included in the \$11,228K figure above.

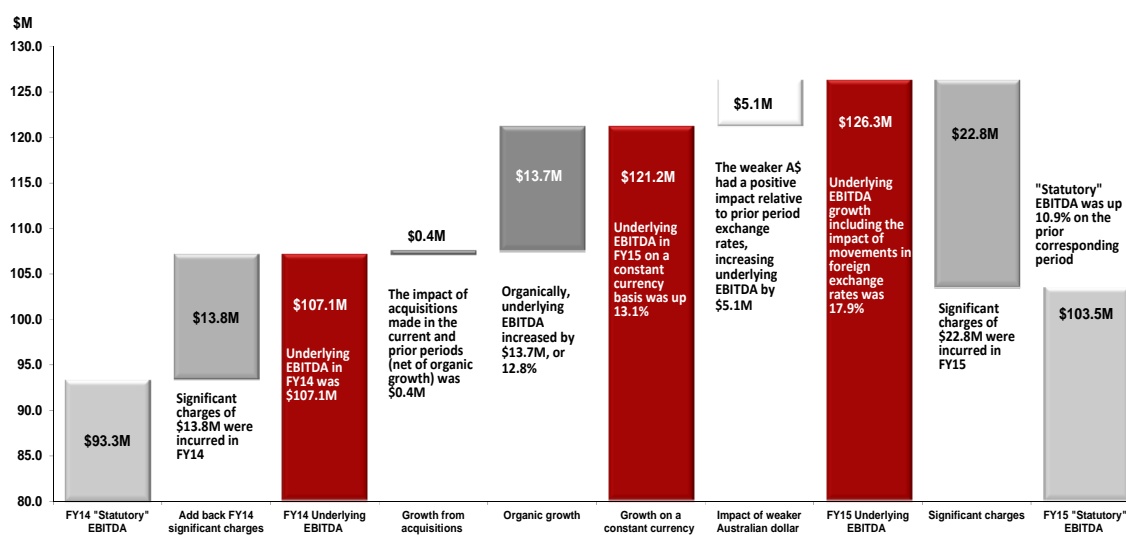
The Canadian defined benefit pension plan was inherited when the Company acquired QMI in 2008. The significant charge recorded of \$2,399K relates to one-off charges associated with winding up the plan. No further costs will be incurred.

The restructuring of the business and transformation to the new operating model is now largely complete. As a consequence, and in the absence of any unforeseen circumstances, the Directors do not envisage significant charges in FY16 other than in relation to any significant acquisition activity should such be undertaken.

### EBITDA

EBITDA increased by 10.9% to \$103.5M despite the quantum of significant charges noted above. Underlying EBITDA increased by 17.9% to \$126.3M. The underlying EBITDA margin expanded from 20.3% in FY14 to 23.1% in FY15, reflecting the positive impact of the operating efficiency initiatives and the changing mix of contributions across the operating divisions.

The key factors which explain the growth in EBITDA from FY14 to FY15 are summarised in the schematic below:



### Depreciation and amortisation

The increase in the depreciation charge in FY15 from \$22.1M to \$25.9M reflects the flow on impact of the relatively high levels of capital expenditure incurred in FY12 and FY13 of \$31.4M and \$27.8M respectively. Capital expenditure reduced to \$24.0M in FY14. In FY15 the Company invested \$27.8M on a combination of internally generated intellectual property, IT

equipment, software, leasehold improvements and furniture and fittings. Capital expenditure is expected to increase to around \$30M in FY16.

The charge for the amortisation of identifiable intangible assets recognised in business combinations reduced to \$12.1M in FY15, down from \$12.4M in FY14. The assets to which the amortisation charge relates are publishing license agreements, customer relationships and contracts, product delivery platforms and intellectual property that were acquired in business combinations. Any subsequent expenditure on intellectual property such as courseware and product delivery platforms is capitalised as part of "plant and equipment" on the balance sheet and depreciated through the depreciation charge. In the absence of significant acquisitions, the charge for amortisation will continue to reduce year on year, as the assets acquired become fully amortised.

### Net financing charges

Net financing charges for the year were as follows:

\$000's	FY15	FY14	Change
Interest expense	11,068	12,141	(8.8%)
Less: Interest income	326	788	(58.6%)
<b>Net financing charges</b>	<b>10,742</b>	<b>11,353</b>	<b>(5.4%)</b>

The FY15 interest expense reduced by 8.8% compared with FY14. The main factor driving the reduction was a renegotiation of the Company's borrowing facilities. The positive impact of this has been mitigated to some extent by the impact of the weaker Australian dollar.

The weighted average cost of borrowing during FY15, inclusive of the amortisation of establishment fees, was 4.10%. At 30 June 2015 the weighted average cost of borrowing was 3.41%.

### Income tax expense

The underlying effective tax rate across the Group's operations was 28.0%, up from 26.5% rate in FY14. This reflects the change in mix of the source of the company's profits, with an increasing percentage originating in higher taxing foreign jurisdictions than Australia such as the United States.

### ***(b) Consolidated cash flow***

Operating cash inflows increased to \$80.0M, down slightly from \$80.5M in FY14.

Cash conversion over the course of FY15 was 104%, down from 110% in FY14, but still a pleasing outcome. On an underlying basis cash conversion was 97%.

\$000's	FY15	FY14	Change
<b>Net operating cash inflows</b>	<b>80,014</b>	80,459	(0.6%)
Add back: net financing charges	<b>10,742</b>	11,353	(5.4%)
Add back: income tax paid	<b>16,924</b>	11,094	52.6%
<b>Ungearred pre-tax operating cash flows</b>	<b>107,680</b>	102,906	4.6%
EBITDA	<b>103,511</b>	93,349	10.9%
<b>Cash conversion ratio</b>	<b>104%</b>	110%	(5.6%)

\$000's	FY15	FY14	Change
<b>Net operating cash inflows</b>	<b>80,014</b>	80,459	(0.6%)
Add back: cash outflow relating to significant charges	<b>14,283</b>	8,373	70.6%
	<b>94,297</b>	88,832	6.2%
Add back: net financing charges	<b>10,742</b>	11,353	(5.4%)
Add back: income tax paid	<b>16,924</b>	11,094	52.6%
<b>Ungearred pre-tax operating cash flows</b>	<b>121,963</b>	111,279	9.6%
Underlying EBITDA	<b>126,309</b>	107,137	17.9%
<b>Underlying cash conversion ratio</b>	<b>97%</b>	104%	(7.0%)

Notwithstanding the quantum of the significant charges, free cash flow increased to \$48.0M in FY15. On an underlying basis free cash flow increased by 16.7% to \$70.8M:

\$000's	FY15	FY14	Change
<b>EBITDA</b>	<b>103,511</b>	93,349	10.9%
Less: net financing charges	<b>10,742</b>	11,353	(5.4%)
Less: income tax paid	<b>16,924</b>	11,094	52.6%
Less: capital expenditure	<b>27,799</b>	23,960	16.0%
<b>Free cash flow</b>	<b>48,046</b>	46,941	2.4%
Add: significant charges	<b>22,798</b>	13,788	
<b>Underlying free cash flow</b>	<b>70,844</b>	60,729	16.7%

### ***(c) Consolidated sensitivity to movements in foreign exchange rates***

The company's results are impacted by the movement in foreign exchange rates relative to the Australian dollar. The Company's operating results from its overseas operations increase in Australian dollar terms if the Australian dollar weakens, and are adversely affected if the Australian dollar strengthens.

A summary of the average rates for FY15 compared to FY14 for the major currencies that affect the Company's results is set out below:

Average exchange rates*	FY15	FY14	Change
US Dollar	<b>0.8277</b>	0.9175	(9.8%)
Canadian dollar	<b>0.9663</b>	0.9835	(1.7%)
Pounds sterling	<b>0.5244</b>	0.5646	(7.1%)
Euro	<b>0.6881</b>	0.6747	2.0%

\*Source: Reserve Bank of Australia

As can be seen from the summary above, the average Australian dollar exchange rates have reduced markedly in FY15 compared with FY14. This reduction has resulted in translation gains relative to FY14 of \$16.1M in sales revenue and \$5.1M in EBITDA.

In assessing the potential impact of movements in the Australian dollar on the Company's prospects for FY16, consideration needs to be given to the amount of the Company's revenue and profit that is denominated in foreign currencies. The following table sets out the relevant amounts for FY15.

<b>Revenue</b>	<b>Underlying currency</b>	<b>Australian dollar equivalent</b>	
	<b>M</b>	<b>\$M</b>	<b>%</b>
Australian dollar	303.9	303.9	55.5%
US dollar	104.4	125.7	23.0%
Canadian dollar	19.7	20.2	3.7%
Pounds sterling	28.3	53.7	9.8%
Euro	11.6	16.6	3.0%
Other		27.6	5.1%
<b>Total</b>		<b>547.7</b>	<b>100.0%</b>

<b>Underlying EBITDA</b>	<b>Underlying currency</b>	<b>Australian dollar equivalent</b>	
	<b>M</b>	<b>\$M</b>	<b>%</b>
Australian dollar	65.1	65.1	51.5%
US dollar	39.2	47.5	37.6%
Canadian dollar	0.6	0.6	0.5%
Pounds sterling	3.2	6.2	4.9%
Euro	1.1	1.5	1.2%
Other		5.4	4.3%
<b>Total</b>		<b>126.4</b>	<b>100.0%</b>

The currency spread of the Company's underlying net profit before tax in FY15 is summarised below:

<b>Underlying Net profit before tax</b>	<b>Underlying currency</b>	<b>Australian dollar equivalent</b>	
	<b>M</b>	<b>\$M</b>	<b>%</b>
Australian dollar	49.9	49.9	64.2%
US dollar	18.0	21.8	28.0%
Canadian dollar	(0.1)	(0.1)	(0.1%)
Pounds sterling	(0.0)	(0.0)	(0.0%)
Euro	1.1	1.5	2.0%
Other		4.6	6.0%
<b>Total</b>		<b>77.7</b>	<b>100.0%</b>

### **(d) Earnings per share**

Earnings per share were 18.6 cents, up 10.7% from 16.8 cents in FY14. Underlying earnings per share were 26.3 cents, up 22.9% on FY14.

<b>Cents</b>	<b>FY15</b>	<b>FY14</b>	<b>Change</b>
Statutory earnings/(loss) per share	<b>18.6</b>	16.8	<b>10.7%</b>
Underlying earnings per share	<b>26.3</b>	21.4	<b>22.9%</b>

### **(e) Review of divisional performance**

In recognition of the fact that the Property Services business is now managed and reported internally as a separate business, distinct from the Standards and Technical Information business, these two businesses have been reported as separate business segments in Note 4. In prior periods these businesses jointly formed, and were reported as, the Information Services division. Prior period comparatives have been restated to reflect the disclosure adopted in the current period.

A summary of the Australian dollar divisional revenues and earnings, together with related commentary, is set out below:

<b>\$'000</b>	<b>Segment Revenue</b>			<b>Segment EBITDA</b>		
	<b>FY15</b>	<b>FY14</b>	<b>Change</b>	<b>FY15</b>	<b>FY14</b>	<b>Change</b>
Assurance Services	<b>205,651</b>	192,896	<b>6.6%</b>	<b>39,667</b>	33,154	<b>19.6%</b>
Compliance Services	<b>97,760</b>	92,957	<b>5.2%</b>	<b>34,032</b>	25,045	<b>35.9%</b>
Standards & Technical information	<b>79,305</b>	76,967	<b>3.0%</b>	<b>41,186</b>	39,709	<b>3.7%</b>
Property Services	<b>169,651</b>	167,212	<b>1.5%</b>	<b>28,696</b>	24,178	<b>18.7%</b>
	<b>552,367</b>	530,032	<b>4.2%</b>	<b>143,581</b>	122,086	<b>17.6%</b>
Eliminations	<b>4,706</b>	2,283		-	-	
	<b>547,661</b>	527,749	<b>3.8%</b>	<b>143,581</b>	122,086	<b>17.6%</b>
Less: Corporate Services	-	-		<b>17,272</b>	14,949	<b>15.5%</b>
<b>Segment Revenue and EBITDA before significant charges</b>	<b>547,661</b>	527,749	<b>3.8%</b>	<b>126,309</b>	107,137	<b>17.9%</b>
Less: depreciation				<b>25,928</b>	22,139	<b>17.1%</b>
Less: amortisation of acquired intangible assets				<b>12,095</b>	12,426	<b>2.7%</b>
Add: associated companies				<b>189</b>	258	
<b>Segment result before significant charges</b>				<b>88,475</b>	72,830	<b>21.5%</b>

Overall the Company's operational performance in FY15 was mixed. Whilst the Company made good progress in improving profitability, organic revenue growth was weak.

As noted earlier in this report, the combination of the impact of the weaker Australian dollar, organic growth and the contributions from recent acquisitions, combined to increase sales revenue by 3.8% to \$547.7M.

The operating divisions collectively grew underlying EBITDA from \$122.1M in FY14 to \$143.6M in FY15, an increase of 17.6%. Corporate Services costs increased from \$15.0M to \$17.3M as a result of the weaker Australian dollar and initiatives to improve IT governance processes in accordance with recommendations from the Capgemini review undertaken in FY14.

Overall, the Company achieved an EBITDA before significant charges of \$126.3M, up 17.9% on FY14.

### *Assurance Services*

The Assurance Services division achieved revenue growth of 6.6% to \$205.7M equivalent to 2.6% on a constant currency basis. The result reflects strong momentum with second-half growth of 3.4% compared to 1.8% in the first-half. The performance across our key markets was mixed, although we made good progress servicing food sector businesses, one of SAI's targeted areas of growth.

Asia increased by more than 9% driven by continued growth in its Food business. Similarly, EMEA delivered over 6% growth with an improved second-half performance as the Food business gained a new major fast food retailer client. The Americas' region also delivered robust growth with revenues up over 8%. As anticipated, the Australian business was down year on year. We achieved an improvement in the Australian management systems business in the second-half compared to the first, however, the decline in demand for Learning services associated with the soon to be replaced 9001 Standard, impacted overall sales for this division. An improved performance is expected in FY16.

Overall, EBITDA was up by 19.6% to \$39.7M at a margin of 19.3%, compared to 17.2% in the previous corresponding period. This improvement of over 200 basis points in EBITDA margin reflects the impact of ongoing efficiency improvement initiatives across all regions. On a constant currency basis EBITDA was up 16.6%.

In July 2014 we acquired the business of OCICERT Mexico SA de CV. This acquisition adds scale to our existing management system business in Mexico and will help us to better serve global clients in Latin America.

### *Compliance Services*

The Compliance division delivered revenue growth of 5.2% and a substantial 35.9% increase in EBITDA compared to FY14. On a constant currency basis revenue reduced 3.3% and EBITDA increased by 23.7%. The improved profitability reflects the operational efficiency initiatives that have seen operating margins improve from 26.9% in FY14 to 34.8% this year. This strong improvement is in line with the "mid-thirties" levels that we had targeted.

The governance, risk and compliance (GRC) operations performed well achieving robust revenue and EBITDA growth. The Learning business saw revenue reduce in constant currency terms but achieved a much improved EBITDA. We expect this business to return to growth in FY16.

During the period the GRC business completed a major release of Compliance 360 (C360) to introduce a number of significant changes and

improved functionality, all of which has greatly enhanced the user experience and appeal of the product. These changes include a complete overhaul of the user interface and user experience and the addition of significant new functionality in response to market needs. We have also progressed development of the “compliance system of record” by opening up the C360 platform so that other platforms and applications can interface with it. In addition, we are adding international functionality (e.g. multi-date formats, currencies and languages), and introducing an improved reporting and business intelligence capability.

Management has improved and stabilised SAI’s legacy learning management systems (LMS) and, as a result, the Company has seen a significant improvement in client retention rates. Management has also reassessed SAI’s Learning strategy in relation to LMS and has concluded that while an LMS is an important element of any learning solution, there is no strategic advantage in continuing to develop a proprietary system. Recently developed and commercially available third party LMS systems are good quality and offer broad flexibility, As well, an increasing number of clients have their own LMS systems and therefore only want SAI’s learning content. As a result of these developments, SAI will in future focus on refreshing and modernising our content services, rather than seeking to compete as a system provider.

We are therefore placing greater focus on refreshing and modernising our most popular courses, working to make more of our content playable on multiple LMS’ through compliance with Shareable Content Object Reference Model (SCORM) standards and readily accessible through mobile devices.

#### *Standards & Technical Information*

This business distributes technical and business information such as Standards, legislation and other technical information, and also provides internally developed intellectual property such as bibliographic databases and information workflow solutions.

The Standards and Technical Information business grew its revenue by 3.0%, equivalent to 1.1% on a constant currency basis. Revenue growth in the APAC region of 5.5% was partially offset by a decline in EMEA. This decline relates predominantly to the ASME Pressure Vessel Code which is published every two years and caused a spike in EMEA publication revenue in the prior year. Revenue was also impacted by the downward pressure on oil prices resulting in oil and gas clients renewing subscriptions at a lower value. Despite these headwinds, this business grew underlying EBITDA by 3.7%. On a constant currency basis EBITDA was up 1.1%.

Notwithstanding the commencement of arbitration in relation to royalty payments paid to Standards Australia, as announced to the market in May 2015, operations associated with the Publishing License Agreement between the two organisations continue to operate effectively.

### *Property Services*

SAI Global's Property Services division provides two core areas of services: business process outsourcing, and information broking and data services.

The Property business achieved revenue growth of 1.5% (4.9% if the government authority fee pass through component of revenue is excluded) and EBITDA growth of 18.7%. EBITDA margins increased by 2.4% to 16.9% compared to the previous corresponding period. This strong performance has been driven by the continued buoyant property market in Australia as well as the full impact of recent new business wins from HSBC, Bankwest WA and Commonwealth Bank WA and continued efficiency initiatives in our national operations group.

In late October 2014, the Property Division acquired the exclusive licence to the Encompass software in Australia which it sold previously under a revenue sharing agreement. In the second-half of FY15, this was launched in conjunction with a new bundled report, combining the strength of Search Manager with the Encompass platform, to deliver a unique Company Dynamic Report to the market. This Information Brokerage and data services initiative is Property's first foray into the lucrative value-added content market with the objective of winning market share from existing participants.

Settlement Room was launched during the first-half of FY15 enabling Conveyancing Manager clients and banks to electronically validate and track bank settlement details prior to settlement. Feedback from clients has been positive, with more than 8,000 legal conveyancing and practitioners having used Settlement Room in FY15.

### *Corporate Services*

The costs associated with running the Company's headquarters in Sydney, Australia are recorded as Corporate Services, and include the costs associated with maintaining an appropriate governance regime for an ASX200 listed entity with a portfolio of international businesses. The main categories of expenses relate to the CEO and Non-Executive Directors, Information Technology, Finance, Human Resources, Company Secretarial, Legal, Treasury, Investor Relations, Internal Audit and External Audit fees. Costs that can be attributed to an operating division are recharged as corporate allocations as disclosed in the segment note (Note 4).

The increase in Corporate Services' costs relates to the impact of the weaker Australian dollar and the ongoing implementation of recommendations from the Capgemini information technology review.

### ***(f) Business combinations***

In July 2014 OCICERT Mexico SA de CV was acquired. This acquisition adds scale to our existing management systems certification business in Mexico and will help SAI to better serve clients in Latin America. The acquisition of OCICERT will provide the following benefits to SAI:



- The ability to better serve our global clients by growing our capability and footprint in Latin America.
- It adds over 400 new clients distributed across many sectors including manufacturing, services, health and food.
- It increases our portfolio of Spanish language training courses which can be sold throughout Latin America.

In October 2014 the Company announced that it had signed an agreement with Encompass Corporation to purchase the exclusive perpetual rights for Australia to the Encompass commercial data retrieval and analysis service. Consideration was \$8 million.

Encompass enables SAI to provide a comprehensive, easily understood map of all relevant publicly available records on individuals and corporates. It is currently used by banks for mortgage lending and financial risk assessment; legal and accounting firms for insolvency research; taxation and policing services as well as some sales oriented clients. Provided under a Software as a Service (SaaS) model, the Encompass rights give SAI a market leading capacity through a unique visualisation and commercial information management solution. This unique software enables users to graphically work with information and data that is traditionally held in cumbersome text based reports sourced from government agencies, credit bureaus and other data companies. Such information is generally time-consuming to collate and analyse effectively in the absence of a tool like Encompass.

## 2. Consolidated financial position

### *(a) Statement of financial position*

The key components of the company's assets and liabilities, together with an explanation for significant movements are summarised below:

\$M	30 June 2015	30 June 2014	Change \$	Change %
Cash	83.9	67.7	16.2	23.9%
Plant and equipment	67.6	56.7	10.9	19.2%
Intangible assets	583.3	503.5	79.8	15.8%
Working capital	(28.1)	(18.0)	(10.1)	56.2%
Borrowings	(283.0)	(247.4)	(35.7)	14.4%
Provisions	(13.2)	(9.2)	(4.0)	43.5%
Deferred tax balances	(11.2)	(4.8)	(6.5)	135.9%
Other	(2.4)	(4.0)	1.6	(40.7%)
<b>Net assets</b>	<b>396.9</b>	<b>344.7</b>	<b>52.3</b>	<b>15.2%</b>
Contributed equity	402.4	400.0	2.4	0.6%
Retained earnings	5.8	(0.4)	6.2	n/a
Other reserves	(11.3)	(54.9)	43.6	(79.5%)
<b>Shareholders' funds</b>	<b>396.9</b>	<b>344.7</b>	<b>52.3</b>	<b>15.2%</b>

Cash

The Company continues to generate strong cash inflows as

evidenced by the increase in cash balances held at 30 June 2015.

Underlying net cash inflows from operating activities were \$94.3M, up from \$88.8M in FY14. The Company invested \$38.7M in new capital projects, consisting predominantly of software development, \$8.0M in acquiring the Encompass rights and \$2.9M (net of cash acquired) in acquiring an Assurance Services related business. Cash payments of \$27.4M were made to shareholders by way of dividends and a further \$3.6M was outlaid to acquire shares on market to satisfy demand for shares under the Company's dividend reinvestment plan in respect of the FY15 interim dividend.

The impact on the cash balance from these major cash inflows and outflows, plus the impact of movements in exchange rates has been to increase the cash balance by \$16.2M at 30 June 2015.

The Group's cash reserves at \$83.9M are in excess of normal working capital and dividend payment requirements. It is envisaged that the excess will be used to either fund acquisition opportunities in the first-half of FY16, or applied to reduce the amounts drawn under the Company's borrowing facilities.

#### Plant and equipment

As noted above the Company has continued to invest in its suite of products and services outlaying \$27.8M in capital expenditure during FY15. The Company owns very little in the way of plant and equipment in the traditional sense, such assets being limited to computer hardware and leasehold improvements.

The majority of the Company's plant and equipment relates to courseware and product delivery platforms of an IT (software) nature. The combination of the capital expenditure during the year and the depreciation charge for the year of \$25.9M has resulted in the carrying value of plant and equipment at 30 June 2015 increasing by \$10.9M, after adjusting for the impact of movements in foreign exchange rates. Capital expenditure in FY16 is expected to increase to circa \$30M.

Over the medium term the depreciation charge will match the average capital expenditure over the period and hence the charge for depreciation can be expected to increase in FY16.

#### Intangible assets

This is the largest asset class on SAI's balance sheet and consists entirely of the value placed on goodwill and other intangible assets relating to businesses that SAI has acquired over the years.

Goodwill of \$512.7M accounts for the majority of this balance. Goodwill is not amortised but is subject to an annual

impairment test. The increase in the balance of goodwill of \$78.2M during the year relates to the following:

- An increase of \$70.0M relating to the re-translation of goodwill denominated in foreign currencies.
- An increase of \$2.8M relating to the acquisition of OCICERT
- An increase of \$5.4M relating to adjustments to goodwill arising on prior period acquisitions

The non-goodwill intangible assets amount to \$70.6M, up from \$69.0M at 30 June 2014. These assets relate to the values ascribed to customer relationships and contracts, product delivery platforms and other intellectual property as part of the purchase price allocation exercise that SAI performs in respect of each acquisition. Other than the value of \$16.1M that relates to the "5 Tick" StandardsMark, these assets are amortised over their expected useful lives. The Standards Mark is not amortised because the Directors believe that this asset has an indefinite life. It is, however, subject to an annual impairment review.

The increase in the balance of these assets over the course of FY14 is accounted for by additions during the year and the impact of the weakening Australian dollar, offset by the amortisation charge of \$12.1M.

#### Working capital

Working capital is essentially the Company's current assets less its current liabilities. SAI continues to operate with a negative working capital balance due to the balance of deferred revenue included in current liabilities. At 30 June 2015 the balance of deferred revenue was \$86.0M.

The deferred revenue relates to cash received upfront for services to be delivered over the ensuing twelve months, over which time the deferred revenue is systematically released to revenue. This position is a function of SAI's business model across each of its divisions whereby customers pay in advance for subscription or SaaS ("Software as a Service") based services to be delivered over the course of the year.

#### Borrowings

Together with the equity contributed by shareholders, the Company continues to use bank debt to fund its operations. The debt is provided by way of a multi-currency syndicated facility with three of Australia's four major banks. The liability has increased from \$247.4M to \$283.0M. The balance of \$283.0M is net of \$1.9M of unamortised facility establishment costs. The actual amount owed to the banks is therefore \$284.9M.

This increase relates wholly to the impact of the weakening Australia dollar on the borrowings denominated in foreign currencies, predominantly US dollars. Further information

relating to the Company's borrowings is set out in section (b) below.

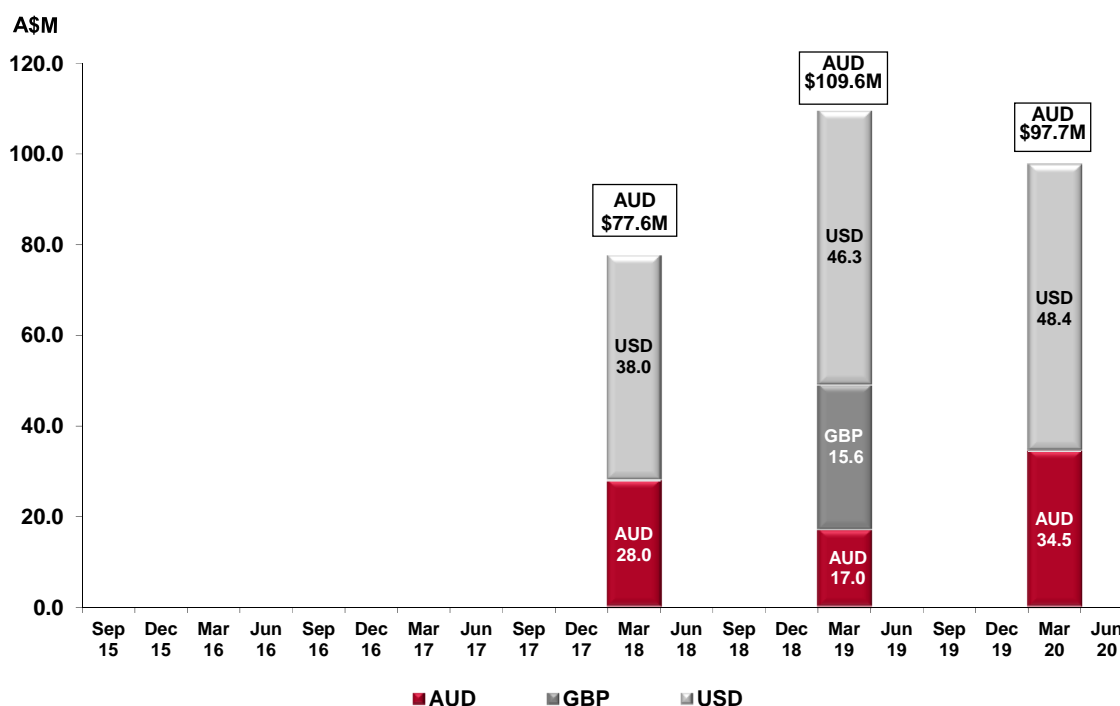
Provisions	The majority of the provisions relate to employee entitlements to annual and long service leave.
Deferred tax balances	The net deferred tax liability arises predominantly as a result of temporary differences relating to amortising intangible assets recognised through business combinations. This deferred tax liability unwinds as the assets are amortised.
Contributed equity	<p>The increase in the contributed equity of \$2.4M reflects the issue of new shares during the year. The number of shares on issue has increased from 210.8M at 30 June 2014 to 211.5M at 30 June 2015, an increase of 0.7M. 0.6M of this increase relates to new shares issued under the Company's dividend reinvestment plan to shareholders who elected to have all or part of their FY14 final dividend entitlements satisfied by new SAI Global Limited shares. These shares were issued at an average price of \$4.53, raising a total of \$2.9M in new equity capital. Share required to satisfy the FY15 interim dividend were purchased on market.</p> <p>The remaining 0.1M of new shares issued were in accordance with the Company's long-term executive incentive schemes and related to performance share rights and the exercise of options.</p>
Retained earnings	The increase in the amount of retained earnings of \$6.2M is accounted for by the statutory profit after tax of \$39.3M, less the amounts distributed by way of dividends of \$33.8M. A further increase of \$0.7M occurred due to the accounting treatment of the winding up of the Canadian defined benefits plan which required an entry directly to retained earnings.
Other reserves	<p>Details relating to the Company's other reserves are set out in Note 25.</p> <p>The foreign currency translation reserve, to which changes arising from the re-translation of the assets and liabilities relating to foreign controlled entities are posted, was in debit at 30 June 2015 by \$0.5M, compared to a debit balance of \$41.5M at 30 June 2014. The large swing reflects the significant weakening of the Australian dollar over the course of FY15.</p>

***(b) Borrowings and gearing***

As noted above the amounts owing to the Company’s bankers at 30 June 2015 were \$284.9M. These borrowings are denominated in either Australian dollars, US dollars or pounds sterling.

In December 2014 the Company extended the tenure of its existing syndicated bank facilities on improved terms. The maturity dates of two of the Company’s three tranches, those maturing in December 2015 and December 2016, were extended to January 2019 and January 2020 respectively.

The amounts outstanding in each currency and the maturity profile of the core debt are set out in the chart below.



During the year the Board reassessed its gearing targets as follows:

*Over the medium-term the gearing ratio will be maintained at below 45% and total debt will be less than 2.5 times underlying EBITDA. These limits may be increased to take advantage of strategic opportunities that may arise from time to time, but restored as soon as practicable thereafter.*

From the statement of financial position perspective the Company’s net gearing ratio at 30 June 2015 was 33.6%, down from 34.4% at 30 June 2014. The calculation of the Company’s net period end gearing ratio is set out below:

<b>\$M</b>	<b>FY15</b>	<b>FY14</b>	<b>Change</b>
Borrowings	<b>284.9</b>	248.8	<b>14.5%</b>
Cash resources	<b>83.9</b>	67.7	<b>23.9%</b>
<b>Net debt</b>	<b>201.0</b>	181.1	<b>11.0%</b>
Equity	<b>396.9</b>	344.7	<b>15.2%</b>
<b>Total capital resources</b>	<b>597.9</b>	525.7	<b>13.7%</b>
<b>Gearing (net debt divided by total capital resources)</b>	<b>33.6%</b>	34.4%	<b>(0.8%)</b>

Total debt relative to underlying EBITDA is summarised below:

<b>\$M</b>	<b>FY15</b>	<b>FY14</b>	<b>Change</b>
Borrowings	<b>284.9</b>	248.8	<b>14.5%</b>
Underlying EBITDA	<b>126.3</b>	107.1	<b>17.9%</b>
<b>Ratio</b>	<b>2.26</b>	2.32	<b>(2.9%)</b>

Where practicable, the debt component of any acquisition funding is denominated in the currency of the jurisdiction in which the acquisition predominantly resides, thereby providing a natural hedge against currency movements. The company does not undertake hedging activities in relation to its projected foreign currency earnings.

The Company continues to operate within its banking covenants.

### ***(c) Sensitivity to movements in foreign exchange rates***

As noted above exchange differences arising from the translation of the assets and liabilities relating to foreign controlled entities are taken to the foreign currency translation reserve (FCTR) which forms part of shareholders' funds. Any translation gain or loss is reflected in the consolidated statement of comprehensive income as part of "Other comprehensive income" and does not form part of the statutory "Profit for the Year".

To assist in assessing the potential impact that movements in the Australian dollar may have on the FCTR and therefore shareholders' funds, a summary of the net assets of the Company by currency at 30 June 2015 is provided below:

<b>Net assets denomination</b>	<b>Underlying currency</b>	<b>Australian dollar equivalent</b>	
	<b>M</b>	<b>\$M</b>	<b>%</b>
Australian dollar	114.1	114.1	28.7%
US dollar	148.2	191.8	48.3%
Canadian dollar	10.6	11.3	2.8%
Pounds sterling	28.4	58.3	14.7%
Euro	5.0	7.3	1.8%
Other		14.1	3.6%
<b>Total</b>		<b>396.9</b>	<b>100.0%</b>

### **3. Business strategies and prospects for future financial years**

SAI Global has historically been run as distinct operating divisions, being Assurance Services, Compliance Services, Standards & Technical Information and Property Services. Until the beginning of FY15 the Standards & Technical Information and Property Services businesses jointly formed the Information Services division. The fundamental principles underlying this “siloe” business structure was that each division had significant growth opportunities in their own right and the economic buyers of the services provided by each division were different. Each division had its own management team which was responsible for all aspects of running and growing the division including sales, marketing, product development and management, information technology and finance.

Whilst this structure served the company well for many years, in recent times the duplication of support functions saw the growth in costs outpace the growth in revenue. In addition, there was little focus on leveraging the company’s enviable customer base across each product set in each division. Whilst some customers “cross purchased” from more than one of the Company’s divisions, there was little effort within each division to cross sell to the customers of other divisions.

In late calendar year 2014 we undertook a major strategic rethink. With the collective desire to accelerate the rate of organic revenue growth and move to a more cost effective operating model, and in recognition that the common thread across our unique combination of assets was the provision of products and services to help our customers manage risk, we decided that the appropriate strategy going forward would be to combine the Assurance, Compliance and Standards & Technical Information divisions into a single Risk Management Solutions division. It was also recognised that Property Services should remain as a stand-alone division, given its Australia-only franchise and the discrete nature of the services it provides.

Two major hypotheses behind forming the Risk Management Solutions division were firstly, that while the vast majority of our interactions with smaller customers would remain transactional, there was significant opportunity to leverage common digital assets and inside sales resources to enable, sell and deliver products and services to these customers. Secondly, it would be beneficial for a number of our larger customers if they were able to source multiple risk management products and services from a single trusted partner. We tested this hypothesis with many of our large clients

around the world and received strong endorsement for this integrated value proposition. In an increasingly complex and regulated world, our customers need to develop trust with their clients and they felt that this would be more easily achieved through them working with trusted suppliers such as SAI Global and that a more integrated approach on our part would make this engagement more effective.

The sales, marketing, and product management teams from Compliance, Assurance and Standards & Technical Information have been combined on a regional basis under the new name "Commercial". Within this function a separate Global Accounts team has been created to service a small number of customers who have complex global needs. Regional Heads of Commercial have been appointed, reporting into the newly created role of Chief Commercial Officer, with responsibility for driving the sales of integrated risk management solutions by optimising sales effectiveness and resultant revenue growth. A Group Marketing Director has also been appointed to streamline and optimise our customer engagement to drive greater customer demand globally.

The new Risk Management Solutions division will be managed on a regional basis; Asia Pacific (APAC), the Americas, and Europe, Middle East and Africa (EMEA). Regional Directors have been appointed for each region; they are accountable for regional profitability and for Operations, being the delivery of the products and services sold by the Commercial team. They are supported by regional Human Resources, IT, Finance and Legal teams, all of which report to their respective Global Head.

With effect from 1<sup>st</sup> July 2015, the Assurance Services, Compliance Services and Standards & Technical Information divisions ceased to exist. In future the Company will report the regional performance of the Risk Management Solutions division in the segment note together with the results of the Property Services and Corporate Services divisions. Pro-forma results for FY15 based on the new segmental reporting to be adopted in FY16 are set out later in this report.

This section of the operational and financial review sets out for each division a summary of:

- Key products and services
- Strategy and associated risks
- Short and medium-term prospects

## **Risk Management Solutions**

### **Key products and services**

We have arranged our existing suite of products and services into four new groups of offerings, being **Knowledge**, **Risk**, **Learning** and **Assurance**. Each product group has a Product Manager who is responsible for the product's profitability on a global basis.





## ***Knowledge***

Our knowledge products provide a blend of content and technology solutions to ensure that our clients are provided with the knowledge and insight to make critical decisions, based on aggregated information and analysis. With proper knowledge our customers can better manage risk.

We are a leading provider of aggregated Standards content, electronic engineering databases and legal reference services offering over 1 million Standards and directives from hundreds of organisations around the world. Over the years this has created a rich resource of metadata which is a core enabler of solutions that manage and integrate content into an organisation's workflows. We are well positioned to maximise the value of this content and metadata by adding value through information management and workflow technology.

We will continue with the transformation from single transactional services into annuity revenue based platforms and services. Key to this is leveraging our historic assets of bibliographic content and publisher relations. Clients can then move up the value chain using our proprietary products and solutions. This journey involves enhancing existing services, creating new services and exploring technological advantages to combine solutions.

Our global footprint, extensive range of publisher permissions and focus on adding value to content for the end user sets us apart from our competitors, being National Standards Bodies, Standards Development Organisations, and content aggregators.

Following is a summary of the suite of information management and workflow solutions to add value to our proprietary content and third party content, with a view to creating long-term relationships with customers. The characteristics of each of the main solutions we offer are as follows: -

- **Global Aggregation of Standards, Regulatory, Technical & Client Content.** Distribution of licenced content from over 300 global publishers through configurable secure online services; includes Standards, legislation, technical documents, drawings, diagrams and video data sets broadcast to registered users on either a pay-as-you-go or subscription basis.

- **Content Modernisation & Enrichment.** Modernisation of clients' own content making it accessible in multiple formats across multiple devices.
- **Knowledge Bases.** Building, maintenance and notification to users of changes to large knowledge-led databases covering legislation, Employee Health & Safety (EHS), food safety, metal grades, material grades and US military parts.
- **Policy Lifecycle Management.** Automated lifecycle management of policies and procedures including customisable workflows for collaboration and approval, version control and audit trails, including authoring of standards.
- **Reporting & Analytics.** Interactive web-based portals providing clients with some analytics on "hot" areas, thematic issues, trend analysis, scorecards and leading performance indicators.
- **Customer Portals & Dashboards.** Client branded bespoke portals to centralise their information - powered by SAI Global.

### ***Risk***

Our suite of risk products provides organisations with the ability to identify, assess, prioritise and mitigate risks and obligations which can have a positive or negative impact on their business. This is backed up by co-ordinated and pro-active approaches to monitor and control opportunities for their business. Our broad portfolio of Governance, Risk and Compliance (GRC) software solutions enables legal, risk, compliance, ethics and internal audit professionals to focus on contributing to business results and enhancing the effectiveness of their compliance activities.

Our GRC software applications are utilised to manage organisational processes related to policies, corporate and regulatory compliance, case management, and overall risk management. With these solutions, clients have a highly configurable set of modules which help identify gaps and risks, eliminate redundant efforts and easily maintain the evidence needed to demonstrate full control of compliance, risk and audit programmes.

We help organisations to manage an extensive range of business processes required to support Environmental, Health and Safety (EHS) compliance and risk-related functions through a technology framework which improves transparency and assists in the proactive measurement, management and improvement of overall business performance. This platform helps organisations to:

- Define a consistent model for all operational business processes;
- Demonstrate an auditable trail of action in completing EHS activities and tasks;
- Provide real-time information for decision-making;
- Report metrics and performance relative to organisational targets; and
- Release staff from manual tasks so they can apply their expertise to higher value projects.

The characteristics of each of the main solutions we offer are as follows:

- **Enterprise Risk Management.** Specialised subject matter consulting to assist with the identification of risks; risk assessments and implementation of business processes to mitigate those risks; automation of the recording, assessment and prioritisation of risks across the enterprise with a highly customisable scoring methodology; monitoring effectiveness of controls and treatment plans.
- **3rd Party Risk Management.** Automated due diligence, risk ranking and third party company investigations during on-boarding, contract renewal or at any other point in time.
- **Regulatory & Ethical Compliance.** Identification of applicable obligations; automated workflow solutions with embedded legislative obligations to track, monitor and assess; virtual evidence rooms to enable clients to review and demonstrate overall programme effectiveness and auditability of each programme element.
- **Surveys & Assessments.** Automated distribution and communication of a standardised library of re-usable and configurable questionnaires to staff and third party companies for profiling, screening and analysis.
- **Disclosure Management.** Automated tools to capture and manage employee conflicts of interest and gift & hospitality disclosures.
- **Environment, Health & Safety.** Automated and configurable workflow tools with best practice business processes to help clients to proactively manage, measure and improve EHS performance.
- **Policy Management.** Automated lifecycle management of policies and procedures, including customisable workflows for collaboration and approval, version control and audit trails - includes authoring of customer specific standards, policy distribution to target audience groups and the management of attestations/certifications.
- **Gap Analysis.** Tools to enable multi-disciplinary teams to rate risks when a standard, regulation or policy changes and maintain operational compliance.
- **Incident Management.** Automation tools with streamlined workflow processes to enable clients to register, investigate, react and report mitigation of incidents, compliance and ethics concerns, and complaints.
- **Healthcare Revenue Protection.** USA Healthcare claims denial and claims audit solutions to assist providers to protect their revenue from Medicare/Medicaid and commercial/private healthcare insurers.

### ***Learning***

Our learning products provide a range of integrated on-line and face-to-face learning solutions to improve individual or organisational capabilities by increasing technical skills, knowledge and competencies. Our customers are better able to manage their business risk when they are increasing the competence of their employees.

We also help businesses to create and implement effective, measurable compliance and ethics training programmes, which communicate and embed

company values as well as helping employees to make ethical decisions aligned with internal policies and external regulations and legislation.

The characteristics of each of the main solutions we offer are as follows:

- **Compliance & Ethics Learning.** We own the industry’s largest portfolio of compliance learning titles including more than 1,300 award-winning awareness and educational materials, available in more than 14,000 translated versions for key risk areas such as:

Anti-Money Laundering (AML)	Exports, Imports & Trade Compliance
Anti-Bribery & Anti-Corruption	Financial Integrity
Careful Communication & Proper Use of Computers	Government Contracting
Conflicts of Interest	Health, Safety & Environment
Confidentiality & Intellectual Property	Information Security
Consumer Protection	Privacy & Data Protection
Corporate Responsibility & Sustainability	Records Management
Employment & Workplace Issues	Respect in the Workplace

- **Management Systems Learning.** Solutions for providing online, virtual classroom and classroom technical competency based learning designed to build specialist knowledge in implementing, managing and auditing accredited management systems, including quality, aerospace, medical devices and environmental.
- **Business Improvement Learning.** Solutions for providing online, virtual classroom and classroom competency-based and best practice learning, designed to build knowledge and skills in leadership and business improvement methodologies to optimise processes and improve efficiencies.
- **Food Safety Learning.** Solutions for providing online, virtual classroom and classroom technical competency based learning, designed to build specialist knowledge in Food Safety systems, best practice, regulatory and industry standards.
- **Occupational Health & Safety Learning.** Solutions for providing online, virtual classroom and classroom technical competency based learning; designed to build specialist knowledge in occupational health & safety systems, best practice and regulatory standards.

## ***Assurance***

Our assurance products provide solutions which confirm that our clients' products, systems, supply chains and distribution channels meet a required standard. This solution set offers an independent third party view of how our customers are managing their risks.

The characteristics of each of the main solutions we offer are as follows: -

- **Management Systems Certification.** Accredited certification of management systems to ISO and other industry recognised standards.
- **Food Safety Certification.** Audit programmes which ensure that companies are following industry best practice with respect to healthy and safe food.
- **Audit & Inspection Programmes (2nd party audits).** Client specified audit programmes, including retail store and other site inspections.
- **Supplier Compliance Management.** Managed services focused on the review and approval of suppliers to set standards through desktop audits, attestation management and on-site verification.
- **Product Compliance Management.** Managed services focussed on the review and approval of products to set standards, including claims verification, specifications review, microbial and chemical testing, menu approval, and food defence.
- **Product Certification & Testing.** Provide 3rd party assurance that a particular product meets the specified requirements of a nominated product standard.
- **Incidents and Complaints Management.** Managed services in relation to incidents and customer complaints, including the associated workflows to investigate and understand root causes, ensure due diligence and instigate corrective actions.
- **Regulatory & Ethical Compliance.** Workflow solution to monitor, record and track compliance status against regulatory and ethical obligations. Virtual evidence rooms enable clients to review and demonstrate overall programme effectiveness and auditability for each programme element.
- **Non-conformity Management.** Tools to manage and assign actions to clear non-conformities.

## **Strategy and associated risks**

SAI Global's vision is to be a focused risk management services business offering an integrated set of solutions to clients seeking a comprehensive and coordinated approach to managing risk across their organisations. We will operate worldwide, building our capability to meet the needs of global customers in whichever country they do business, but our primary focus will be on those countries where the regulatory, legislative and operating standards' burden on business is most onerous. Of special interest to us is

risk management in the Retail, Agriculture and Food (RAF) sector and our intention is to become a global leader in this space.

We help our clients create trust in the face of increasing complexity by:

- Helping them identify and assess the key risks across their organisations.
- Keeping them fully informed of their regulatory obligations and the external standards to which they and their suppliers need to operate.
- Helping them create and maintain the policies they and their suppliers should follow.
- Auditing and certifying their own and their suppliers' operations to confirm compliance with regulatory obligations, standards and policies.
- Providing training in the full range of topics and formats which enable them to meet their compliance obligations and equip their own and their suppliers' staff with the knowledge and skills needed to follow their mandated standards and policies.
- Providing them with access to software solutions which:
  - hold and automatically update all their regulatory obligations, standards and policies.
  - prompt the right people in their organisations to take the right actions at the right time to meet their regulatory obligations and follow their mandated standards and policies.
  - record all actions taken to meet their regulatory obligations and follow their mandated standards and policies.
  - manage and maintain a record of training activities to meet their regulatory obligations and ensure that staff have the knowledge and skills to follow their mandated standards and policies.
  - help companies to better measure and manage their supply chain.
- Providing them with reports and analytical insights which they can use to monitor risks and improve performance in their business.

The key risks associated with this strategy are:

- Poor execution of the transformation from the siloed business structure to the integrated risk management solution business.
- Failure to deliver the top line growth impact from selling bundled risk management solutions and realising the expected benefits from cross-sell opportunities.
- Competitive threats, including aggressive price discounting by lower quality service providers.

Risks associated with specific aspects of the risk management solutions business are:

- Difficulty in sourcing appropriately qualified auditors to undertake new business wins and service global accounts.
- SAI Global has an option to extend the Publishing License Agreement (PLA) with Standards Australia in December 2018 for five years to

December 2023 on “market terms”. “Market terms” are terms which are as favourable as those which are available from third party publishers during the year ending in December 2018.

- Loss of publisher permissions.
- Information becoming increasingly available over the Internet. For example, government legislation, standards referenced in legislation or critical safety standards. This could represent a risk to revenue derived through the traditional model of reselling content.
- Increasing commoditisation of learning solutions and failure to adapt learning solutions to changing market demands.

### **Short and medium-term prospects**

We have made good progress in recent periods in moving towards a lower cost operating model and improving operating margins. The short to medium-term focus is on accelerating organic revenue growth. Short-term targets are to achieve constant currency organic revenue growth in the mid-single digits by investing in digital capabilities that will improve the way in which we enable, sell and deliver service to our customers. As noted earlier in this report, we have taken meaningful steps in the current period to create the platform for a more effective sales force through the creation of a Chief Commercial Officer role that has responsibility for the global profitability of sales and for driving the sales of integrated risk management solutions through the sales resources in each region. In addition we are taking steps to address the product lines which are currently in decline and therefore depressing the overall growth rate, being Learning in the Americas and EMEA, and Assurance products in the APAC region.

Medium-term targets for the risk management solutions business are for constant currency revenue growth in high single digits.

We intend to continue to grow our presence in the RAF sector. We have identified an addressable market of circa USD10bn which is growing at around 10% per annum. Our current share of the addressable market is less than 1%.

The RAF sector is characterised by a complex global supply chain extending from primary producers through to consumers. Much of the sector activity is driven by retailers imposing standards on both themselves and their suppliers. Some retailers “integrate backwards” all the way to primary production. SAI Global currently operates at all levels of the supply chain, often driven by relationships with retailers who mandate supply chain audits. We have deep domain expertise throughout the sector; for example, through our business in Ireland, we are one of the world’s leading specialists in seafood assurance services.

The markets in which SAI Global operates continue to be fragmented and therefore provide opportunities for consolidation through acquisitions. We will assess opportunities as they arise and have appointed a Director of Strategy, Acquisitions and Mergers who reports directly to the CEO to increase our focus in this respect.

## **Property Services**

### **Key products and services**

SAI Global's Property Services division provides two core areas of services:

- Business Process Outsourcing Services; and
- Information broking and data services

### **Business Process Outsourcing (BPO) Services**

#### **Property Settlement Services BPO**

SAI Global is Australia's premier business process outsourcing services provider in the area of property settlement services. With an operations capability spanning nine locations across Australia, we provide our customers with truly national coverage in key CBD and regional hubs involved in property settlements. Complementing our direct presence is an extensive network of settlement agent professionals, which enables us to conduct settlements in all major regional locations on a daily basis for our financial institution and legal and conveyancing industry clients. In FY15 SAI Global was involved in over 599,000 advances and discharges relating to property settlements in Australia. This volume represented participation in close to 60% of the estimated number of all bank transactions nationally and represented 3.4% growth in volume over FY14. This growth in BPO settlement services was achieved despite the launch of an electronic settlement service provider (PEXA) during FY15.

During FY15, the settlement failure rate attributed to SAI Global was just 0.013%. The business continues to enjoy ISO9001 accreditation, which is unique in the industry sector and a proven indication of the quality of BPO service we provide in the area of property settlements.

#### **Document Management Services**

We provide a range of document management services which are complementary to the settlement services we offer. Document management services include scanning & imaging, proofing, digitising, indexing and archiving & storage of physical documents which are used to support a range of business processes. During FY15, we scanned and imaged more than 1.8 million documents on behalf of our clients.

#### **Professional Services**

SAI Global provides a range of professional services which originated from our undertaking the on-boarding and implementation of major BPO service contracts for property settlement services. These services include operational excellence consulting, business process engineering and project management services. The use of workforce management technologies by our Lean Sigma and 6 Sigma qualified professional service teams, have enabled us to achieve an all-time industry low property settlement average failure rate of just 0.013% in FY15. Our team of professionals are specialists in driving resource and process efficiencies, minimising waste and reducing process cycle times and the implementation and change management



leadership required to institute major business process changes, on-board new clients and support their smooth transition from existing service providers whether internal or external to their organisation. This enables us to work with clients to increase operational efficiency and reduce the direct costs to a business for both insourced and outsourced business functions.

### **Settlement Manager**

Through our Settlement Manager platform, we offer an end-to-end mortgage settlement management capability. Developed in-house and in conjunction with major financial institutions, Settlement Manager offers conveyancers and solicitors national scale, with online convenience.

### **Settlement Room**

SAI Global Property Services has drawn on over two decades of experience to develop Settlement Room, a cloud-based facility for the property services industry.

Settlement Room was developed in-house in collaboration with the industry, and brought to market late last year to improve industry efficiency and reduce settlement failure rates. Since the launch of Settlement Room on 27 October 2014, it has already facilitated \$20.9 billion in property transactions.

The platform is designed to enable the industry to further improve on the greatly reduced settlement failure rate achieved in the last five years as well as to enable line-of-sight co-operation between the two groups of settlement participants who act on behalf of their clients in a settlement, being financial institutions and conveyancing & legal practitioners.

Over 8,000 solicitors and conveyancers currently use Settlement Room nationally to verify key details of a settlement, enter and confirm financial details and book settlement, with a large number of those currently using Settlement Room involved in multiple transactions.

### **Rundl**

Late in the second-half of FY15, SAI Global Property announced its alliance with Rundl. We see the innovative Rundl open business network as a way to aid the industry to improve efficiency and help to transform the current experience of a property transaction for both business professionals and property buyers and sellers.

### **Information Broking and data services**

SAI Global provides information and data search services to the conveyancing/legal sector, banking and finance and commercial sectors. This includes property searches and conveyancing certificates as well as company and securities searches. We are one of the largest providers of such information in Australia, delivering more than 7.4 million individual searches to clients during FY15.

As a registered broker to most available state and federal government registries, we provide direct web-based access to commercial information from the Australian Securities and Investment Commission Companies

(ASIC) and Business Names registries as well as the Australian Financial Security Authority, Bankruptcy and PPSR searches and registration.

### **Search Manager:**

The Search Manager platform provides access to information and services for developing, transferring, managing or understanding Australian property. It provides a one stop ordering system for all property certificates required for the sale and purchase of land. Many of the certificates available also support property development and other property related purposes. Search Manager makes ordering certificates from one location a seamless on-line experience with all certificates returned efficiently online and via email. Certificates are available from Federal, State and Local Government departments, Water Authorities, Owners Corporation and Strata Managers and other agencies.

### **Planning and Roads Certificates:**

In over 20 years of operation, SAI Global Property Services continues to be the provider of choice for property transfer professionals today. Our branded certificates are valid and respected sources of planning and roads information. They are produced by an ISO9001 Quality Certified Operations Team and backed with comprehensive professional indemnity insurance. They are relied upon by the legal and conveyancing industry to support due diligence processes and assess some of the key risks associated with a property purchase for property buyers and sellers.

### **Encompass and Dynamic Company and Securities Reports:**

SAI Global acquired the exclusive Australian rights to the Encompass platform late in the first half of FY15, and successfully integrated it into our information brokerage and data business during the second half.

Encompass enables our clients to create and store interactive and shareable corporate trees showing relationships across data supplied by ASIC, Land Registries and the PPS Register. This enables users to rapidly understand how people, companies and property are connected, rather than just receive the underlying data extracts traditionally provided from government authorities.

The platform's capabilities enable us, to deliver a new suite of commercial 'value-add' products which were released in the second half. These new reports have had strong uptake since release, which helped drive positive growth in the business through FY15, and this is expected to continue in FY16 with the release of more reports to add to the existing suite.

### **Conveyancing Manager:**

FY15 saw the continued growth of the Conveyancing Manager platform which enables legal and conveyancing firms to manage their end-to-end property workflows. We have made a significant capital investment in the platform which saw a new architecture for its unique hybrid offline/online working capabilities. This investment has delivered to clients a significantly improved user experience, with the flexibility to work on their matters regardless of their location or connectivity.

### **Strategy and associated risks**

A key strategic imperative is to continue to organically grow the Property Services business.

The introduction of electronic conveyancing, via Property Exchange Australia (PEXA), occurred late in the first-half of FY15. Whilst anticipated to change the mortgage processing landscape over the coming years, we have seen some significant challenges with the business model and industry's take up of electronic settlements during FY15.

As a PEXA Sponsor, SAI Global Property Services has been an active participant in the process of facilitating adoption of electronic settlements and has been selected as PEXA sponsor by a large proportion of PEXA subscribers. We have also been working with our banking clients in their electronic settlements readiness projects. To effectively service clients, given the industry delay in electronic settlement participation, we are looking at alternative tools and services which can assist the industry to improve over time, evolving existing processes and work methods and achieving the business case benefits hoped for from electronic settlements.

We have not seen early indications of any likely acceleration in participation in electronic settlements during FY16 due to a range of issues with the PEXA platform readiness and participation model which continue to affect industry participation:

### **Short and medium-term prospects**

SAI Global sees a positive outlook for both the Business Process Outsourcing and the Information Broking businesses within Property Services. Our Mortgage Services BPO business grew during FY15, with additional major bank opportunities continuing to progress and offer continued growth prospects for the business. Most recently, winning the NAB Broker mortgage settlements contract represents a significant win for SAI Global, meaning that we will soon be performing mortgage processing services for all four of the major Australian banks.

This win, combined with the continued strength of the Australian property market should see strong performance in the short-term with respect to our traditional Mortgage Processing BPO business.

We remain confident that we have the market position and strategy to maintain EBITDA growth forward into FY16, after another strong finish for the business in FY15. Innovative partnerships, such as the one with Rundi, will see us working along a greater breadth of the property transaction and providing services to a greater number of market participants. The Settlement Room platform, and major improvements due for release in the second-half, should see us further improve efficiency and enable the industry to achieve record lows in property settlement failure rates.

## Pro-Forma, indicative segment note

A pro-forma segment note that reflects the new operating model is set out below. The pro-forma note below restates the FY15 segment note (Note 4), to reflect the new operating model and is therefore indicative of the FY15 segment note that will be included as the prior year comparative in the FY16 annual report.

Pro-forma, indicative Year ended 30 June 2015	Risk Management Solutions (RMS)			Total RMS	Property Services	Corporate Services	Eliminations	Total
	APAC	EMEA	Americas					
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Sales revenue</b>	<b>152,815</b>	<b>80,904</b>	<b>148,997</b>	<b>382,716</b>	<b>169,651</b>	-	<b>(4,706)</b>	<b>547,661</b>
Other income	196	(105)	(359)	(268)	62	1		(205)
	<b>153,011</b>	<b>80,799</b>	<b>148,638</b>	<b>382,448</b>	<b>169,713</b>	<b>1</b>	<b>(4,706)</b>	<b>547,456</b>
Less: direct costs	(49,794)	(42,209)	(49,535)	(141,538)	(115,457)	(85)	4,706	(252,374)
<b>Gross profit</b>	<b>103,217</b>	<b>38,590</b>	<b>99,103</b>	<b>240,910</b>	<b>54,256</b>	<b>(84)</b>	-	<b>295,082</b>
Less: overheads	(36,910)	(25,391)	(50,956)	(113,257)	(22,718)	(32,798)	-	(168,773)
Less: corporate allocations	(8,184)	(2,211)	(2,373)	(12,768)	(2,842)	15,610	-	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA), before significant charges</b>	<b>58,123</b>	<b>10,988</b>	<b>45,774</b>	<b>114,885</b>	<b>28,696</b>	<b>(17,272)</b>	-	<b>126,309</b>
Less: depreciation	(2,814)	(2,886)	(9,302)	(15,002)	(5,518)	(5,408)	-	(25,928)
Less: amortisation of acquired intangible assets	(1,915)	(1,501)	(7,759)	(11,175)	(920)	-	-	(12,095)
	<b>53,394</b>	<b>6,601</b>	<b>28,713</b>	<b>88,708</b>	<b>22,258</b>	<b>(22,680)</b>	-	<b>88,286</b>
Share of net profits of associates and joint venture partnership accounted for using the equity method	189	-	-	189	-	-	-	189
<b>Segment result: (Profit before interest, tax and significant charges)</b>	<b>53,583</b>	<b>6,601</b>	<b>28,713</b>	<b>88,897</b>	<b>22,258</b>	<b>(22,680)</b>	-	<b>88,475</b>

## Dividends

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

	\$'000
Final ordinary dividend for the year ended 30 <sup>th</sup> June 2014 of 8.5 cents per share paid on 26 <sup>th</sup> September 2014	17,936
Interim ordinary dividend for the year ended 30 <sup>th</sup> June 2015 of 7.5 cents per share paid on 10 <sup>th</sup> April 2015	15,872

In addition to the above dividend, since the end of the financial year, the Directors have declared the payment of a final ordinary dividend of 9.0 cents per share, 7.2 cents franked, to be paid on 23 September 2015.

The growing proportion of SAI's business located offshore is resulting in a lower level of dividend franking credits. Going forward SAI expects to be able to partly frank dividends in the next two financial years at around 70%.

The total dividends paid and payable in respect of the year ended 30 June 2015 are 16.5 cents per share, up from the 15.5 cents paid in respect of the year ended 30 June 2014.

Based on the expected number of shares on issue, total dividends declared in respect of the year ended 30 June 2015 are expected to be \$34.9M, up 6.7% from the \$32.7M paid in respect of the year ended 30 June 2014.

Going forward, the Directors expect dividend growth from current levels, having regard to future business conditions and opportunities, the level of retained earnings and the cash flow requirements of the Company.

### **Significant changes in the state of affairs**

Other than matters referred to previously in this report, there have been no other significant changes in the state of affairs of the Company.

### **Matters subsequent to the end of the financial year**

Other than matters referred to previously in this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### **Likely developments and expected results of operations**

Disclosure of information relating to the future developments of the Group's operations which would not, in the opinion of the Directors, be prejudicial to the interests of the Company is contained in the Operational and Financial Review.

### **Environmental regulation**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory at the date of this report.

## Information on Directors

**Andrew Dutton BSC., MAICD.** Independent Chairman, based in Sydney

### Length of service

7 years

### Experience and expertise

Andrew has extensive international experience in managing and growing businesses particularly in the technology sector. Much of his career has been involved in anticipating and managing the impact of technology and the disruption it has enabled or created in business.

Based in Tokyo, Andrew ran IBM's Asia Pacific software division. At CA Technologies, he led all international operations from his base in London and as SVP Business Development at Visa, Andrew grew the operations across APJ from Singapore. Most recently Andrew, again based in Singapore, headed VMware in Asia Pacific and built the business into one of the most successful technology companies in the region. His experience was also broadened early on as CFO both at Norwich Union in Melbourne and IBM New Zealand based in Wellington.

Andrew has gained first-hand experience in international business, executive leadership, business execution and sales and marketing.

Over the last 25 years Andrew has held directorships from New Zealand to London and Chaired a business in Saudi Arabia. He was a member of IBM's WW Senior Leadership Team and has participated in three World Economic Fora in Davos.

### Other current directorships

Nil

### Former directorships in the last 3 years

A number of VMWare entities

### Interest in shares (direct and indirect) as at 30 June 2015

50,462 shares in SAI Global Limited

**Peter Mullins B.A (Economics, Psychology).** Chief Executive Officer and Managing Director, based in Sydney

### Length of service

6 years (8 months as a Director)

### Experience and expertise

Over 30 years of I.T. and Operational executive management experience in retail, life insurance and pensions, and BPO sectors. Peter has held CIO, COO and CEO positions at AMP and Unisys.

Other current directorships

A number of SAI Global Limited related entities

Former directorships in the last 3 years

None

Interest in shares (direct and indirect) as at 30 June 2015

92,430 shares in SAI Global Limited

**W Peter Day LLB, MBA, FCA, FCPA, CTA, FAICD.** Independent, Non-Executive Director, based in Melbourne

Length of service

7 years

Experience and expertise

Peter has a background in finance, strategy and general management in mining, manufacturing, food and financial and regulatory services. He has held senior executive and executive director positions, mainly with the Rio Tinto Group and Bonlac Foods. He was Chief Financial Officer for Amcor for 7 years until 2007. Peter is a former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the Australian Securities and Investments Commission. He is currently a non-executive director of a number of listed and public interest organisations. He is also actively involved in supporting professional education and disability services.

Other current directorships

Ansell Limited

Alumina Limited

Boart Longyear Limited

Former directorships in the last 3 years

Orbital Corporation Limited

Federation Centres Limited

Special responsibilities

Chairman, Audit and Risk Committees

Interests in shares (direct and related) as at 30 June 2015

31,389 shares in SAI Global Limited

**Robert Aitken B.E.(Chem)(Hons), M.B.A., FAICD** Independent, Non-Executive Director, based in Sydney

Length of service

3 years

### Experience and expertise

An experienced non-executive director of ASX and NZX listed and private equity funded companies, Rob joined the Board of Directors of SAI Global Limited in September 2012.

During the early part of his career Rob worked as a chemical process engineer and systems engineer developing commercial and process control systems for manufacturing businesses. With over 25 years' experience in senior management roles with international firms in the manufacturing and industrial marketing sectors he has managed businesses located throughout Australia and New Zealand, America, Europe and Asia. Rob brings to the SAI Global Board his extensive experience in managing technology-based businesses, overseeing business improvement programmes and managing significant capital projects and capital raisings. In addition to a strong background in developing market-driven strategies for growth and business management, Rob is also experienced in divestments and acquisitions.

Most recent executive experience was as Executive General Manager at Southcorp Water Heaters and Southcorp Appliances, accountable for manufacturing based businesses in the USA, Australia, New Zealand, Italy and China. Prior to that, Rob was President Formica Corporation in North America and Europe with responsibility for businesses in the USA, Canada, France, Spain and the UK. In these roles he also chaired joint ventures in China, Germany and the Philippines.

### Other current directorships

Nuplex Industries Limited (Non-Executive Director, formerly Chairman)

### Former directorships in last 3 years

Alesco Corporation Limited  
Rubicor Group Limited

### Special responsibilities

Chairman, Remuneration and People Committee  
Member, Audit and Risk Committees

### Interests in shares (direct and related) as at 30 June 2015

50,000 shares in SAI Global Limited

**Anna Buduls BA, MCom** Independent, Non-Executive Director, based in Sydney

### Length of service

11 years

### Experience and expertise

Anna has twenty years' experience as an independent non-executive director, working across a range of industries and working with both listed and government entities. This has given her insight into and experience of a very broad range of commercial circumstances that can confront companies from



to time, and the skill sets to deal with them. Anna has dealt with management buyouts, mergers and acquisitions, large scale corporate and debt restructurings and initial listings.

Prior to commencing her Non-Executive Board career Anna worked in a variety of industries and roles, including 7 years in investment banking with Macquarie Bank. In addition to her non-executive director roles, in the last ten years Anna has owned and developed a successful Business-to-Business travel software company, and has undertaken various policy reviews for the Australian Government. Her policy work for the Australian Government has included that undertaken during 5 years as a member of the Foreign Investment Review Board. The IT knowledge gained through the B2B software company has helped Anna carry out her role on the SAI's Board Capital Programme and IT Committee.

Anna was also one of three Australian members of the APEC Business advisory for three years to December 2014. This has given her insights into international business practices relevant to SAI's global business.

Other current directorships

Tramada Holdings Pty Limited (Chairman)  
Beyond Empathy (Chairman)

Former directorships in last three years

Foreign Investments Review Board  
Australian Social Inclusion Board

Special responsibilities

Member, Audit and Risk Committees  
Member, Remuneration and People Committee  
Member, Capital Programme and IT Committee

Interests in shares (direct and related) as at 30 June 2015

40,769 shares in SAI Global Limited

**Sylvia Falzon MIR & HRM (Hons) B Bus, GAICD, SF Finsia,**  
Independent, Non-Executive Director, based in Melbourne

Length of service

2 years

Experience and expertise

An experienced non-executive director of ASX listed companies, not-for-profit and government organisations, Sylvia joined the Board of Directors of SAI Global Limited in October 2012.

Sylvia has worked in the financial services industry for almost 3 decades and during that time has held senior executive positions responsible for institutional and retail funds management businesses both domestically and internationally.

Her roles have included Head of Business Development at AVIVA Investors Australia, an equity partner at Alpha Investment Management, and Chief Manager International Sales and Service at National Mutual Funds Management / AXA.

She has overseen strategy, product development and management distribution, marketing and communications as well as client services.

Other current directorships

Perpetual Limited  
Regis Healthcare  
Museums Board of Victoria  
Cabrini Health Limited

Former directorships in last 3 years

Nil

Special responsibilities

Member, Remuneration and People Committee

Interests in shares (direct and related) as at 30 June 2015

Nil

**David Spence, B. Comm. CA (SA) MAICD**, Independent, Non-Executive Director, based in Sydney

Length of service

2 years

Experience and expertise

David is a well-known entrepreneur in the internet and telecommunication arena. He has been an independent Director or Chairman of nine listed entities and a Director of over 20 unlisted private equity or venture capital funded companies.

David is currently, Chairman of Vocus Communications Limited, Chairman PayPal Australia, and a Non-Executive Director at Hills Limited.

His past career includes being a General Manager at ACP Publications, CFO at Freedom Furniture and OPSM, COO and then CEO at Ozemail Limited, CEO at Unwired Limited, Venture partner at Allen & Buckeridge as well as being involved in numerous start-ups. He is also a past Chairman of the Internet Industry Association. David brings to the Board of Directors of SAI Global Limited his extensive experience in driving growth in technology-based businesses, strong commercial skills and experience in capital raisings as well as mergers and acquisitions. In addition to a strong background in the digital and telecommunications world David is also experienced in managing international operations out of Australia.

Other current directorships

Vocus Communications Limited (Chairman)

PayPal Australia Pty Limited (Chairman)  
Hills Limited  
National Narrowband Company Network Pty Limited (Chairman)  
Turratech Pty Limited

Former directorships in the last 3 years

AWA Limited

Special responsibilities

Chairman, Capital Programme and IT Committee  
Member, Audit and Risk Committees

Interests in shares (direct and related) as at 30 June 2015

5,000 shares in SAI Global Limited

**Company Secretary**

The Company Secretary is Ms Hanna Myllyoja BA LLB, Grad Dip Leg Prac., who also occupies the position of Group General Counsel. Ms Myllyoja was appointed to the position of Company Secretary in March 2006. Prior to this appointment, Ms Myllyoja had been employed for over 9 years as Legal Counsel for the entities that then comprised the SAI Global Group. Prior to joining SAI Global Ms Myllyoja was employed as a solicitor in private practice.

**Meetings of Directors**

Throughout FY15 the company had an Audit and Risk Committee. With effect from 10 August 2015 the Company's Audit & Risk Committee has been replaced with two Committees, The Audit Committee and The Risk Committee.

The numbers of meetings of the Company's Board of Directors and of each Board Committees, held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

	Board meetings	Audit & Risk Committee	Remuneration & People Committee	Capital Programme & IT Committee	Nomination Committee
<b>Total number of meetings held:-</b>	<b>26</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>1</b>
<b>Directors</b>					
Andrew Dutton	25/26	N/A	N/A	N/A	1/1
Anna Buduls	22/26	5/5	4/4	8/8	1/1
W Peter Day	26/26	5/5	N/A	N/A	1/1
Robert Aitken	23/26	5/5	4/4	N/A	1/1
Sylvia Falzon	26/26	N/A	4/4	N/A	1/1
David Spence	21/26	5/5	N/A	8/8	1/1
Peter Mullins <sup>1</sup>	13/14	N/A	N/A	N/A	0/0

1. Appointed on 5<sup>th</sup> November 2014

## Letter from the Chairman of the Remuneration & People Committee

Dear Shareholder,

I am pleased to present our Remuneration Report for 2015.

The year ended 30<sup>th</sup> June 2015 has been a year of two contrasting halves both of which had significant but quite different impacts on the remuneration framework of the Company. The first half was eventful for a number of reasons.

- The indicative non-binding offer from Pacific Equity Partners for the entire Company, announced by SAI's Board of Directors (Board) in June 2014 and the ensuing formal process to review the Company's strategic options, created the potential for significant distraction during the period.
- The appointment of Peter Mullins as SAI's new Chief Executive Officer on 5<sup>th</sup> November 2014 at the conclusion of the formal process, heralded the commencement of a new direction for SAI Global, bringing together the Assurance, Compliance and Standards & Technical Information divisions to form a focused new Risk Management Solutions business. Effective 1<sup>st</sup> July 2015, the new business will operate alongside SAI's Property Services business.

The second half was equally eventful but for entirely different reasons.

- The decision to create our Risk Management Solutions business initiated an extensive and exciting change programme that touched every part of SAI's business. Organisational changes were carefully planned and implemented, training interventions were delivered and remuneration re-alignment became a priority for the Board to ensure the Company's remuneration structures aligned with its new strategic direction. A critical element of this new strategic direction is a focus on improving organic revenue growth.

It is against the background of these contrasting half years that the Board has overseen a changing remuneration framework, focussed on generating superior shareholder returns with due regard for risk and at the same time attracting, retaining and motivating a cohesive and talented team of executives.

Throughout the year the Board has been conscious of:

- Aligning the interests of staff with those of shareholders
- Changes in employment markets globally
- The benefits of a diverse workforce
- Company performance
- Expanding the remit of the Remuneration Committee.

The Directors are of the view that SAI's remuneration framework has and will continue to strike the right balance between shareholders and executives.

### Alignment between staff and shareholder

SAI's remuneration framework is characterised by a balance between fixed reward and variable performance based reward delivered via a short term incentive scheme focussed on both financial and non-financial outcomes and long-term incentives (Share Options and Performance Share Rights).

**Fixed Remuneration** is set at median market levels compared to a peer group of companies with similar revenues and market capitalisation. Overall remuneration is targeted to be between median and the upper quartile compared to the same peer group. Positioning fixed remuneration at this level with a strong emphasis on variable remuneration ensures good alignment between shareholder outcomes and overall remuneration.

**Short-Term Incentives (STI)** are designed to foster team work and maximise financial performance (75% weighting) as well as focusing executives and managers on achieving non-financial objectives linked to SAI's strategic priorities (25% weighting).

In relation to the year ended 30<sup>th</sup> June 2015, each member of SAI's Executive Management Team (EXCO) had a component of their STI linked to the overall financial performance of the Company as measured by Cash Earnings Per Share (CEPS). Those executives who led divisions during the year also had a component of their STI linked to the financial performance of their division as measured by Return on Capital Employed (ROCE).

Both CEPS and ROCE measures were adjusted to remove the impact of significant items considered appropriate by the Board to ensure that economic decisions are made in the best interests of shareholders. Maximum STI payments for members of EXCO in FY15 amounted to 35-50% of Fixed Remuneration (50% for the CEO). The Board is satisfied that this dual financial focus delivered the best outcome for shareholders. To improve alignment between shareholders and executives, the scheme required a threshold financial STI gate to be exceeded before any payment was made in relation to the achievement of non-financial objectives.

The vesting scales were as follows:

Performance Level	Performance Measure	Vesting (% of potential)
Threshold	95% of Target	25%
Target	Target	75%
Stretch	105% of Target	100%

Target CEPS was 26.3 cents compared to FY14 Actual Adjusted CEPS of 24.5 cents. Actual FY15 Adjusted CEPS achieved was 29.5 cents or 112.2% of Target.

An additional stretch bonus pool for CEPS performance over 105% of Target was distributed amongst EXCO members in proportion to their Fixed Remuneration. This bonus pool amounted to \$298,879 for FY15.

The remuneration framework for FY16 has changed considerably to further fine tune and balance the alignment of executive remuneration with

shareholder returns. In making these changes, the Board was mindful of the need to accelerate profitable revenue growth across the Company.

Key features of STI for the year commencing 1<sup>st</sup> July 2015 are:

- Increased “At Risk” variable remuneration with maximum potential payments for EXCO increased to 60% of Fixed Pay (90% for the CEO).
- The vesting scales are as follows:

Performance Level	Performance Measure	Vesting (% of potential)
Threshold	95% of Target	20%
Target	Target	60%
Stretch	110% of Target	100%

- 75% of the CEO’s and EXCO’s STI remain dependant on financial performance and 25% on non-financial performance.
- 50% of the financial component of the CEO’s and EXCO’s STI will be linked to the EBITDA of SAI Global Limited.
- The CEO and EXCO members each have an element of the financial component of their STI linked to revenue generation.
- EBITDA and Revenue outcomes will be calculated on a statutory basis (previously underlying) with no adjustment for significant items unless the Board applies discretion in consideration of a major event such as the sale or purchase of a business or asset, or impairment etc.
- EBITDA and Revenue outcomes will be measured at budget foreign exchange rates (as they were in FY15) to remove the impact of foreign exchange translation that is beyond the control of the CEO and EXCO members.
- The non-financial component of the STI cannot be earned unless Threshold EBITDA for SAI Global Limited is achieved and a behavioural gateway set by the CEO is achieved.
- The stretch bonus pool arrangements that operated in FY15 have been cancelled.

**Long-Term Incentives (LTI)** are structured to align the long term interests of shareholders and executives. EXCO members are offered a choice to take up Performance Share Rights (PSRs) and/or Options over Ordinary Shares in SAI Global (Options). A choice is offered due to the different tax regimes in place across the countries in which executives reside. Maximum LTI awards of PSR’s and Options for members of EXCO amounted to 35% - 55% of Fixed Remuneration and 65% of Fixed Remuneration for the CEO. All incentives vest over 3, 4 and 5 years subject to stringent performance criteria being achieved. The performance criteria

set for the PSRs and Options in FY15 were Comparative Total Shareholder Return (TSR) compared to the TSR of other companies in the comparator group (ASX 200) and compound Earnings per Share growth (EPS). 50% of each grant is subject to TSR and 50% to EPS. Vesting scales are as detailed below:

Grant subject to TSR Measure	Measurement Period	Threshold Performance	Target Performance	Stretch Performance
1/3 of grant	3 years	P50	Pro rata	P75
1/3 of grant	4 years	P50	Pro rata	P75
1/3 of grant	5 years	P50	Pro rata	P75
Vesting (% of Potential)		50%	Pro-rata	100%

Grant subject to EPS Measure	Measurement Period	Threshold Performance	Target Performance	Stretch Performance
1/3 of grant	3 years	8% compound p.a.	Pro rata	15% compound p.a.
1/3 of grant	4 years	8% compound p.a.	Pro rata	15% compound p.a.
1/3 of grant	5 years	8% compound p.a.	Pro rata	15% compound p.a.
Vesting (% of Potential)		30%	Pro-rata	100%

A scorecard detailing performance against the various LTI grants that are still current is contained in the Remuneration Report.

For the year commencing 1<sup>st</sup> July 2015, the LTI grants and the performance criteria associated with grants will be altered. Also executives will be required to choose between PSRs and Options as opposed to being able to choose some of each.

For the CEO, the LTI grant will amount to 80% of Fixed Remuneration and for the EXCO members, grants will range between 50% and 55% of Fixed Remuneration.

To reflect the Board's increased focus on improving the returns from funds invested in the Company, grants of LTI's made in the year commencing 1<sup>st</sup> July 2015 will be subject to the following performance criteria:

- 50% of any grant made will be subject to similar EPS performance criteria that have been applied historically but with Stretch Performance set at 12% compound p.a.
- The other 50% will be subject to a Return on Funds Employed (ROFE) performance criteria, where ROFE is defined as statutory EBIT/Average Month End Funds Employed. The Board retains discretion to adjust statutory outcomes in consideration of major events. Vesting will take place according to the following scale:

Grant subject to ROFE Measure	Measurement Period	Threshold Performance	Target Performance	Stretch Performance
1/3 of grant	3 years	95% of Target	17 %	105% of Target
1/3 of grant	4 years	95% of Target	18 %	105% of Target
1/3 of grant	5 years	95% of Target	19 %	105% of Target
Vesting (% of Potential)		30%	Pro-rata	100%

For Comparative purposes the ROFE achieved for FY15 was 10.1%.

Despite the challenges presented in the first half of FY15 and the enormous amount of preparatory work expended in the second half re-organising elements of the Company to create the Risk Management Solutions business, executives have retained focus throughout the year to deliver an improved underlying result compared to FY14. The Board believes that the remuneration framework has proved itself robust during these challenging times and has achieved alignment between staff and shareholders. The Board also believes that the changes to short and long term incentives that are being introduced for the year commencing 1<sup>st</sup> July 2015 will support the Company's new business model and focus executives on maximising revenue and earnings growth and Return on Funds Employed measures that are key to shareholders.

#### Employment markets globally

The year ended 30<sup>th</sup> June 2015 has seen the Australian and Canadian employment markets weaken and the UK and US markets strengthen. As a global Company, Board remains committed to retaining a stable and talented workforce across geographies and remains ready to respond accordingly to changing labour market circumstances and cycles.

#### The employment environment

The Board's continuing focus on the benefits of a diverse workforce has delivered a positive outcome. The representation of females in the most senior levels of the Company has increased during FY15 and the focus on promoting policies and practices that eliminate as many "roadblocks" as possible bodes well for a further improvement in FY16. From a remuneration perspective the Board oversees a rigorous annual gender analysis of remuneration aimed at ensuring fairness and equal opportunity. For the year commencing 1<sup>st</sup> July 2015, funds have been "quarantined" specifically to address any anomalies that emerge from the gender analysis of remuneration.

The CEO, EXCO and other senior executives continue to have performance objectives built in to their STI programmes that are specifically aimed at increasing gender diversity at all levels of the Company. This will be a continued area of focus for the Board.



## Company Performance

The underlying performance of SAI Global during FY15 was encouraging. Profitability improved significantly and good progress was made in relation to Non-Financial matters the Board regards as important. This underlying performance resulted in significant Short Term Incentive (STI) payments being made to the CEO and members of the Executive Team to reflect their achievements. In addition to improving profitability, significant progress was made in restructuring the Company to prepare it for the future. The Assurance, Compliance and Standards & Technical Information divisions were amalgamated to create the new Risk Management Solutions business which came into being on 1<sup>st</sup> July 2015. The cost of restructuring, coupled with the significant charges incurred in carrying out the formal process to review the Company's strategic options, impacted statutory earnings and overall shareholder returns. Consequently, none of the Long Term Incentives (LTI) that could have vested on 30<sup>th</sup> June 2015 did vest. These outcomes illustrate that SAI's remuneration framework is operating as intended with the STI incentivising the achievement of short-term objectives and the LTI more aligned with the long-term interests of shareholders.

## Expanding the responsibilities of the Remuneration Committee

The Board believes that the responsibilities of the Remuneration Committee should be extended to embrace broader aspects of people management than simply remuneration. Additional responsibilities of the Committee now include succession planning, talent management, diversity, and safety, health & environment (SHE) management. The charter of the Committee has been re-written and the Committee renamed the Remuneration and People Committee. A copy of the new charter is available on SAI Global's website [www.saiglobal.com](http://www.saiglobal.com).

The Board remains confident that the remuneration framework it has in place for executives achieves its stated objectives of generating superior shareholder returns with due regard for risk whilst at the same time attracting, retaining and motivating a cohesive and talented team of executives. The framework has been re-aligned for FY16 to reflect organisational and strategic changes implemented across the business. It will continue to be closely evaluated and where appropriate adjusted further in response to internal and external factors that have the potential to impact both its short and long-term effectiveness.

Yours faithfully



Rob Aitken  
Chairman, Remuneration and People Committee

## REMUNERATION REPORT

The Remuneration Report is set out under the following main headings:

1. The Remuneration Committee
2. Principles used to determine the nature and amount of remuneration
3. Details of remuneration
4. Service agreements
5. Share based compensation
6. Additional information

The information provided in this Remuneration Report has been audited as required by section 308 (3C) of the Corporations Act 2001.

### **1. The Remuneration Committee**

The Remuneration Committee (the Committee) operates under the delegated authority of SAI Global's Board of Directors. Towards the end of the year ended 30 June 2015 the Committee's charter was expanded and the Committee renamed the Remuneration and People Committee. The Committee's new charter is available on SAI Global's website [www.saiglobal.com](http://www.saiglobal.com).

The Committee is comprised solely of Non-Executive Directors, being Rob Aitken (Chairman), Anna Buduls and Sylvia Falzon.

The Committee met 4 times during the year.

Prior to the new charter referred to above, the Committee's primary responsibility was to assist the Board in fulfilling its corporate governance and oversight responsibilities with respect to:

- Annually reviewing the recommendations of management for remuneration adjustments, with the objective of ensuring that such remuneration is likely to promote the value of the organization in the long-term, and that the overall remuneration is both adequate and reasonable in comparison with industry and other benchmarks.
- Recommending adjustments to the Chief Executive Officer's (CEO) remuneration package (incorporating the short-term and long-term incentive components), based on achievement of performance objectives and developing appropriate objectives for both the short-term and long-term.
- Reviewing (in conjunction with the CEO), the remuneration policy and practices for the senior executive team.
- Reviewing and recommending approval of all equity-based remuneration plans.
- Considering and recommending adjustments to Directors' (including the Chairman's) remuneration taking into account whether such remuneration

reasonably reflects the responsibilities, time and risks inherent in being an effective director.

- Proposing any changes necessary to its charter.

The Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals, on terms it determines appropriate, without seeking approval of the Board. SAI Global engaged external advisors on matters relating to remuneration and cultural vitality. All information relevant to matters being considered by the Committee has been made available to its members.

Ernst & Young (EY) was engaged by the Board Remuneration and People Committee to provide remuneration advice in relation to Key Management Personnel (KMP), but did not provide the Board Remuneration and People Committee with remuneration recommendations as defined under Division 1, Part 1.2, 9B (1) of the Corporations Act 2001 (Cth). The Board was satisfied that advice received was free from any undue influence by key management personnel to whom the advice may relate, because strict protocols were observed and complied with regarding any interaction between EY and management, and because all remuneration advice was provided to the Board Remuneration and People Committee chair.

The table below lists other consultants who were retained during the year. All consultants are independent and were engaged solely on the basis of their competency in the relevant field.

<b>Advisor</b>	<b>Services Provided</b>
PricewaterhouseCoopers	<ul style="list-style-type: none"><li>• Calculation of the volume weighted average price of shares in SAI Global Limited during the 5 days immediately preceding the offer to executives of equity based long-term incentives.</li><li>• Calculation of the fair value of options and performance share rights, granted under the Company's Executive Long-Term Incentive Plan, approved by shareholders at the Annual General Meeting held on 20<sup>th</sup> October 2006 and amended at the Annual General Meeting held on 21<sup>st</sup> October 2011, for the purpose of calculating the value of share based remuneration.</li></ul>
Orient Capital	<ul style="list-style-type: none"><li>• Calculation of the total shareholder return achieved by SAI Global Limited compared to the S&amp;P/ASX 200 Index, for the purpose of determining whether Long Term Incentive performance criteria have</li></ul>

been met.

Hudson Talent Management • Cultural Vitality Survey

During the year ended 30<sup>th</sup> June 2015 no remuneration recommendations, as defined by the Corporations Act, were provided by any of the advisors retained by the Committee.

## **2. Principles used to determine the nature and amount of remuneration**

The Board recognises that SAI Global's performance is dependent on the quality of its people. To successfully achieve its financial and operating objectives, SAI Global must be able to attract, retain and motivate skilled executives dedicated to the interests of shareholders.

### **(i) SAI Global's remuneration principles**

The objective of the Company's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management
- Legislation relating to Director and Executive Remuneration

In particular, to ensure that:

- Competitive remuneration arrangements are provided to attract, retain and motivate executive talent.
- A portion of executives' rewards is "at risk" and linked to performance in creating value for shareholders.
- There is full legal compliance with disclosure requirements for executive remuneration.
- A cap is maintained on the amount of performance share rights (PSRs) and options over ordinary shares (options) that can be issued to avoid adverse dilutionary effects on other shareholders.

The Board and the Committee also recognise that although remuneration is a major factor in recruiting and retaining talented and effective people, other factors play a substantial role, including SAI Global's corporate reputation, the quality of its executive leadership team, its ethical culture and business values, and the Company's other human resources policies and practices.

## **(ii) Remuneration structure**

The remuneration structure for senior management comprises policies and programs under two general categories: fixed and variable.

- Fixed remuneration is made up of base salary, post-employment (retirement) and other benefits.
- Variable remuneration, consisting of an annual short-term incentive and long-term incentives, is tied to performance, is at risk, and is related to both financial and non-financial performance indicators. The long-term incentives are currently provided by way of the SAI Global Executive Long-Term Incentive Plan, which is explained further below.

The remuneration structure is designed to strike an appropriate balance between fixed and variable remuneration. To accomplish this, the Committee considers, in addition to the performance of individual executives, external benchmarking data. After review, the Committee determines the fixed remuneration for the CEO, reviews the CEO's recommendations for the senior executive team, and determines parameters for variable remuneration.

All remuneration received by the CEO and the senior executive team is detailed in section 3 of this report.

## **(iii) Fixed remuneration**

Fixed remuneration is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience. The broad objective is to pitch fixed remuneration at median market levels. The benchmark used is a sub group of companies listed on the Australian Securities Exchange with market capitalisations and run rate revenues between 50% and 200% of SAI Global's market capitalisation and run rate revenue.

For the year ended 30 June 2015, the base salary of Mr Peter Mullins, SAI's CEO during the period 5<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015 was below the median. This reflects him being newly appointed to the role. During the period between 1<sup>st</sup> July 2014 to 4<sup>th</sup> November 2014, during which Mr Andrew Dutton was Executive Chairman, his base salary, which was fixed and capped (this was the only element of Mr Dutton's remuneration as Executive Chairman) with no STI or LTI arrangement, was close to median.

Fixed remuneration is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion.

There are no guaranteed fixed remuneration increases in the CEO's or senior executives' employment contracts.

#### **(iv) Variable remuneration**

The Committee and the Board believe that well designed and managed short-term and long-term incentive plans are important elements of remuneration, providing tangible incentives for executives to strive to improve SAI Global's performance both in the short-term and long-term for the benefit of shareholders.

The proportion of total remuneration which may be received in variable form varies between senior SAI Global executives and takes into account individuals' responsibilities, performance and experience.

In general terms, the Committee applied the following broad principles in relation to the year ended 30<sup>th</sup> June 2015:

- Total remuneration for every "fully effective" member of the senior executive team will be pitched between median and the 75<sup>th</sup> percentile.
- Short-term incentive opportunities are pitched at between 35% and 50% of fixed remuneration for executives who were members of the Executive Committee for the entire financial year.
- Short-term incentives only become payable if pre-determined financial targets are achieved. 75% of the short-term incentive component is earned on achievement of financial targets, with the remainder based on achieving key strategic non-financial outcomes. However, the element relating to non-financial outcomes can only be earned if the financial targets are achieved or exceeded. An uncapped element is also available for the CEO and the members of the Executive Committee for performance above agreed targets.
- Long-term incentives are generally pitched between median and the 75<sup>th</sup> percentile.

#### **(v) Short-term incentive plan**

Under the short-term incentive (STI) plan, performance is measured across a number of financial and non-financial key performance indicators that are directly linked to the Company's business plan and strategy. Historically non-financial key performance indicators for the CEO have been agreed between the Board and CEO and those for individual members of the senior executive team between the CEO and each individual. In relation to the year ended 30<sup>th</sup> June 2015, non-financial performance indicators, linked to the revised strategy implemented subsequent to Mr. Mullins' appointment as CEO, were developed on a "team" basis and endorsed by the Board. They applied to the CEO and to all members of the senior executive team.

The Committee reviews performance in relation to the non-financial performance indicators, in conjunction with the CEO, to determine the extent to which they have been achieved. Financial key performance indicators include Group cash earnings per share and return on funds employed. "Cash earnings per share" for the purposes of the short-term incentive plan is

calculated by adjusting statutory earnings per share for the after tax impacts of the amortisation of intangible assets, the charge for equity based remuneration and the impact of any separately disclosed significant charges or credits. Historically, actual exchange rates have been used to calculate "Cash Earnings per Share". For the year ended 30<sup>th</sup> June 2015, budgeted exchange rates were used in this calculation. This change has been made to more effectively target the CEO and his team on achieving targets that are within their control.

Mr Andrew Dutton, Executive Chairman during the period 1<sup>st</sup> July 2014 to 4<sup>th</sup> November 2014 only received his base salary, which is fixed and capped. There was no variable element included in his remuneration. His appointment was a temporary arrangement that ceased when Mr Peter Mullins was appointed Chief Executive Officer (CEO).

For the year ended 30 June 2015, the targeted STI opportunity for Mr Mullins in his role as CEO was \$266,667, representing 50% of his fixed remuneration, pro-rated to his time in office. Mr Mullins also earned an STI payment of \$78,409 representing 50% of his fixed remuneration prorated to the period he was Global Head of Information Services, prior to his appointment as Chief Executive Officer. In calculating Mr Mullins' STI, it was assumed that he was Global Head of Information Services for 5/12ths of FY15 and CEO for 7/12ths of FY15. The STI opportunity for the other members of the senior executive team ranged from 35% to 50% of fixed remuneration.

Examples of non-financial objectives set for the Chief Executive Officer and the Senior Executive Team (EXCO) are:

- 1 Diversity – this objective required executives to implement a series of actions aimed at improving gender diversity and to achieve a 10% improvement in the number of females in the C1 (CEO's direct reports), C2 (C1's direct reports) levels of the organisation, where C is the CEO, by the 30<sup>th</sup> June 2015, compared to the level that prevailed on 30<sup>th</sup> June 2014.
- 2 OH&S – this objective required executives to ensure that staff completed specific OH&S training, actioned all remedial OH&S non-conformances identified in audits and achieved a level of lost time injury accidents throughout the year that fell below a prescribed target.
- 3 Risk – this objective required executives to work with specialist external advisors to develop a new Risk Framework for the Company to be presented to and agreed with the Board before 30<sup>th</sup> June 2015.
- 4 Project Governance – this objective required executives to execute an extensive change programme focussed on integrating the Company's Assurance, Compliance and Information Services divisions in to a Risk Management Solutions business by 30<sup>th</sup> June 2015.

Members of the Executive Committee are eligible for an uncapped element of variable remuneration. To qualify for this, additional financial targets must

be achieved, at which time the eligible executives become entitled to a percentage of the “over target” earnings. This bonus pool amounted to \$298,879 for FY15.

Uncapped STI does not become payable until 105% of the cash earnings per share target, adjusted for abnormal or non-recurring items as considered appropriate by the Board has been achieved. Uncapped STI is calculated by establishing how much cash is generated over and above that necessary to achieve the maximum level on the cash earnings per share key performance indicator, referred to above, including cash generated from acquisitions. This cash is split into \$500K tranches, with each tranche progressively attracting 2%, 4%, 6%, 8% and 10% attribution to a bonus pool. Once the 10% level is reached the 10% attribution is applied to all additional cash generated thereafter. This pool is distributed to members of the Executive Committee in proportion to their Fixed Remuneration. For example, if an Executive Committee member’s Fixed Remuneration represents 7% of the total of Executive Committee member’s Fixed Remuneration, he/she will receive 7% of the pool.

The Company’s Short Term Incentive Deferral policy, introduced in FY14 will apply to STI payments made to the CEO and the senior executive team in respect of FY15 STI payments.

#### **(vi) Long-term incentive plan**

At the Company’s annual general meeting held on the 20<sup>th</sup> October 2006, the Company’s Executive Long-Term Incentive Plan (Plan) and a UK Sub Plan (Sub Plan) were approved by shareholders. At the Company’s Annual general Meeting held on 21<sup>st</sup> October 2011 shareholders approved amendments to the Plan and Sub Plan. All long-term incentives granted in the year ended 30th June 2015 were granted under the Plan, as amended. Both plans contain a prohibition on any participant engaging in any hedging arrangements in relation to any unvested incentive granted under the plans, or purporting to do so. If the Company is subject to a change of control, in relation to all incentives granted prior to the amendments, all vesting conditions are waived and all incentives are deemed to have vested unless otherwise determined by the Board. In relation to all incentives granted subsequent to the amendments, if the Company is subject to a change of control all such Incentives are deemed to have vested pro-rata based on the extent to which the Board determines that the relevant Vesting Conditions in respect of those Incentives are satisfied at the time of the change in Control and the proportion of the relevant period over which a Vesting Condition is to be determined which has elapsed up to the time of the change in Control, unless otherwise determined by the Board.

When recommending Long-Term Incentive grants, the Committee obtains advice as to the appropriate face value and dollar amounts to be applied to the long-term components of executives’ annual remuneration packages. The dollar amount is granted as Long-Term Incentives according to the preference expressed by the recipient, in one of the following forms:



Either 100% Performance Share Rights (PSRs) or 33.3% PSRs and 66.6% Options over Ordinary Shares in SAI Global Limited (Options) or 66.6% PSRs and 33.3% Options.

To determine how many PSRs each eligible executive will receive, the dollar amount to be granted as PSRs is divided by the volume weighted average price (VWAP) of SAI Global shares for the last 5 trading days before the offer date. To determine how many Options each eligible executive will receive, the dollar amount to be granted as Options is divided by the undiscounted Black Scholes value of an Option, where the Option exercise price is determined as the VWAP of SAI Global shares for the last 5 trading days before the offer date.

PSRs and Options are granted for no consideration, but only vest on the achievement of performance hurdles.

Each grant of PSRs and Options made to the CEO and members of the Executive Committee may vest over a five-year period with up to one third available to vest three years from the commencement of the financial year in which they were granted, a further third, four years from the commencement of the financial year in which they were granted and the remainder, five years from the commencement of the financial year in which they were granted. Any PSRs or Options that do not vest on the first date they become eligible to vest are carried forward and may vest on a subsequent vesting date. PSRs or Options that have not vested five years after the grant date, lapse.

PSRs and Options carry no voting or dividend rights.

Once vested, holders of PSRs become entitled to one ordinary share in SAI Global Limited, issued or purchased on market, for each vested PSR held. Once vested, holders of Options become entitled to purchase one ordinary share in SAI Global Limited, at the Option price, for each vested Option held.

Performance hurdles are attached to any PSRs and Options granted. In relation to the grant dated 19<sup>th</sup> November 2014, for the purpose of applying performance hurdles, each grant of PSRs and each grant of Options is divided into two equal parts. One half is subject to a total shareholder return (TSR) performance hurdle and the other half to an earnings per share (EPS) hurdle.

#### The TSR performance hurdle

On each vesting date the TSR of ordinary shares in SAI Global Limited over the vesting period is independently measured. If the TSR is less than the 50<sup>th</sup> percentile of the TSR of shares listed in the S&P/ASX 200 Index, over the same period, none of the PSRs or Options eligible to vest will vest.

If the TSR equals the 50<sup>th</sup> percentile of the S&P/ASX 200, 50% of the PSRs or Options eligible to vest will vest.

If the TSR is greater than the 75<sup>th</sup> percentile of the S&P/ASX 200, all of the PSRs or Options eligible to vest will vest.

For TSR outcomes between the 50<sup>th</sup> and 75<sup>th</sup> percentile, 2% of the PSRs or Options eligible to vest will vest, for each percentile, the TSR of ordinary shares in the Company, exceeds the 50<sup>th</sup> percentile of the S&P/ASX 200.

#### The EPS performance criteria

On each vesting date, the compound EPS growth of ordinary shares in the Company over the vesting period is calculated.

If the compound EPS growth achieved over the period, is less than 8% per annum, none of the PSRs or Options eligible to vest will vest.

If the compound EPS growth per annum is equal to 8%, 30% of the PSRs or Options eligible to vest will vest.

If the compound EPS growth is 15% per annum or better all of the PSRs or Options eligible to vest will vest.

For compound EPS growth outcomes between 8% and 15% per annum, 5% of the PSRs or Options eligible to vest will vest, for each half percent of EPS compound growth above 8% per annum.

#### Limitation on usage of shares for employee share schemes

At any one time, the maximum number of shares over which Options may be issued under the Executive Incentive Plan must not exceed 9,998,240 and the maximum number of shares on issue or which may be used under the Executive Incentive Plan or any other employee share plan, must not exceed 5% of the total issued share capital of the Company at any one time on a fully diluted basis.

#### CEO long-term incentives

Following his appointment as CEO on 5<sup>th</sup> November 2014 Mr Mullins received a provisional grant of 32,042 Performance Share Rights and 87,893 Options over Ordinary Shares in SAI Global Limited, with an Option price of \$3.95. Shareholder approval for this provisional grant will be sought at the Annual General Meeting to be held 27<sup>th</sup> October 2015. This provisional grant was in addition to the grant he received in relation to the role he occupied prior to being appointed CEO. Shareholder approval for this grant will be sought at the Company's Annual General Meeting to be held in October 2015.

#### **(ix) Non-Executive Directors**

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are regularly reviewed by the Board. The Board also receives the advice of independent remuneration consultants to ensure

Non-Executive Directors' fees and payments are appropriate and in line with the market.

The Chairman's fees are determined independently to the fees of Non-Executive Directors based on competitive roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors and the Chairman do not receive performance share rights or options.

The Chairman's remuneration is inclusive of committee fees while Non-Executive Directors who chair or are a member of a committee receive additional yearly fees.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$1,000,000. The current fee pool was last reviewed at the annual general meeting held in October 2013.

The Board has resolved that no retirement allowances will be paid for any Non-Executive Directors including the Chairman in line with guidance on Non-Executive Directors' remuneration.

Chairman, Non-Executive Director and Committee fees for the year ended 30<sup>th</sup> June 2015 were:

Chairman	\$220,000 per annum (not payable to the Executive Chairman)
Non-Executive Director	\$100,000 per annum
Chairman, Audit and Risk Committees	\$20,000 per annum
Chairman, Remuneration & People Committee	\$15,000 per annum
Chairman, Capital Programme & IT Committee	\$15,000 per annum
Committee Membership	\$10,000 per annum per Committee

During the period between 3<sup>rd</sup> June 2014 and 4<sup>th</sup> November 2014, Mr Peter Day was appointed Deputy Chairman. A fee of \$50,000 per annum was paid to Mr Day during the period he served as Deputy Chairman of the Board, in addition to the fees paid to him as a Non-Executive Director and Chairman of the Audit & Risk Committee.

Chairman, Non-Executive Director and Committee fees were last set on 1<sup>st</sup> July 2012. Following an external review and taking into account movement in fees for comparable companies over the last 3 years and revised committee responsibilities the following fee structure will apply from 1<sup>st</sup> July 2015:

Chairman	\$245,000 per annum
Non-Executive Director	\$110,000 per annum
Chairman, Audit and Risk Committees	\$22,000 per annum
Chairman, Remuneration and People Committee	\$22,000 per annum

Chairman, Capital Programme & IT Committee \$17,000 per annum  
 Committee Membership \$11,000 per annum per  
 Committee

To take account of the new committee structure and to accommodate an orderly overlap of retiring and new directors to facilitate Board succession and refreshment the Board intends seeking shareholder approval to increase the Non-Executive Director's fee pool to \$1,100,000 at the Annual General Meeting to be held in October 2015.

### **3. Details of remuneration**

The key management personnel of the SAI Global Limited Group (the consolidated entity) includes the Directors as set out in the Directors' Report and members of the senior executive team (the Executive Committee as per the table below), who are not Directors. The top 5 remunerated executives of the consolidated entity were Messrs. Mullins, Butcher, Richardson and Whipple and Ms Myllyoja.

<b>Name</b>	<b>Position</b>	<b>Employer</b>
Peter Mullins	Chief Executive Officer (part year), Global Head of Information Services (part year)	SAI Global Limited
Paul Butcher	Global Head of Assurance (part year), Chief Commercial Officer (part year)	SAI Global Limited
Andrew Jones	Group Director Human Resources	SAI Global Limited
Malcolm Pascoe	Group Chief Information Officer (part year)	SAI Global Limited
Brett Lenthall	Chief Information Officer (part year)	SAI Global Limited
Hanna Myllyoja	General Counsel and Company Secretary	SAI Global Limited
Geoff Richardson	Chief Financial Officer	SAI Global Limited
Ann Wootton	Executive General Manager Property	SAI Global Limited
Tim Whipple	Global Head of Compliance (part year)	SAI Global Inc.

The short-term incentives are dependent on the satisfaction of performance conditions as set out in the section headed "short-term incentive plan" above. Other benefits consist primarily of company vehicles and parking.

The share-based remuneration is calculated in accordance with AASB 2, *Share Based Payments*. The calculations of these amounts take into account the fair value of the PSRs and Options at grant date. The performance hurdles relating to the vesting of PSRs and Options are set out above in the section headed "long-term incentive plan".

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of SAI Global Limited and the SAI Global Limited Group are set out in tables 1 and 3 below.

In tables 1 and 3 below the values quoted for share-based payments (i.e., PSRs and Options) are determined in accordance with the applicable Accounting Standards, which require that the values of the PSRs and Options are determined at grant date and recognised over the relevant vesting period. The values presented do not represent the amounts the individuals receive as this depends on the proportion of the awards that vest and the share price when the awards vest and the underlying shares are sold.

Table 2 below replicates the table 1 save for the data relating to PSRs and Options. In table 2 below the value attributed to PSRs and Options is the potential realisable cash value of the PSRs and Options that were eligible to vest as of 30<sup>th</sup> June 2015 and did vest (Cash Value). The Cash Value is calculated using a 5 day Volume Weighted Average Price (VWAP) of Ordinary Shares in SAI Global Limited over the 5 days up to and including 30<sup>th</sup> June 2015. The Cash Value assumes that on 30<sup>th</sup> June 2015 vested PSRs converted to shares and vested Options were exercised by paying the exercise price, and that the shares acquired were sold at the VWAP. Holders of vested Options may exercise them after 30<sup>th</sup> June 2015 and the illustration in table 2 is not intended to infer that any of the Options that vested have been exercised, or that shares acquired on conversion of PSRs or exercise of Options have been sold, as of the date of this report. A comparison table (table 4) relating to the year ended 30<sup>th</sup> June 2014, calculated on the same basis, is also shown below:

## Key management personnel of the SAI Global Limited Group

Table 1 – in accordance with AASB 124 for the year ended 30<sup>th</sup> June 2015

2015	Short-term benefits			Post-employment		Other long term	Share-based in	Total
	Salary and fees <sup>1</sup>	Short-term incentive	Non-Monetary benefits <sup>3</sup>	Super-annuation	Termination benefits	benefits	accordance with AASB2	
Name						Long Service leave	PSR/Options <sup>4</sup>	\$
<b>Non Executive Directors</b>								
Andrew Dutton (Chairman) <sup>5</sup>	118,408	-	-	9,392	-	-	-	127,800
Anna Buduls	118,721	-	-	11,279	-	-	-	130,000
David Spence	113,978	-	-	10,828	-	-	-	124,806
Peter Day	125,395	-	-	11,913	-	-	-	137,308
Robert Aitken	90,155	-	-	34,845	-	-	-	125,000
Sylvia Falzon	100,456	-	-	9,543	-	-	-	109,999
<b>Sub-total</b>	<b>667,113</b>	<b>-</b>	<b>-</b>	<b>87,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>754,913</b>
<b>Executive Directors</b>								
Peter Mullins <sup>9</sup>	679,296	392,579	-	32,449	-	17,923	80,050	1,202,297
Andrew Dutton <sup>5</sup>	444,431	-	-	9,392	-	-	-	453,823
<b>Executives</b>								
Brett Lenthall <sup>6</sup>	16,663	-	-	4,696	322,649	(47,780)	18,563	314,791
Geoff Richardson	694,399	275,272	-	18,783	-	7,819	94,927	1,091,200
Andrew Jones	395,121	188,032	-	36,008	-	6,515	54,929	680,605
Hanna Myllyoja	477,150	163,825	-	18,783	-	(11,535)	49,115	697,338
Malcolm Pascoe <sup>7</sup>	185,530	89,670	-	9,392	-	3,030	-	287,622
Ann Wootton <sup>8</sup>	202,877	141,568	-	34,469	-	14,522	22,469	415,905
Paul Butcher	544,912	293,671	-	34,983	-	9,646	89,950	973,162
Tim Whipple <sup>2</sup>	280,363	102,954	14,024	-	366,644	-	55,336	819,321
<b>Total</b>	<b>4,587,855</b>	<b>1,647,571</b>	<b>14,024</b>	<b>286,755</b>	<b>689,293</b>	<b>140</b>	<b>465,339</b>	<b>7,690,977</b>

- Included are special payments made to Mr Richardson and Ms Myllyoja in recognition of the extensive additional work they were required to complete in relation to SAI's Strategic Review announced by the Board in June 2014. Mr Richardson received a special payment of \$227,769 and Ms Myllyoja received a special payment of \$124,425. Also included are changes in accruals for Annual Leave.
- Tim Whipple was based in the USA and his salary and fees and non-monetary benefits have been translated into Australian Dollars at the average exchange rate between 1<sup>st</sup> July 2014 and 31<sup>st</sup> October 2014, the date his employment terminated. This rate was 0.9132. His termination payment and Short Term Incentive have been translated at the exchange rate on 15<sup>th</sup> December 2014 (the date his termination payment was made), which was 0.8337. Share based payments for Mr Whipple are calculated in Australian Dollars.
- Includes items such as Company contributions to health care plans.
- Non-Executive Directors do not receive PSRs or Options.
- During the period 1<sup>st</sup> July 2014 to 4<sup>th</sup> November 2014 Mr Dutton was Executive Chairman of SAI Global Limited. During the period 5<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015 Mr Dutton was Non-Executive Chairman of SAI Global Limited.
- Mr Lenthall's salary includes \$37,676 paid to him in lieu of share options he was unable to exercise due to the constraints imposed by the Strategic Review announced by the Board in June 2014.
- Mr Pascoe joined SAI Global and became a member of the Executive Management Team on 12<sup>th</sup> January 2015.
- Ms Wootton was appointed a member of SAI Global's Executive Management Team on 5<sup>th</sup> November 2014.
- Mr Mullins was promoted to Chief Executive Officer on 5<sup>th</sup> November 2014.

Table 2 – with Illustration of cash value of share based payments for the year ended 30<sup>th</sup> June 2015

2015	Short-term benefits			Post-employment		Other long term benefits	Share-based cash value	Total
Name	Salary and fees <sup>1</sup>	Short-term incentive	Non-Monetary benefits <sup>3</sup>	Super-annuation	Termination benefits	Long Service leave	PSR/Options <sup>4</sup>	\$
<b>Non Executive Directors</b>								
Andrew Dutton (Chairman) <sup>5</sup>	118,408	-	-	9,392	-	-	-	127,800
Anna Buduls	118,721	-	-	11,279	-	-	-	130,000
David Spence	113,978	-	-	10,828	-	-	-	124,806
Peter Day	125,395	-	-	11,913	-	-	-	137,308
Robert Aitken	90,155	-	-	34,845	-	-	-	125,000
Sylvia Falzon	100,456	-	-	9,543	-	-	-	109,999
<b>Sub-total</b>	<b>667,113</b>	<b>-</b>	<b>-</b>	<b>87,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>754,913</b>
<b>Executive Directors</b>								
Peter Mullins <sup>9</sup>	679,296	392,579	-	32,449	-	17,923	-	1,122,247
Andrew Dutton <sup>5</sup>	444,431	-	-	9,392	-	-	-	453,823
<b>Executives</b>								
Brett Lenthall <sup>6</sup>	16,663	-	-	4,696	322,649	(47,780)	-	296,228
Geoff Richardson	694,399	275,272	-	18,783	-	7,819	-	996,273
Andrew Jones	395,121	188,032	-	36,008	-	6,515	-	625,676
Hanna Myllyoja	477,150	163,825	-	18,783	-	(11,535)	-	648,223
Malcolm Pascoe <sup>7</sup>	185,530	89,670	-	9,392	-	3,030	-	287,622
Ann Wootton <sup>8</sup>	202,877	141,568	-	34,469	-	14,522	-	393,436
Paul Butcher	544,912	293,671	-	34,983	-	9,646	-	883,212
Tim Whipple <sup>2</sup>	280,363	102,954	14,024	-	366,644	-	-	763,985
<b>Total</b>	<b>4,587,855</b>	<b>1,647,571</b>	<b>14,024</b>	<b>286,755</b>	<b>689,293</b>	<b>140</b>	<b>-</b>	<b>7,225,638</b>

- Included are special payments made to Mr Richardson and Ms Myllyoja in recognition of the extensive additional work they were required to complete in relation to SAI's Strategic Review announced by the Board in June 2014. Mr Richardson received a special payment of \$227,769 and Ms Myllyoja received a special payment of \$124,425. Also included are changes in accruals for Annual Leave.
- Tim Whipple was based in the USA and his salary and fees and non-monetary benefits have been translated into Australian Dollars at the average exchange rate between 1<sup>st</sup> July 2014 and 31<sup>st</sup> October 2014, the date his employment terminated. This rate was 0.9132. His termination payment and Short Term Incentive have translated at the exchange rate on 15<sup>th</sup> December 2014 (the date his termination payment was made), which was 0.8337. Share based payments for Mr Whipple are calculated in Australian Dollars.
- Includes items such as Company contributions to health care plans.
- Non-Executive Directors do not receive PSRs or Options.
- During the period 1<sup>st</sup> July 2014 to 4<sup>th</sup> November 2014 Mr Dutton was Executive Chairman of SAI Global Limited. During the period 5<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015 Mr Dutton was Non-Executive Chairman of SAI Global Limited.
- Mr Lenthall's salary includes \$37,676 paid to him in lieu of share options he was unable to exercise due to the constraints imposed by the Strategic Review announced by the Board in June 2014.
- Mr Pascoe joined SAI Global and became a member of the Executive Management Team on 12<sup>th</sup> January 2015.
- Ms Wootton was appointed a member of SAI Global's Executive Management Team on 5<sup>th</sup> November 2014.
- Mr Mullins was promoted to Chief Executive Officer on 5<sup>th</sup> November 2014.

## Key management personnel of the SAI Global Limited Group (continued)

**Table 3** – in accordance with AASB 124 for the year ended 30<sup>th</sup> June 2014

2014	Short-term benefits			Post-employment		Other long term benefits	Share-based in accordance with AASB2	Total
	Salary and fees <sup>1</sup>	Short-term incentive	Non-Monetary benefits <sup>4</sup>	Super-annuation	Termination benefits	Long Service leave	PSR/Options <sup>5</sup>	\$
<b>Non Executive Directors</b>								
Andrew Dutton (Chairman) <sup>6</sup>	180,113	-	-	16,660	-	-	-	196,773
Anna Buduls	115,754	-	-	10,707	-	-	-	126,461
David Spence	74,534	-	-	6,894	-	-	-	81,428
Peter Day	112,191	-	-	10,378	-	-	-	122,569
Robert Aitken	94,639	-	-	28,754	-	-	-	123,393
Sylvia Falzon	68,323	-	-	6,320	-	-	-	74,643
Robert Wright	65,723	-	-	5,847	-	-	-	71,570
Joram Murray AM	34,289	-	-	3,172	-	-	-	37,461
<b>Sub-total</b>	<b>745,566</b>	<b>-</b>	<b>-</b>	<b>88,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>834,298</b>
<b>Executive Directors</b>								
Tony Scotton	882,032	561,330	4,163	24,400	-	(166,362)	473,320	1,778,883
Stephen Porges	308,779	-	-	9,201	450,000	6,522	-	774,502
Andrew Dutton <sup>6</sup>	75,197	-	-	2,914	-	1,531	-	79,642
<b>Executives</b>								
Brett Lenthall	384,217	123,542	4,637	17,775	-	8,236	42,517	580,924
Geoff Richardson	492,454	228,165	4,637	17,775	-	10,474	76,336	829,841
Andrew Jones	414,610	141,840	-	35,000	-	7,950	49,888	649,288
Hanna Myllyoja	375,328	125,572	4,637	17,775	-	15,669	41,022	580,003
Peter Mullins	443,976	213,423	-	26,745	-	7,366	76,478	767,988
Paul Butcher <sup>2</sup>	517,316	113,224	-	17,775	-	7,581	44,815	700,711
Tim Whipple <sup>3</sup>	615,603	384,086	18,770	10,718	-	-	116,816	1,145,993
<b>Total</b>	<b>5,255,078</b>	<b>1,891,182</b>	<b>36,844</b>	<b>268,810</b>	<b>450,000</b>	<b>(101,033)</b>	<b>921,192</b>	<b>8,722,073</b>

1 Included in salaries and Fees are retention bonuses as follows:

- Mr Lenthall \$35,000
- Mr Richardson \$50,000
- Mr Jones \$35,000
- Ms Myllyoja \$35,000
- Mr Mullins \$50,000
- Mr Butcher \$50,000
- Mr Whipple \$54,478

Includes any change in accruals for Annual Leave and for Mr Scotton the full value of his Annual Leave and Long Service Leave accruals that were paid out on his retirement.

- 2 Included in Mr Butcher's cash salaries and fees is \$16,667, which is the last tranche of a "sign on" bonus offered to him at the time of his recruitment.
- 3 Tim Whipple is based in the USA and all of his remuneration amounts with the exception of his short-term incentive and share based payments have been translated into Australian dollars at the average exchange rate for the year ended 30<sup>th</sup> June 2014 of 0.9178. Mr Whipple's short-term incentive has been translated into Australian dollars at the year-end exchange rate of 0.9419. Share based payments for Mr Whipple are calculated in Australian Dollars. Mr Whipple's short-term incentive includes "one off" payments related to the achievement of specific objectives. These payments amount to \$127,402. The remainder of his short term incentive payment has been earned through the short term incentive scheme that applied to all members of SAI's Executive Management Team (EXCO) in FY14.
- 4 Includes items such as a company vehicle and parking.
- 5 Non-Executive Directors do not receive PSRs or Options.
- 6 During the period 1<sup>st</sup> July to 29<sup>th</sup> October 2013 Mr Dutton was a Director of SAI Global Limited. During the period 29<sup>th</sup> October to 26<sup>th</sup> May 2014 Mr Dutton was Non-Executive Chairman of SAI Global Limited. During the period 26<sup>th</sup> May to 30<sup>th</sup> June 2014 Mr Dutton was Executive Chairman of SAI Global limited.
- 7 This amount relates to contractual base salary payments made and to be made to Mr. Porges covering the period of 6 months commencing on 26<sup>th</sup> May 2014, the date Mr. Porges ceased to be SAI Global's Chief Executive Officer, in accordance with Australian Accounting Standards.



Table 4 – with illustration of cash value of share based payments for the year ended 30<sup>th</sup> June 2014

2014	Short-term benefits			Post-employment		Other long term benefits	Share-based cash value	Total
Name	Salary and fees <sup>1</sup>	Short-term incentive	Non-Monetary benefits <sup>4</sup>	Super-annuation	Termination benefits	Long Service leave	PSR/Options <sup>5</sup>	\$
<b>Non Executive Directors</b>								
Andrew Dutton (Chairman) <sup>7</sup>	180,113	-	-	16,660	-	-	-	196,773
Anna Buduls	115,754	-	-	10,707	-	-	-	126,461
David Spence	74,534	-	-	6,894	-	-	-	81,428
Peter Day	112,191	-	-	10,378	-	-	-	122,569
Robert Aitken	94,639	-	-	28,754	-	-	-	123,393
Sylvia Falzon	68,323	-	-	6,320	-	-	-	74,643
Robert Wright	65,723	-	-	5,847	-	-	-	71,570
Joram Murray AM	34,289	-	-	3,172	-	-	-	37,461
<b>Sub-total</b>	<b>745,566</b>	<b>-</b>	<b>-</b>	<b>88,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>834,298</b>
<b>Executive Directors</b>								
Tony Scotton <sup>6</sup>	882,032	561,330	4,163	24,400	-	(166,362)	45,661	1,351,224
Stephen Porges <sup>8</sup>	308,779	-	-	9,201	450,000	6,522	-	774,502
Andrew Dutton <sup>7</sup>	75,197	-	-	2,914	-	1,531	-	79,642
<b>Executives</b>								
Brett Lenthall	384,217	123,542	4,637	17,775	-	8,236	10,651	549,058
Geoff Richardson	492,454	228,165	4,637	17,775	-	10,474	119,219	872,724
Andrew Jones	414,610	141,840	-	35,000	-	7,950	79,696	679,096
Hanna Myllyoja	375,328	125,572	4,637	17,775	-	15,669	68,079	607,060
Peter Mullins	443,976	213,423	-	26,745	-	7,366	87,325	778,835
Paul Butcher <sup>2</sup>	517,316	113,224	-	17,775	-	7,581	-	655,896
Tim Whipple <sup>3</sup>	615,603	384,086	18,770	10,718	-	-	-	1,029,177
<b>Total</b>	<b>5,255,078</b>	<b>1,891,182</b>	<b>36,844</b>	<b>268,810</b>	<b>450,000</b>	<b>(101,033)</b>	<b>410,631</b>	<b>8,211,512</b>

1. Included in salaries and Fees are retention bonuses as follows:

- Mr Lenthall \$35,000
- Mr Richardson \$50,000
- Mr Jones \$35,000
- Ms Myllyoja \$35,000
- Mr Mullins \$50,000
- Mr Butcher \$50,000
- Mr Whipple \$54,478

Includes any change in accruals for Annual Leave and for Mr Scotton the full value of his Annual Leave and Long Service Leave accruals that were paid out on his retirement.

2. Included in Mr Butcher's cash salaries and fees is \$16,667, which is the last tranche of a "sign on" bonus offered to him at the time of his recruitment.

3. Tim Whipple is based in the USA and all of his remuneration amounts with the exception of his short-term incentive and share based payments have been translated into Australian dollars at the average exchange rate for the year ended 30<sup>th</sup> June 2014 of 0.9178. Mr Whipple's short-term incentive has been translated into Australian dollars at the year-end exchange rate of 0.9419. Share based payments for Mr Whipple are calculated in Australian Dollars. Mr Whipple's short-term incentive includes "one off" payments related to the achievement of specific objectives. These payments amount to \$127,402. The remainder of his short term incentive payment has been earned through the short term incentive scheme that applied to all members of SAI's Executive Management Team (EXCO) in FY14.

4. Includes items such as a company vehicle and parking.

5. Non-Executive Directors do not receive PSRs or Options.

6. The cash value ascribed to PSRs and Options for Mr Scotton relates to PSRs from the 2011 grant that remained live and capable of vesting after Mr Scotton's employment terminated and did vest as of 30<sup>th</sup> June 2014.

7. During the period 1<sup>st</sup> July to 29<sup>th</sup> October 2013 Mr Dutton was a Director of SAI Global Limited. During the period 29<sup>th</sup> October to 26<sup>th</sup> May 2014 Mr Dutton was Non-Executive Chairman of SAI Global Limited. During the period 26<sup>th</sup> May to 30<sup>th</sup> June 2014 Mr Dutton was Executive Chairman of SAI Global limited.

8. This amount relates to contractual base salary payments made and to be made to Mr. Porges covering the period of 6 months commencing on 26<sup>th</sup> May 2014, the date Mr. Porges ceased to be SAI Global's Chief Executive Officer, in accordance with Australian Accounting Standards.

The relative proportions of remuneration that were linked to performance and those that were fixed, for the year ended 30<sup>th</sup> June 2015 and the previous year, were as follows:

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
<b>Executive Directors</b>						
Peter Mullins	61%	62%	33%	28%	7%	10%
Andrew Dutton	100%	100%	0%	0%	0%	0%
<b>Executives</b>						
Brett Lenthall	94%	71%	0%	21%	6%	7%
Geoff Richardson	66%	63%	25%	27%	9%	9%
Andrew Jones	64%	70%	28%	22%	8%	8%
Hanna Myllyoja	69%	71%	23%	22%	7%	7%
Malcolm Pascoe	69%	N/A	31%	N/A	0%	N/A
Ann Wootton	61%	N/A	34%	N/A	5%	N/A
Paul Butcher	61%	77%	30%	16%	9%	6%
Tim Whipple	81%	56%	13%	34%	7%	10%

#### 4. Service agreements

Remuneration and other terms of employment of the CEO and other key management personnel are formalised in employment agreements or service contracts. Each of these agreements provide for the provision of performance related incentives, car allowance superannuation and participation in the Executive Incentive Plan. Other major provisions of the agreements relating to remuneration are set out below. There are no termination benefits other than those noted below.

*Peter Mullins, Chief Executive Officer during the period 5<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015*

- Contract may be terminated by the Company with six months' notice and by Mr Mullins with six months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$800,000 to be reviewed annually by the Remuneration and People Committee.

*Peter Mullins, Global Head of Information Services during the period 1<sup>st</sup> July 2014 to 4<sup>th</sup> November 2014*

- Contract may be terminated by the Company with six months' notice and by Mr Mullins with three months' notice.

- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$470,452 to be reviewed annually by the Remuneration Committee.

*Brett Lenthall, Chief Information Officer*

- Contract may be terminated by the company with six months' notice and by Mr Lenthall with three months' notice. Mr Lenthall's contract was terminated on 1<sup>st</sup> July 2014.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$368,885.

*Geoff Richardson, Chief Financial Officer*

- Contract may be terminated by the company with six months' notice and by Mr Richardson with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$473,150 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

*Paul Butcher, Chief Commercial Officer during the period 5<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015*

- Contract may be terminated by the company with six months' notice and by Mr Butcher with six months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$600,000 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

*Paul Butcher, Global Head of Assurance during the period 1<sup>st</sup> July 2014 to 5<sup>th</sup> November 2014*

- Contract may be terminated by the company with six months' notice and by Mr Butcher with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$470,452 to be reviewed annually by the CEO and endorsed by the Remuneration Committee.

*Andrew Jones, Group Director Human Resources*

- Contract may be terminated by the company with six months' notice and by Mr Jones with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$429,874 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

*Tim Whipple, Global Head of Compliance*

- Mr Whipple's contract is an "at will" contract which can be terminated by the Company or by Mr Whipple with 10 days' notice. In the event that the contract is terminated without cause by the Company, Mr Whipple is entitled to receive his salary and benefits for a period of six months.

- Base salary of \$US515,000 for the year ended 30<sup>th</sup> June 2015 to be reviewed annually by the CEO and endorsed by the Remuneration Committee. Mr Whipple's contract was terminated on 31<sup>st</sup> October 2014.

*Hanna Myllyoja, General Counsel and Company Secretary*

- Contract may be terminated by the company with six months' notice and by Ms Myllyoja with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$374,535 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

*Malcolm Pascoe, Group Chief Information Officer*

- Contract may be terminated by the company with six months' notice and by Mr Pascoe with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$410,000 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

*Ann Wootton, Executive General Manager, Property Services, appointed to this position 5<sup>th</sup> November 2014*

- Contract may be terminated by the company with six months' notice and by Ms Wootton with three months' notice.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 of \$365,000 to be reviewed annually by the CEO and endorsed by the Remuneration and People Committee.

## 5. Share based compensation

### Performance share rights (PSRs)

PSRs are issued under the SAI Global Executive Performance Share Rights Plan which is described in section 2 above.

The terms and conditions of each grant of PSRs affecting remuneration in this, the previous or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	SAI Global share price used in determining allocations	Assessed fair value per PSR at grant date	Date Vesting
06 Nov 2009	01 Jul 2014	Nil	\$ 3.44	\$ 2.05	- Up to 33.3% on 1 Jul 2012 - Up to 66.6% on 1 Jul 2013 less any vested on 1 Jul 2012 - Up to 100% on 1 Jul 2014 less any vested on 1 Jul 2013
19 Feb 2010	01 Jul 2014	Nil	\$ 3.73	\$ 3.19	- Up to 33.3% on 1 Jul 2012 - Up to 66.6% on 1 Jul 2013 less any vested on 1 Jul 2012 - Up to 100% on 1 Jul 2014 less any vested on 1 Jul 2013
05 Nov 2010	01 Jul 2015	Nil	\$ 4.40	\$ 3.46	- Up to 33.3% on 1 Jul 2013 - Up to 66.6% on 1 Jul 2014 less any vested on 1 Jul 2013 - Up to 100% on 1 Jul 2015 less any vested on 1 Jul 2014
04 Nov 2011	01 Jul 2016	Nil	\$ 4.71	\$ 3.67	- Up to 33.3% on 1 Jul 2014 - Up to 66.6% on 1 Jul 2015 less any vested on 1 Jul 2014 - Up to 100% on 1 Jul 2016 less any vested on 1 Jul 2015
12 Nov 2012	01 Jul 2017	Nil	\$ 3.89	\$ 3.62	- Up to 33.3% on 1 Jul 2015 - Up to 66.6% on 1 Jul 2016 less any vested on 1 Jul 2015 - Up to 100% on 1 Jul 2017 less any vested on 1 Jul 2016
22 Nov 2013	22 Nov 2018	Nil	\$ 4.07	\$ 3.02	- Up to 33.3% on 1 Jul 2016 - Up to 33.3% on 1 Jul 2017 - Up to 33.3% on 1 Jul 2018
19 Nov 2014	19 Nov 2019	Nil	\$ 3.95	\$ 2.50	- Up to 33.3% on 1 Jul 2017 - Up to 33.3% on 1 Jul 2018 - Up to 33.3% on 1 Jul 2019

Details of PSRs over ordinary shares in the Company provided as remuneration to key management personnel of the Group are set out below. If vested, each performance share right is convertible into one ordinary share of SAI Global Limited. Further information on performance share rights is set out in Note 40 to the financial statements.

Name	Number of PSRs granted during the year		Number of PSRs vested during the year	
	FY15	FY14	FY15	FY14
<b>Executive Director</b>				
Peter Mullins	39,701	51,737	17,257	4,101
<b>Executives</b>				
Geoff Richardson	39,928	56,709	20,116	12,184
Hanna Myllyoja	22,124	31,423	11,499	6,815
Paul Butcher	19,850	18,980	-	-
Andrew Jones	38,090	36,421	13,451	8,133
Tim Whipple	-	22,474	-	-
Brett Lenthall	-	31,722	42,982	7,668
Ann Wootton	17,722	17,199	6,717	6,178
Malcolm Pascoe	-	-	-	-

Details of ordinary shares in the Company provided as a result of the exercise of performance share rights by key management personnel are set out below:

Name	Number of ordinary shares issued on exercise of PSRs during the year	
	FY15	FY14
<b>Executive Director</b>		
Peter Mullins	17,257	4,101
<b>Executives</b>		
Geoff Richardson	20,116	12,184
Hanna Myllyoja	11,499	6,815
Paul Butcher	-	-
Andrew Jones	13,451	8,133
Tim Whipple	-	-
Brett Lenthall	42,982	7,668
Ann Wootton	6,717	6,178
Malcolm Pascoe	-	-

## Options over ordinary shares (Options)

Options are issued under the SAI Global Executive Incentive Plan and the UK Sub-Plan. The terms and conditions of each grant of Options affecting remuneration in this, the previous or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	SAI Global share price used in determining allocations	Assessed fair value per Option at grant date	Date Vesting
09 Nov 2007	09 Nov 2017	\$ 2.99	\$ 2.99	\$ 0.68	- Up to 33.3% on 1 Jul 2010 - Up to 66.6% on 1 Jul 2011 less any vested on 1 Jul 2010 - Up to 100% on 1 Jul 2012 less any vested on 1 Jul 2011
18 Jul 2008	18 Jul 2018	\$ 2.29	\$ 2.29	\$ 0.54	- Up to 33.3% on 1 Jul 2011 - Up to 66.6% on 1 Jul 2012 less any vested on 1 Jul 2011 - Up to 100% on 1 Jul 2013 less any vested on 1 Jul 2012
06 Nov 2009	06 Nov 2016	\$ 3.44	\$ 3.44	\$ 0.81	- Up to 33.3% on 1 Jul 2012 - Up to 66.6% on 1 Jul 2013 less any vested on 1 Jul 2012 - Up to 100% on 1 Jul 2014 less any vested on 1 Jul 2013
04 Nov 2011	04 Nov 2018	\$ 4.71	\$ 4.71	\$ 0.89	- Up to 33.3% on 1 Jul 2014 - Up to 66.6% on 1 Jul 2015 less any vested on 1 Jul 2014 - Up to 100% on 1 Jul 2016 less any vested on 1 Jul 2015
12 Nov 2012	12 Nov 2019	\$ 3.89	\$ 3.89	\$ 0.80	- Up to 33.3% on 1 Jul 2015 - Up to 66.6% on 1 Jul 2016 less any vested on 1 Jul 2015 - Up to 100% on 1 Jul 2017 less any vested on 1 Jul 2016
22 Nov 2013	22 Nov 2020	\$ 4.07	\$ 4.07	\$ 0.75	- Up to 33.3% on 1 Jul 2016 - Up to 33.3% on 1 Jul 2017 - Up to 33.3% on 1 Jul 2018
19 Nov 2014	19 Nov 2019	\$ 3.95	\$ 3.95	\$ 0.65	- Up to 33.3% on 1 Jul 2017 - Up to 33.3% on 1 Jul 2018 - Up to 33.3% on 1 Jul 2019

Details of Options over ordinary shares in the Company provided as remuneration to key management personnel of the Group are set out below. If vested each option confers on the option holder the right to purchase one ordinary share of SAI Global Limited at the quoted exercise price. Further information on options is set out in Note 40 to the financial statements.

Name	Number of Options granted during the year		Number of Options vested during the year	
	FY15	FY14	FY15	FY14
<b>Executive Director</b>				
Peter Mullins	108,901	-	-	-
<b>Executives</b>				
Geoff Richardson	109,525	-	10,760	18,113
Hanna Myllyoja	60,689	-	6,104	10,138
Paul Butcher	217,802	157,653	-	-
Andrew Jones	-	-	7,181	12,091
Tim Whipple	-	186,671	-	-
Brett Lenthall	-	-	-	11,400
Ann Wootton	-	-	-	-
Malcolm Pascoe	-	-	-	-

### Performance share rights and option holdings of key management personnel

The table below summarises the holdings of performance share rights granted to the key management personnel and movements in holdings during the year.

Name	Holdings at 1 July 14	Granted	Vested	Exercised	Lapsed	Holdings at 30 June 15	Vested and exercisable at 30 June 15 <sup>1</sup>
<b>Executive Director</b>							
Peter Mullins	160,201	39,701	17,257	17,257	16,186	166,458	-
<b>Executives</b>							
Geoff Richardson	181,798	39,928	20,116	20,116	16,447	185,163	-
Hanna Myllyoja	103,088	22,124	11,499	11,499	9,331	104,382	-
Paul Butcher	38,260	19,850	-	-	-	58,110	-
Andrew Jones	120,062	38,090	13,451	13,451	10,977	133,724	-
Tim Whipple	44,644	-	-	-	21,370	23,274	-
Brett Lenthall	108,441	-	42,982	42,982	26,552	38,907	-
Ann Wootton	62,885	17,722	6,717	6,717	7,268	66,622	-
Malcolm Pascoe	-	-	-	-	-	-	-

Footnotes:

1. No performance share rights are vested and exercisable at the end of the year.



The table below summarises the holdings of options granted to the key management personnel.

Name	Holdings at 1 July 14	Granted	Vested	Exercised	Lapsed	Holdings at 30 June 15	Vested and exercisable at 30 June 15
<b>Executive Director</b>							
Peter Mullins	200,498	108,901	-	-	-	309,399	-
<b>Executives</b>							
Geoff Richardson	250,721	109,525	10,760	-	26,033	323,454	-
Hanna Myllyoja	142,066	60,689	6,104	-	14,769	181,882	-
Paul Butcher	381,534	217,802	-	-	-	599,336	-
Andrew Jones	167,063	-	7,181	-	17,374	142,508	-
Tim Whipple	444,109	-	-	-	202,947	241,162	-
Brett Lenthall	155,698	-	-	-	75,448	80,250	-
Ann Wootton	-	-	-	-	-	-	-
Malcolm Pascoe	-	-	-	-	-	-	-

### Shareholdings of key management personnel

The table below summarises the movements in holdings of shares in SAI Global Limited held by the key management personnel and their personally related entities. There were no shares granted during the reporting period as compensation other than those upon the vesting of Performance Share Rights (PSRs). The company does not stipulate share ownership targets for key management personnel.

Name	Holdings at 1 July 2014	Received on vesting of performance share rights	Other changes	Holdings at 30 June 2015 <sup>1</sup>
<b>Non-Executive Directors</b>				
Andrew Dutton	48,653	-	1,809	50,462
Anna Buduls	40,769	-	-	40,769
Peter Day	31,389	-	-	31,389
Robert Aitken	40,000	-	10,000	50,000
Sylvia Falzon	-	-	-	-
David Spence	-	-	5,000	5,000

Footnotes:

1. Non-Executive Directors are not eligible to receive performance share rights

Name	Holdings at 1 July 2014	Received on vesting of performance share rights	Other changes	Holdings at 30 June 2015 <sup>1</sup>
<b>Executive Director</b>				
Peter Mullins	9,800	17,257	65,373	92,430
<b>Executives</b>				
Geoff Richardson	-	20,116	5,000	25,116
Hanna Myllyoja	5,877	11,499		17,376
Paul Butcher	-	-	9,788	9,788
Andrew Jones	-	13,451		13,451
Tim Whipple	16,560	-	36,321	52,881
Brett Lenthall	7,668	42,982		50,650
Ann Wootton	27,849	6,717	3,973	38,539
Malcolm Pascoe	-	-	-	-

Footnotes:

1. Non-Executive Directors are not eligible to receive performance share rights

## **6. Additional information**

### **Relationship between remuneration and company performance as it relates to the PSRs and Options eligible to vest during the year ended 30<sup>th</sup> June 2015, the performance period for which ended on 30<sup>th</sup> June 2014.**

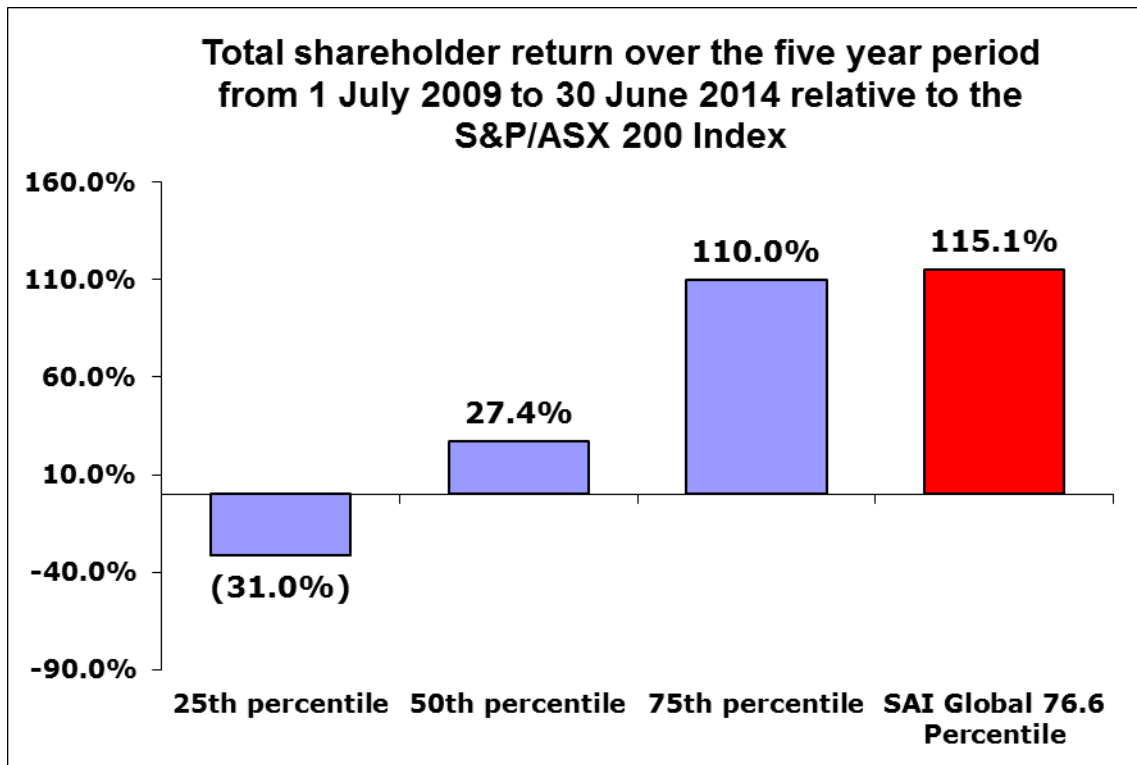
Other than the PSRs and Options that vested on the termination or resignation of employees, the following tranches of PSRs were eligible to vest during the year ended 30 June 2015:

1. The unvested balance of the first and second tranches plus the third tranche of the PSRs and Options granted on 6<sup>th</sup> November 2009.
2. The unvested balance of the first tranche plus the second tranche of the PSRs and Options granted on 5<sup>th</sup> November 2010.
3. The first tranche of PSRs and Options granted on 4<sup>th</sup> November 2011

The performance of each tranche eligible to vest subsequent to the end of the financial year, on 1 July 2014, was as follows:

#### **The unvested balance of the first and second tranches plus the third tranche of the PSRs and Options granted on 6<sup>th</sup> November 2009**

These PSRs and Options were eligible to vest on 1 July 2014 provided the performance hurdles had been satisfied over the vesting period, being the five year period from 1 July 2009 to 30 June 2014.

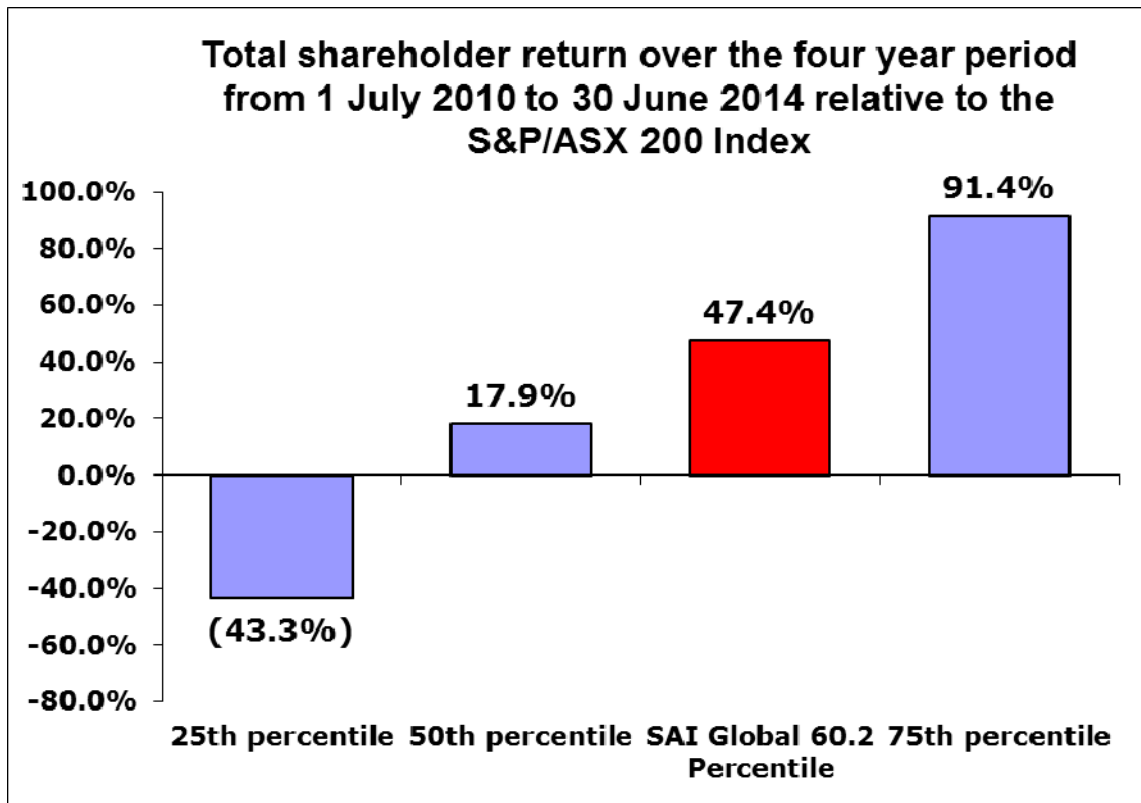


The TSR achieved over the vesting period was 115.15% which placed SAI Global Limited at the 75<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently all of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/ Options, subject to EPS performance criteria that were eligible to vest, did vest.

*The unvested balance of the first tranche plus the second tranche of the PSRs and Options granted on 5<sup>th</sup> November 2010*

These PSRs and Options were eligible to vest on 1 July 2014 provided the performance hurdles had been satisfied over the vesting period, being the four year period from 1 July 2010 to 30 June 2014.

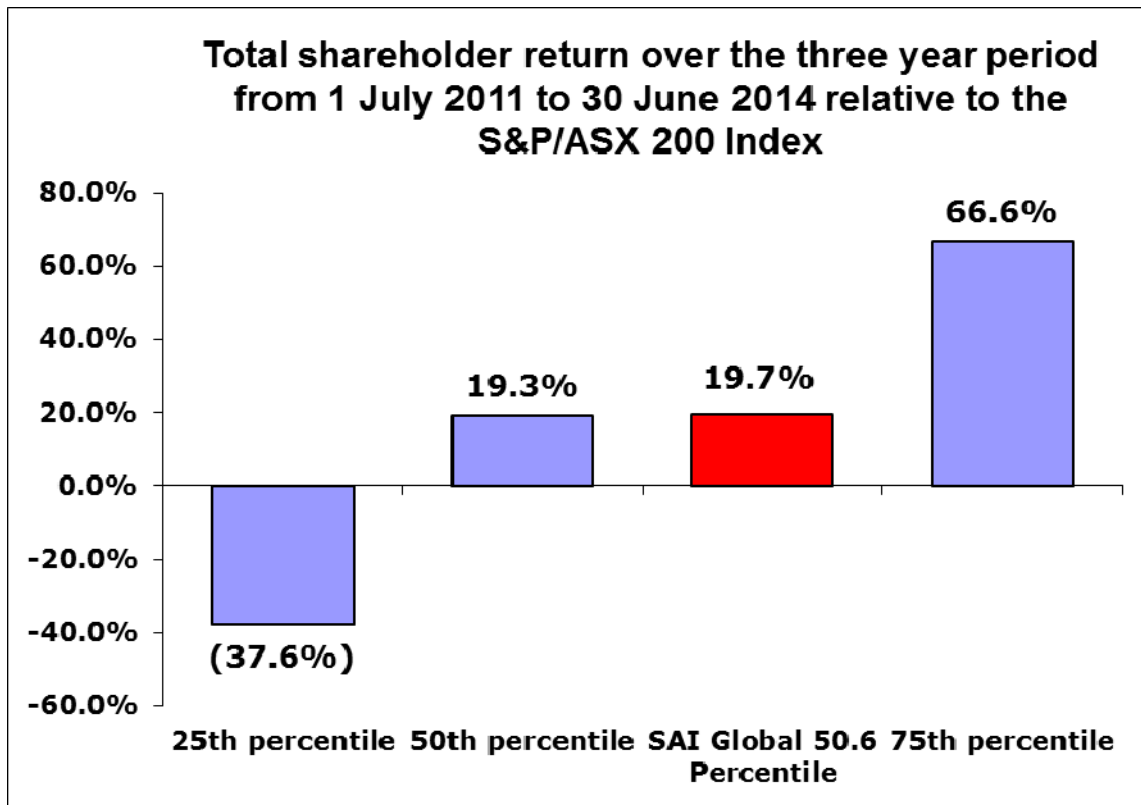


The TSR achieved over the vesting period was 47.41% which placed SAI Global Limited at the 60<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently 70% of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/Options, subject to EPS performance criteria that were eligible to vest, did vest.

*The first tranche of PSRs and Options granted on 4 November 2011*

These PSRs and Options were eligible to vest on 1 July 2014 provided the performance hurdles had been satisfied over the vesting period, being the three year period from 1 July 2011 to 30 June 2014.



The TSR achieved over the vesting period was 19.65% which placed SAI Global Limited at the 50<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently 50% of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/Options, subject to EPS performance criteria that were eligible to vest, did vest.

### **PSRs and Options that became eligible to vest subsequent to the end of the financial year, on 1 July 2015**

Subsequent to the end of the financial year, on 1<sup>st</sup> July 2015 the following tranches of PSRs and Options became eligible to vest:

1. The unvested balance of the first and second tranches plus the third tranche of the PSRs and Options granted on 5<sup>th</sup> November 2010.
2. The balance of the first tranche plus the second tranche of PSRs and Options granted on 4<sup>th</sup> November 2011
3. The first tranche of the PSRs and Options granted on 12<sup>th</sup> November 2012

The performance of each tranche eligible to vest subsequent to the end of the financial year, on 1<sup>st</sup> July 2015, was as follows:

*The unvested balance of the first and second tranches plus the third tranche of the PSRs and Options granted on 5<sup>th</sup> November 2010*

These PSRs and Options were eligible to vest on 1 July 2015 provided the performance hurdles had been satisfied over the vesting period, being the five year period from 1 July 2010 to 30 June 2015.

The TSR achieved over the vesting period was 24.6% which placed SAI Global Limited at the 47<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently, none of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/ Options, subject to EPS performance criteria that were eligible to vest, did vest.

*The balance of the first tranche plus the second tranche of PSRs and Options granted on 4 November 2011*

These PSRs and Options were eligible to vest on 1 July 2015 provided the performance hurdles had been satisfied over the vesting period, being the four year period from 1 July 2011 to 30 June 2015.

The TSR achieved over the vesting period was 1.14% which placed SAI Global Limited at the 45<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently none of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/Options, subject to EPS performance criteria that were eligible to vest, did vest.

*The first tranche of the PSRs and Options granted on 12<sup>th</sup> November 2012*

These PSRs and Options were eligible to vest on 1 July 2015 provided the performance hurdles had been satisfied over the vesting period, being the three year period from 1 July 2012 to 30 June 2015.

The TSR achieved over the vesting period was (2.58)% which placed SAI Global Limited at the 38<sup>th</sup> percentile of companies in the S&P/ASX200 Index over the vesting period. Consequently, none of the PSRs/Options, subject to TSR performance criteria that were eligible to vest, did vest.

The compound EPS growth over the vesting period was negative. Consequently, none of the PSRs/Options, subject to EPS performance criteria that were eligible to vest, did vest.

*The relationship between performance and the vesting of LTIs*

The tables below illustrate historical TSR and EPS performance and the resultant LTI vesting that has occurred. The tables also illustrate prospective

TSR and EPS performance requirements necessary to trigger vesting on future vesting dates.

<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY09 -11</b>	<b>Year 4 FY09 -12</b>	<b>Year 5 FY09 -13</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY09			99	97	81
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY10 -12</b>	<b>Year 4 FY10 -13</b>	<b>Year 5 FY10 -14</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY10			90	63	75
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY11 -13</b>	<b>Year 4 FY11 -14</b>	<b>Year 5 FY11 -15</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY11			48	60	48
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY12 -14</b>	<b>Year 4 FY12 -15</b>	<b>Year 5 FY12 -16</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY12			50	46	TBA
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY13 -15</b>	<b>Year 4 FY13 -16</b>	<b>Year 5 FY13 -17</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY13			39	TBA	TBA
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY14 -16</b>	<b>Year 4 FY14 -17</b>	<b>Year 5 FY14 -18</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY14			TBA	TBA	TBA
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75
<b>Performance Rights and Options</b>	<b>Grant Year</b>	<b>Performance Level</b>	<b>Payment Potential</b>	<b>Year 3 FY15 -17</b>	<b>Year 4 FY15 -18</b>	<b>Year 5 FY15 -19</b>
<i>TSR Vs. S&amp;P/ASX 200 Index</i>						
Actual TSR Percentile	FY15			TBA	TBA	TBA
Performance required for Payment		Threshold < P50	0%	> P50	> P50	> P50
		Target = P50	50%	P50	P50	P50
		Stretch => P75	100%	≥ P75	≥ P75	≥ P75

Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY09	Year 2 FY10	Year 3 FY11	Year 4 FY12	Year 5 FY13
<i>EPS</i>									
Actual EPS (Cents)	FY09	10.6			17.7	21.5	23.1	20.9	(20.9)
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			13.4 16.1	14.4 18.5	15.6 21.3
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY10	Year 2 FY11	Year 3 FY12	Year 4 FY13	Year 5 FY14
<i>EPS</i>									
Actual EPS (Cents)	FY10	17.7			21.5	23.1	20.9	(20.9)	16.8
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			22.3 26.9	24.1 31.0	26.0 35.6
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY11	Year 2 FY12	Year 3 FY13	Year 4 FY14	Year 5 FY15
<i>EPS</i>									
Actual EPS (Cents)	FY11	21.5			23.1	20.9	(20.9)	16.8	18.6
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			27.1 32.7	29.3 37.6	31.6 43.2
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY12	Year 2 FY13	Year 3 FY14	Year 4 FY15	Year 5 FY16
<i>EPS</i>									
Actual EPS (Cents)	FY12	23.1			20.9	(20.9)	16.8	18.6	TBA
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			29.1 35.1	31.4 40.4	33.9 46.5
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17
<i>EPS</i>									
Actual EPS (Cents)	FY13	20.9			(20.9)	16.8	18.6	TBA	TBA
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			26.3 31.8	28.4 36.6	30.7 42.0
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18
<i>EPS</i>									
Actual EPS (Cents)	FY14	19.41			16.8	18.6	TBA	TBA	TBA
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			24.5 29.5	26.4 33.9	28.5 39.0
Performance Rights and Options	Grant Year	Base	Performance Level	Payment Potential	Year 1 FY15	Year 2 FY16	Year 3 FY17	Year 4 FY18	Year 5 FY19
<i>EPS</i>									
Actual EPS (Cents)	FY15	16.8			18.6	TBA	TBA	TBA	TBA
Performance required for Payment			Threshold = 8% p.a. Stretch >= 15% p.a.	30% 100%			21.2 25.6	22.9 29.4	24.7 33.8

## Cash short-term incentives, PSRs and Options

For each short-term incentive and grant of PSRs and Options included in the tables above, the percentage of the available short-term incentive or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the short-term incentive is payable in future years.

The PSRs granted during the 2007/08, the 2008/09, the 2009/10, the 2010/11, the 2011/12, the 2012/13, the 2013/14 and the 2014/15 financial years vest over 5 years. None of the PSRs vest unless the vesting conditions are satisfied. Since no PSRs will vest if the conditions are not satisfied, the minimum value of the rights yet to vest is "nil". The maximum value of PSRs



yet to vest has been determined as the amount of the grant date fair value of the performance share rights that is yet to be expensed.

The Options granted during the financial years ended on, 30<sup>th</sup> June 2008, 30<sup>th</sup> June 2009, 30<sup>th</sup> June 2010, 30<sup>th</sup> June 2011, 30<sup>th</sup> June 2012, 30<sup>th</sup> June 2013, 30<sup>th</sup> June 2014 and 30<sup>th</sup> June 2015, respectively, vest over a maximum of 5 years, with vested Options granted in years ended 30<sup>th</sup> June 2008 and 2009 lapsing 10 years from the date they were granted and vested. Options granted in the years ended 30<sup>th</sup> June 2010, 30<sup>th</sup> June 2011, 30<sup>th</sup> June 2012, 30<sup>th</sup> June 2013, 30<sup>th</sup> June 2014 and 30<sup>th</sup> June 2015 lapsing 7 years from the date they were granted. No Options will vest if the vesting conditions are not satisfied, hence the minimum value of the Options yet to vest is "nil". The maximum value of the Options yet to vest has been determined as the amount of the grant date fair value of the Options that is yet to be expensed.

Short Term Incentives paid and forfeited and the expensing of Performance Share Rights as at 30<sup>th</sup> June 2015

Name	Short- term benefits		Performance share rights (PSRs)					
	Paid %	Forfeited %	Year granted	Vested	Forfeited %	Financial year in which PSRs may vest	Minimum total value of grant yet to vest	Maximum value of grant yet to vest
Peter Mullins	94%	6%	2009/10	16.7	-	2012/13	Nil	-
				12.7	-	2013/14	Nil	-
				20.7	50.0	2014/15	Nil	-
			2010/11	23.3	-	2013/14	Nil	-
				-	-	2014/15	Nil	-
				-	-	2015/16	Nil	-
			2011/12	8.3	-	2014/15	Nil	24,323
				-	-	2015/16	Nil	28,225
				-	-	2016/17	Nil	31,269
			2012/13	-	-	2015/16	Nil	10,427
				-	-	2016/17	Nil	12,731
				-	-	2017/18	Nil	13,198
			2013/14	-	-	2016/17	Nil	36,864
				-	-	2017/18	Nil	36,828
				-	-	2018/19	Nil	38,188
			2014/15	-	-	2017/18	Nil	24,780
				-	-	2018/19	Nil	27,864
-	-	2019/20		Nil	29,396			
Brett Lenthall	N/A	N/A	2009/10	16.7	-	2012/13	Nil	-
				12.7	-	2013/14	Nil	-
				20.7	50.0	2014/15	Nil	-
			2010/11	33.3	-	2013/14	Nil	-
				33.3	-	2014/15	Nil	-
				33.3	-	2015/16	Nil	-
			2011/12	8.3	-	2014/15	Nil	10,271
				-	4.2	2015/16	Nil	15,002
				-	10.0	2016/17	Nil	13,008
			2012/13	-	5.6	2015/16	Nil	5,330
				-	12.5	2016/17	Nil	4,399
				-	16.7	2017/18	Nil	3,531
			2013/14	-	16.7	2016/17	Nil	8,967
				-	20.8	2017/18	Nil	6,524
				-	23.3	2018/19	Nil	4,984

<b>Geoff Richardson</b>	96%	4%	2009/10	16.7	-	2012/13	Nil	-
				12.7	-	2013/14	Nil	-
				20.7	50.0	2014/15	Nil	-
			2010/11	23.3	-	2013/14	Nil	-
				-	-	2014/15	Nil	-
				-	-	2015/16	Nil	-
			2011/12	8.3	-	2014/15	Nil	27,819
				-	-	2015/16	Nil	32,281
				-	-	2016/17	Nil	37,257
			2012/13	-	-	2015/16	Nil	11,125
				-	-	2016/17	Nil	13,624
				-	-	2017/18	Nil	14,412
			2013/14	-	-	2016/17	Nil	37,388
				-	-	2017/18	Nil	38,945
				-	-	2018/19	Nil	40,856
			2014/15	-	-	2017/18	Nil	24,921
				-	-	2018/19	Nil	28,023
-	-	2019/20		Nil	29,564			
<b>Hanna Myllyoja</b>	96%	4%	2009/10	16.7	-	2012/13	Nil	-
				12.7	-	2013/14	Nil	-
				20.7	50.0	2014/15	Nil	-
			2010/11	23.3	-	2013/14	Nil	-
				-	-	2014/15	Nil	-
				-	-	2015/16	Nil	-
			2011/12	8.3	-	2014/15	Nil	16,143
				-	-	2015/16	Nil	18,733
				-	-	2016/17	Nil	21,620
			2012/13	-	-	2015/16	Nil	6,303
				-	-	2016/17	Nil	7,718
				-	-	2017/18	Nil	8,165
			2013/14	-	-	2016/17	Nil	20,717
				-	-	2017/18	Nil	21,580
				-	-	2018/19	Nil	22,639
			2014/15	-	-	2017/18	Nil	13,809
				-	-	2018/19	Nil	15,528
-	-	2019/20		Nil	16,381			
<b>Andrew Jones</b>	96%	4%	2009/10	16.7	-	2012/13	Nil	-
				12.7	-	2013/14	Nil	-
				20.7	50.0	2014/15	Nil	-
			2010/11	23.3	-	2013/14	Nil	-
				-	-	2014/15	Nil	-
				-	-	2015/16	Nil	-
			2011/12	8.3	-	2014/15	Nil	18,640
				-	-	2015/16	Nil	21,630
				-	-	2016/17	Nil	24,964
			2012/13	-	-	2015/16	Nil	7,411
				-	-	2016/17	Nil	9,075
				-	-	2017/18	Nil	9,600
			2013/14	-	-	2016/17	Nil	24,012
				-	-	2017/18	Nil	25,012
				-	-	2018/19	Nil	26,239
			2014/15	-	-	2017/18	Nil	23,774
				-	-	2018/19	Nil	26,733
-	-	2019/20		Nil	28,203			
<b>Paul Butcher</b>	85%	15%	2012/13	-	-	2015/16	Nil	11,643
				-	-	2016/17	Nil	14,258
				-	-	2017/18	Nil	15,083
			2013/14	-	-	2016/17	Nil	12,513
				-	-	2017/18	Nil	13,035
				-	-	2018/19	Nil	13,674
			2014/15	-	-	2017/18	Nil	12,389
				-	-	2018/19	Nil	13,932
				-	-	2019/20	Nil	14,697

<b>Tim Whipple</b>	33%	67%	2012/13	-	5.6	2015/16	Nil	11,039
			-	12.5	2016/17	Nil	7,695	
			-	16.7	2017/18	Nil	6,086	
			2013/14	-	16.7	2016/17	Nil	8,008
			-	20.8	2017/18	Nil	4,622	
			-	23.3	2018/19	Nil	3,531	
<b>Ann Wootton</b>	96%	4%	2011/12	8.3	-	2014/15	Nil	8,648
			-	-	2015/16	Nil	10,035	
			-	-	2016/17	Nil	11,050	
			2012/13	-	-	2015/16	Nil	6,830
			-	-	2016/17	Nil	8,364	
			-	-	2017/18	Nil	8,849	
			2013/14	-	-	2016/17	Nil	11,681
			-	-	2017/18	Nil	12,138	
			-	-	2018/19	Nil	12,660	
			2014/15	-	-	2017/18	Nil	11,060
			-	-	2018/19	Nil	12,437	
			-	-	2019/20	Nil	13,120	

The Vesting, Forfeiture and expensing of Share Options as at 30<sup>th</sup> June 2015

Name	Year granted	Vested	Forfeited %	Financial year in which options may vest	Minimum total value of grant yet to vest	Maximum value of grant yet to vest
<b>Peter Mullins</b>	2012/13	-	-	2015/16	Nil	26,733
		-	-	2016/17	Nil	36,107
		-	-	2017/18	Nil	38,242
	2014/15	-	-	2017/18	Nil	16,674
		-	-	2018/19	Nil	20,218
		-	-	2019/20	Nil	22,609
<b>Brett Lenthall</b>	2012/13	-	5.6	2015/16	Nil	16,391
		-	12.5	2016/17	Nil	11,908
		-	16.7	2017/18	Nil	9,759

<b>Geoff Richardson</b>	2012/13	-	-	2015/16	Nil	28,524
		-	-	2016/17	Nil	38,526
		-	-	2017/18	Nil	41,958
	2014/15	-	-	2017/18	Nil	16,769
		-	-	2018/19	Nil	20,333
		-	-	2019/20	Nil	22,739
<b>Hanna Myllyoja</b>	2012/13	-	-	2015/16	Nil	16,159
		-	-	2016/17	Nil	21,825
		-	-	2017/18	Nil	23,769
	2014/15	-	-	2017/18	Nil	9,292
		-	-	2018/19	Nil	11,267
		-	-	2019/20	Nil	12,600
<b>Andrew Jones</b>	2012/13	-	-	2015/16	Nil	19,001
		-	-	2016/17	Nil	25,664
		-	-	2017/18	Nil	27,950
<b>Paul Butcher</b>	2012/13	-	-	2015/16	Nil	29,851
		-	-	2016/17	Nil	40,318
		-	-	2017/18	Nil	43,909
	2013/14	-	-	2016/17	Nil	24,807
		-	-	2017/18	Nil	26,417
		-	-	2018/19	Nil	28,004
2014/15	-	-	2017/18	Nil	33,348	
	-	-	2018/19	Nil	40,435	
	-	-	2019/20	Nil	45,218	
<b>Tim Whipple</b>	2012/13	-	5.6	2015/16	Nil	38,036
		-	12.5	2016/17	Nil	24,937
		-	16.7	2017/18	Nil	20,437
	2013/14	-	16.7	2016/17	Nil	16,123
		-	20.8	2017/18	Nil	9,139
		-	23.3	2018/19	Nil	7,092

## Share-based compensation: PSRs and Options

Further details relating to PSRs and Options in relation to the year ended 30<sup>th</sup> June 2015, as required by the Corporations Act are set out below:

Name	A Remuneration consisting of PSRs/Options %	B Value at grant date \$	C Value at vesting date \$	D Value at lapse date \$
Peter Mullins	5%	170,649	42,087	49,095
Andrew Dutton	0%	-	-	-
Brett Lenthall	6%	-	118,775	113,684
Geoff Richardson	9%	171,625	56,340	78,135
Andrew Jones	8%	95,288	37,680	52,149
Hanna Myllyoja	7%	95,098	32,236	44,329
Malcolm Pascoe	0%	-	-	-
Ann Wootton	5%	44,329	15,753	-
Paul Butcher	9%	192,318	-	-
Tim Whipple	7%	-	64,418	214,796

A= The percentage of the value of remuneration consisting of PSRs/options, based on the value of PSRs/options exercised during the year. The percentage is calculated by reference to the remuneration tables set out on page 82, which assigns a value to PSRs/Options for remuneration purposes based on fair value. PSRs are allocated to executives on the basis of the face value of SAI Global's shares at grant date and not fair value. Options are allocated to executives on the basis of an undiscounted Black Scholes valuation of an Option which ignores the performance criteria.

B= The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of PSRs granted during the year as part of remuneration.

C= The value at exercise date of PSRs/options that were granted as part of remuneration and vested during the year, being the intrinsic value of PSRs/options at that date.

D= The value at lapse date of PSRs/options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing but assuming the condition was satisfied.

### Shares under PSRs

Unissued ordinary shares of SAI Global Limited under PSRs at the date of this report are as follows:

Date PSRs granted	Expiry Date	Issue Price of Shares	Number under PSR
06 Nov 2009	01 Jul 2014	Nil	-
19 Feb 2010	01 Jul 2014	Nil	-
05 Nov 2010	01 Jul 2015	Nil	-
04 Nov 2011	01 Jul 2016	Nil	445,353
12 Nov 2012	01 Jul 2017	Nil	447,771
22 Nov 2013	22 Nov 2018	Nil	558,049
19 Nov 2014	19 Nov 2019	Nil	549,158
Total Shares under Performance Share Rights			2,000,331
Maximum permitted under Executive Incentive Plan			10,577,757

Unissued ordinary shares of SAI Global Limited under Options at the date of this report are as follows:

Date Options granted	Expiry Dates	Exercise Price	Number under Options
09 Nov 2007	09 Nov 2017	\$ 2.99	25,728
18 Jul 2008	18 Jul 2018	\$ 2.29	65,365
09 Nov 2009	09 Nov 2016	\$ 3.44	68,844
04 Nov 2011	04 Nov 2018	\$ 4.71	121,407
12 Nov 2012	12 Nov 2019	\$ 3.89	1,363,358
22 Nov 2013	22 Nov 2020	\$ 4.07	230,766
19 Nov 2014	19 Nov 2019	\$ 3.95	496,917
Total Shares under Performance Share Rights			2,372,385
Maximum permitted under Executive Incentive Plan			9,998,240

### Shares issued on the vesting of PSRs and the vesting and exercise of Options

With the exception of 1,743 ordinary shares in SAI Global Limited, which were bought on market and used to fulfil the exercising of Options from the 2008 grant, the following ordinary shares of SAI Global Limited were issued during the year ended 30 June 2015 on the vesting of PSRs and the vesting and exercise of Options in accordance with the terms of the SAI Global Executive Performance Share Rights Plan and the SAI Global Executive Incentive Plan.

<b>Date PSRs granted</b>	<b>Issue price of shares</b>	<b>Number of Shares issued</b>
06 Nov 2009	Nil	62,829
19 Feb 2010	Nil	6,690
05 Nov 2010	Nil	100,882
04 Nov 2011	Nil	45,082
12 Nov 2012	Nil	-
22 Nov 2013	Nil	-
19 Nov 2014	Nil	-
<b>Total Shares issued</b>		<b>215,483</b>

<b>Date Options granted</b>	<b>Option price</b>	<b>Number of Shares issued</b>
09 Nov 2007	\$ 2.99	13,046
18 Jul 2008	\$ 2.29	61,110
09 Nov 2009	\$ 3.44	32,761
04 Nov 2011	\$ 4.71	-
12 Nov 2012	\$ 3.89	-
22 Nov 2013	\$ 4.07	-
19 Nov 2014	\$ 3.95	-
<b>Total Shares issued</b>		<b>106,917</b>

Since the end of the financial year the following ordinary shares of SAI Global Limited were issued on the exercise of PSRs/Options granted under the SAI Global Executive Performance Share Rights Plan and the SAI Global Executive Incentive Plan.

<b>Date PSRs granted</b>	<b>Issue price of shares</b>	<b>Number of Shares issued</b>
05 Nov 2010	Nil	-
04 Nov 2011	Nil	-
12 Nov 2012	Nil	-
22 Nov 2013	Nil	-
19 Nov 2014	Nil	-
<b>Total Shares issued</b>		<b>-</b>

<b>Date Options granted</b>	<b>Option price</b>	<b>Number of Shares issued</b>
09 Nov 2007	\$ 2.99	-
18 Jul 2008	\$ 2.29	-
09 Nov 2009	\$ 3.44	-
04 Nov 2011	\$ 4.71	-
12 Nov 2012	\$ 3.89	-
22 Nov 2013	\$ 4.07	-
19 Nov 2014	\$ 3.95	-
<b>Total Shares issued</b>		<b>-</b>

### **Insurance of officers**

During the financial year, SAI Global Limited paid a premium to insure the Directors, secretary and senior management of the Company and its operations.

Under its Constitution, and to the extent permitted by law, the Company indemnifies each Director, alternate Director or executive officer (and any person who has previously served in that capacity) against any liability or cost incurred by the person as an officer of the Company or a related body corporate of the Company. This includes but is not limited to liability for negligence or costs incurred in defending proceedings in which judgement is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other officers or the auditor at the discretion of the Directors.



Following the Company's listing on the Australian Stock Exchange in December 2003, the Company entered into deeds of access and indemnity with each of the Directors which protects Directors acting as Directors during their terms of office and after their resignation (except where an individual engages in a lack of good faith, wilful misconduct, gross negligence and fraud).

Under the deed, the Company has agreed to:

- take out a Directors' and officers' insurance policy for the benefit of the Directors (except and to the extent permitted by law);
- maintain the policy while the Director is a Director of the company or a related body corporate of the company, and for 7 years thereafter;
- give Directors access to Board papers if the Director is required to defend a claim or a potential claim against the Director for the term of office of the Director and for a period of 7 years after the Director's resignation date.

No amount has been paid under any of these indemnities during the financial year ended 30 June 2015.

### **Non-audit services**

From time to time the Company employs the auditor on assignments additional to their statutory audit duties where the auditor, through its detailed knowledge of the SAI Global Group, is best placed to perform the services from an efficiency, effectiveness and cost perspective.

The Directors exercise caution in awarding any non-audit services to the Company's auditor. Non-audit services are awarded only where the auditor has demonstrated expertise and the services do not compromise the auditor's objectivity or independence. An example of such an assignment is in relation to international taxation services. The Company has operations across all continents and requires specialised knowledge of taxation matters across multiple jurisdictions. The Company's current auditor, Ernst & Young, has a reputation for excellence in international taxation matters and, in the opinion of the Directors, is best placed to provide these services to the Company. Ernst & Young provided tax services to the Company prior to being appointed as the Company's auditor.

The Company has a policy whereby valuation services, financial due diligence services, actuarial services, and internal audit services are not performed by the Company's auditor.

The ratio of non-audit to audit services provided by Ernst & Young to SAI Global is approximately 2.1:1. This ratio reflects that:

- Ernst & Young advised SAI on tax related matters in responding to the unsolicited indicative, conditional and non-binding proposal from Pacific Equity Partners;
- Ernst & Young acted on behalf of the company in dealing with an Internal Revenue Service audit on part of the US tax consolidated group; and

- The fees paid by SAI to Ernst & Young in respect of non-audit services, largely taxation advisory services, mostly reflect the decision by the company not to employ an internal taxation advisory function.

The Directors have considered the position and, in accordance with the advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 112.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

	<b>Consolidated</b>	
	<b>FY15</b>	<b>FY14</b>
	<b>\$</b>	<b>\$</b>
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Ernst & Young, its related practices and non-related audit firms:		
<b>1. Audit Services:</b>		
Audit and review of financial statements and other audit work under the Corporations Act 2001	<b>746,058</b>	716,840
Other assurance services	<b>14,078</b>	-
<b>2. Taxation Services:</b>		
Taxation compliance services	<b>550,451</b>	337,947
Taxation advice	<b>914,229</b>	320,081
<b>3. Other Services:</b>		
Provision of comparative remuneration data	<b>65,920</b>	-
<b>Total remuneration for non-audit services</b>	<b>1,544,678</b>	658,028

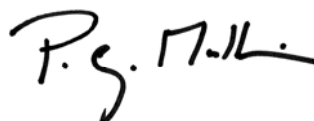
## **Rounding of amounts to nearest thousand dollars**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars, unless indicated to the contrary.

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



Andrew Dutton  
Chairman

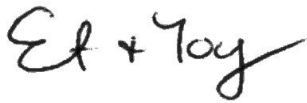


Peter Mullins  
Managing Director and Chief  
Executive Officer

Sydney  
18 August 2015

## Auditor's Independence Declaration to the Directors of SAI Global Limited

In relation to our audit of the financial report of SAI Global Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Christopher George  
Partner  
18 August 2015

**SAI Global Limited**

**Consolidated statement of comprehensive income for the year ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>Revenue</b>	5	<b>547,987</b>	528,537
Other income	6	<u>(205)</u>	<u>(508)</u>
		<b>547,782</b>	528,029
 Share of net profits of associates accounted for using the equity method	 34	 <u>189</u>	 <u>258</u>
<b>Expenses</b>			
Employee benefits expense		191,973	191,735
Cost of providing services		84,315	83,806
Property service disbursements		85,163	86,925
Depreciation and amortisation expense	7	38,023	34,565
Finance costs	7	11,068	12,141
Other expenses	7	<u>82,494</u>	<u>71,427</u>
		<b>493,036</b>	480,599
 <b>Profit before income tax expense</b>		 <b>54,935</b>	 47,688
 Income tax expense	 8	 <b>15,382</b>	 12,226
<b>Profit for the year</b>		<u><b>39,553</b></u>	<u>35,462</u>
 <b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net movement on cash flow hedges		1,014	1,063
Income tax effect		<u>(379)</u>	<u>(501)</u>
	25(a)	<b>635</b>	562
 Exchange differences on translation of foreign operations		 41,060	 (1,049)
Income tax effect		<u>-</u>	<u>-</u>
	25(a)	<b>41,060</b>	(1,049)
 <b>Items that may not be reclassified subsequently to profit or loss</b>			
Minimum funding requirement on closure of defined benefit plan		-	(1,568)
Income tax effect		<u>-</u>	<u>419</u>
 Reversal of the minimum funding requirement on settlement of defined benefit plan		 1,610	 -
Income tax effect		<u>(431)</u>	<u>-</u>
 Re-measurement losses on defined benefit plans		 (637)	 (72)
Income tax effect		<u>172</u>	<u>19</u>
		<b>714</b>	(1,202)
 <b>Other comprehensive income/(loss) for the year, net of tax</b>		 <b>42,409</b>	 (1,689)
 <b>Total comprehensive income for the year</b>		 <u><b>81,962</b></u>	 <u>33,773</u>
 Profit is attributable to:			
Owners of SAI Global Limited		39,264	35,295
Non-controlling interests		<u>289</u>	<u>167</u>
		<b>39,553</b>	35,462
 Total comprehensive income for the year is attributable to:			
Owners of SAI Global Limited		81,673	33,606
Non-controlling interests		<u>289</u>	<u>167</u>
		<b>81,962</b>	33,773
 <b>Earnings per share attributable to the shareholders of SAI Global Limited:</b>			
Basic (cents per share)	27	18.6	16.8
Diluted (cents per share)	27	18.5	16.7

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

# SAI Global Limited

## Consolidated statement of financial position as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash assets and cash equivalents	9	83,939	67,730
Trade and other receivables	10	149,196	127,523
Current tax receivable	18	6,738	7,426
Inventories	11	389	530
<b>Total current assets</b>		<u>240,262</u>	<u>203,209</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	12	1,145	1,079
Plant and equipment <sup>1</sup>	14	67,600	56,707
Deferred tax assets	15	25,800	20,777
Intangible assets	16	70,579	503,471
<b>Total non-current assets</b>		<u>165,124</u>	<u>582,034</u>
<b>Total assets</b>		<u>405,386</u>	<u>785,243</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	177,410	145,992
Current tax liabilities	18	6,979	7,428
Provisions	19	5,961	5,323
<b>Total current liabilities</b>		<u>190,350</u>	<u>158,743</u>
<b>Non-current liabilities</b>			
Borrowings	20	283,040	247,367
Deferred tax liabilities	21	37,037	25,540
Provisions	22	7,224	3,865
Derivative financial instruments	13	2,035	2,660
Retirement benefit obligations	23	1,467	2,413
<b>Total non-current liabilities</b>		<u>330,803</u>	<u>281,845</u>
<b>Total liabilities</b>		<u>521,153</u>	<u>440,588</u>
<b>Net assets</b>		<u>(115,767)</u>	<u>344,655</u>
<b>EQUITY</b>			
Contributed equity	24	402,395	399,977
Reserves	25(a)	(12,822)	(56,205)
Retained earnings	25(b)	5,794	(376)
<b>Capital and reserves attributable to the shareholders of SAI Global Limited</b>		<u>395,367</u>	<u>343,396</u>
Non-controlling interest	26	1,548	1,259
<b>Total equity</b>		<u>396,915</u>	<u>344,655</u>

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

<sup>1</sup> Plant and equipment consists of internally generated intellectual property, IT equipment, software, leasehold improvements and furniture and fittings.

## SAI Global Limited

### Consolidated statement of changes in equity for the year ended 30 June 2015

	Note	Attributable to shareholders of SAI Global Limited			Non-controlling interests \$'000	Total \$'000
		Contributed Equity	Reserves	Retained earnings		
		\$'000	\$'000	\$'000		
<b>Balance at 1 July 2014</b>		399,977	(56,205)	(376)	1,259	344,655
Profit for the year		-	-	39,264	289	39,553
Other comprehensive income		-	41,695	714	-	42,409
<b>Total comprehensive income for the year</b>		-	41,695	39,978	289	81,962
<b>Transactions with shareholders in their capacity as shareholders:</b>						
Contributions of equity, net of transaction costs		2,418	-	-	-	2,418
Dividends provided for or paid	28	-	-	(33,808)	-	(33,808)
Movement in share based payments reserve	25	-	1,688	-	-	1,688
<b>Balance at 30 June 2015</b>		<b>402,395</b>	<b>(12,822)</b>	<b>5,794</b>	<b>1,548</b>	<b>396,915</b>
<b>Balance at 1 July 2013</b>		395,225	(56,465)	(2,567)	1,185	337,378
Profit for the year		-	-	35,295	167	35,462
Other comprehensive income		-	(487)	(1,202)	-	(1,689)
<b>Total comprehensive income for the year</b>		-	(487)	34,093	167	33,773
<b>Transactions with shareholders in their capacity as shareholders:</b>						
Contributions of equity, net of transaction costs		4,752	-	-	-	4,752
Dividends provided for or paid		-	-	(31,902)	(59)	(31,961)
Movement in share based payments reserve		-	1,002	-	-	1,002
Acquisition of non-controlling interest		-	(255)	-	(34)	(289)
<b>Balance at 30 June 2014</b>		<b>399,977</b>	<b>(56,205)</b>	<b>(376)</b>	<b>1,259</b>	<b>344,655</b>

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

## SAI Global Limited

### Consolidated statement of cash flows for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		615,402	592,226
Payments to suppliers and employees		(493,439)	(480,947)
Interest received	5	326	788
Interest paid	7	(11,068)	(12,141)
Income taxes paid		<u>(16,924)</u>	<u>(11,094)</u>
		94,297	88,832
Cash outflow impact of significant charges <sup>1</sup>		<u>(14,283)</u>	<u>(8,373)</u>
<b>Net cash inflow from operating activities</b>	29	<u><b>80,014</b></u>	<u><b>80,459</b></u>
<b>Cash flows from investing activities</b>			
Payments for purchase of controlled entities (net of cash acquired)	33	(2,905)	(1,906)
Payment for Encompass rights		(8,000)	-
Payments for product development		(4,672)	(4,932)
Payments for plant and equipment <sup>2</sup>		(16,380)	(6,683)
Payments for capital work in progress	14	<u>(6,747)</u>	<u>(12,345)</u>
<b>Net cash outflow from investing activities</b>		<u><b>(38,704)</b></u>	<u><b>(25,866)</b></u>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		-	(20,680)
Dividends paid		(27,361)	(25,502)
Proceeds from issue of shares	24(b)	163	676
Payment for shares	24(b)	(875)	(1,584)
Payment for shares bought on market for issue of shares under DRP	24(a)	<u>(3,563)</u>	<u>(2,396)</u>
<b>Net cash outflow from financing activities</b>		<u><b>(31,636)</b></u>	<u><b>(49,486)</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>9,674</b>	5,107
Cash and cash equivalents at the beginning of the financial year		67,730	64,048
Effects of exchange rate changes on cash and cash equivalents		6,535	(1,425)
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>83,939</b></u>	<u><b>67,730</b></u>

<sup>1</sup> Cash outflow impact of significant charges is comprised of:

Accounting, Legal, Tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach and subsequent process		(5,228)	-
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)		(4,071)	(4,667)
Strategy formulation and transformation (consulting fees, temporary resources and other incidental costs)		(2,092)	-
Incidental charges relating to acquisition activity		(473)	(188)
Winding up of the Canadian defined benefit plan		(2,419)	(741)
IT Governance review		-	(790)
CEO transition and other senior management changes		-	(1,922)
Other significant charges of a non-recurring nature		<u>-</u>	<u>(65)</u>
		<u>(14,283)</u>	<u>(8,373)</u>

<sup>2</sup> Plant and equipment consists of internally generated intellectual property, IT equipment, software, leasehold improvements and furniture and fittings.

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



**30 June 2015**

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## Corporate Information

The consolidated financial statements of SAI Global Limited and its subsidiaries (collectively, the Group) for the full year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 18 August 2015.

SAI Global is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded.

### Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of SAI Global Limited and its subsidiaries.

#### (a) Basis of preparation

This general purpose financial statement has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, AASB Interpretations and the Corporations Act 2001.

##### *Compliance with IFRS*

The consolidated financial statements of SAI Global Limited and its subsidiaries also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### (b) Principles of consolidation

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SAI Global Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. SAI Global Limited and its subsidiaries together are referred to in this financial statement as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Refer to note 1 (h).

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

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of SAI Global Limited.

**Note 1. Summary of significant accounting policies**

*(ii) Associates*

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 34).

The Group's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(iii) Changes in ownership interests*

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

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is SAI Global Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit and loss are recognised in the statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

*(iii) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investments are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

## Note 1. Summary of significant accounting policies

### (e) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Group policies relating to revenue recognition are adopted by acquired entities from the effective date of acquisition.

Revenue is recognised for the major business activities as follows:

#### (i) Assurance Services

The company performs services in relation to its certification business and charges an annual license fee. This fee is deemed to be earned over the licensing period to which it relates. The part of the license fee relating to the unexpired period is deferred. Fees for audit services are brought to account on completion of the audit.

Assurance Services derives part of its revenue from holding educational seminars. Fees paid by clients to attend educational seminars are recognised at the completion of the seminar. Seminar fees received in advance are deferred and recognised in the statement of comprehensive income in the month the seminar is held. Consulting revenue is brought to account as services are performed.

#### (ii) Compliance Services

Compliance services provides an extensive range of solutions and services in the areas of compliance, regulation, ethics, risk management and corporate

- Advisory services in relation to regulatory compliance needs and solutions
- Newsfeeds, alerts and databases covering key compliance and regulatory topics
- Providing governance, risk and compliance (GRC) solutions that catalogue, monitor, update, notify and manage a company's operational GRC needs
- Providing an extensive library of award winning learning and awareness solutions delivered largely through the web and supported by a learning management system providing both audit and compliance learning management capability
- Whistleblower and related case management and incident reporting services.

Revenue associated with perpetual licenses is recognised in full on issue of the invoice where there is no, or only minimal, customisation of the software required.

Where customisation of the software is required, the part of the contract value that relates to the customisation work is deferred and brought to account on delivery of the customised product to the customer.

Revenue associated with multi-year subscriptions or licences is brought to account over the period to which the subscription or license relates.

Revenue associated with multi-year licenses is recognised in equal annual amounts over the period of the license. In the first year of the license, a portion of the revenue is recognised in the month the contract commences in recognition of the front loading of the costs associated with delivering the services to the customer. Amounts that are recognised in the month the contract commences are determined by reference to an established set of criteria. The remaining portion of the first year revenue is recognised on a straight line basis over the remaining eleven months of the year.

#### (iii) Standards & Technical Information

Standards & Technical Information provides services that are subscription in nature such as annual subscription fees and online subscriptions where subscribers have access to download Standards from the Internet or access to information databases for the duration of the subscription. This revenue is deferred and brought to account over the life of the subscription.

One-time sales of Standards are brought to account at the time the sale is made.

#### (iv) Property Services

The revenue for the rendering of services is recognised when it can be estimated reliably and by reference to the stage of completion of the transaction at the reporting date. All of the following conditions should be satisfied to prove that the transaction can be reliably estimated:

- (a) the amount of revenue can be reliably measured;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### (v) Other income

All other income is recognised on an accruals basis. Royalties on Standards are brought to account as the Standards are sold.

#### (vi) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

**Note 1. Summary of significant accounting policies**

**(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

*Tax consolidation legislation*

SAI Global Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2005.

The head entity, SAI Global Limited, and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its own current and deferred tax amounts, SAI Global Limited also recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

**(g) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the lease property or, if lower, the present value of the minimum lease payment. The corresponding rental obligations, net of finance charges, are included in other short-term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective lease assets are included in the statement of financial position based on the nature.

## Note 1. Summary of significant accounting policies

### (h) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The difference between the face value of the deferred consideration and its present value is expensed as a finance cost on an effective interest rate method from the date of exchange to the anticipated date of payment of the deferred consideration.

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

Group accounting policies are adopted by acquired entities from the effective date of acquisition.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### (j) Cash and cash equivalents

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

### (k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

### (l) Inventories

Finished goods (hard copy Standards, printed legislation, labels and training materials) are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the specific identification method.

## Note 1. Summary of significant accounting policies

### (m) Derivatives and hedging activities

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

At reporting date, all of the Group's derivatives are designated as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholder's equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### *Cash flow hedge*

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

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

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

### (n) Plant and equipment

Plant and equipment includes furniture and fittings, hardware, computers and motor vehicles. These are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Depreciation is calculated using the straight-line method to allocate costs or revalued amounts, net of their residual values, over estimated useful lives of 3 to 10 years.

### (o) Intangible assets

#### *(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 16a).

**Note 1. Summary of significant accounting policies**

**(o) Intangible assets (continued)**

*(ii) Trademark*

The trademark is the "5 Tick" Standards Mark. Based on an analysis of all of the relevant factors, the directors believe that there is no foreseeable limit to the period over which the Trademark asset is expected to generate net cash inflows for the entity and therefore consider that this asset has an indefinite life. As such the trademark is not amortised.

*(iii) Research and development*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, generally being three years.

*(iv) Publishing license agreements*

Publishing license agreements are carried at cost, or assessed fair value if acquired as part of a business combination, less accumulated amortisation. Publishing licence agreements are amortised over their assessed useful lives on a straight line basis, which is over twenty years.

*(v) Customer relationships and contracts*

Customer relationships and contracts are the assessed values of the customer relationships and specific contracts for supply of goods and services that exist at the date of acquisition. A discounted cash flow valuation methodology is employed. In valuing customer relationships, consideration is given to historic customer retention and decay statistics, projected future cash flows and appropriate capital charges. Customer contracts take into account projected cash flows to the end of the contract period.

Customer relationships are amortised over their assessed useful lives using a sum-of-the-digits methodology derived from decay factors which are determined by a review of customer retention metrics. Customer related contracts are amortised over the period to the end of the current life of the asset on a sum-of-the-digits basis. The remaining average life of customer relationships is 5.8 years (2014: 6.8 years).

*(vi) Product delivery platforms*

Product delivery platforms are carried at cost, or assessed fair value if acquired as part of a business combination, less accumulated amortisation.

Development expenditure on product delivery platforms is amortised over 5 years. The amortisation factors are based on an adjusted sum-of-the-digits basis as follows: year 1, 25%; year 2, 23%; year 3, 20%; year 4, 17%; and year 5, 15%.

*(vii) Intellectual property*

Intellectual property is carried at cost, or assessed fair value if acquired as part of a business combination, less accumulated amortisation. This balance includes separately identifiable assets such as e-learning courseware, bibliographic databases and document libraries.

Intellectual property is amortised on a straight-line basis over its assessed useful life. This is generally 3 years.

*(viii) IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employee's time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3-5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

**(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.



**Note 1. Summary of significant accounting policies**

**(q) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

**(r) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**(s) Provisions**

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(t) Employee benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*(ii) Other long-term employee benefit obligations*

The liability for long service leave is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than twelve months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Retirement benefit obligations*

The Group currently has both defined contribution and defined benefit superannuation plans. The Group announced the closure of the defined benefit plan on 28 February 2013.

The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. All contributions made by the Group to an employee defined contribution superannuation fund are recognised as an expense when they become payable. The employees of the parent entity are all members of defined contribution plans.

The defined benefit pension plan provides defined lump sum benefits based upon years of service and final average salary. The defined benefit superannuation plan is recognised in the statement of financial position and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the funds assets at that date. Where the plan is in a net asset position the asset is not able to be recognised as the company does not have full unconditional rights to a surplus on settlement of the plan.

The present value of the defined benefit obligation is based upon expected future payments which arise from membership of the fund, calculated annually by independent actuaries. Consideration is given to experience of employee departures.

A Group company also operates a post retirement life insurance and medical benefit plan which is now closed to new members. A liability in respect of this plan is recognised in the statement of financial position and is measured at the present value of the obligation at the reporting date. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency, that match, as closely as possible, the estimated future cash outflows.

## Note 1. Summary of significant accounting policies

### (t) Employee benefits (continued)

#### (iii) Retirement benefit obligations (continued)

The defined benefit pension plan and the post retirement life insurance and medical plan are accounted for using the projected unit credit method.

To reflect the changes required by AASB 119 (revised 2011) actuarial gains and losses from experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income in the period in which they occur.

Past service costs are recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs and (b) when the company recognises the related restructuring or termination benefits.

A settlement occurs when a transaction is entered into that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. A settlement gain or loss is recognised where the plan is terminated with the result that the obligation is settled and the plan ceases to exist. The gain or loss on settlement is accounted for as the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement, and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

#### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the SAI Global Executive Performance Share Rights Plan and the Employee Share Plan.

#### Shares/Performance Share Rights

The fair value of performance share rights granted under the SAI Global Executive Performance Share Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period in which employees become unconditionally entitled to the shares.

The fair value at grant date is independently determined using a Monte-Carlo simulation-based model that takes into account the exercise price, the term, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the performance rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights.

The fair value of the performance rights granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

#### (v) "At risk" incentives

A liability for employee benefits in the form of "at risk" incentives is recognised in accrued expenses when it is deemed to have been earned at reporting date, and at least one of the following conditions is met:

- there are formal measures for determining the amount of the benefit and the amounts to be paid are determined before the time of completion of the financial statement, or
- past practice gives clear evidence of the amount of the obligation. Liabilities for "at risk" incentives are expected to be settled within two months of balance date and are measured at the amounts expected to be paid when they are settled.

### (u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

If the Group reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

### (v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at reporting date.

### (w) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus elements in ordinary shares issued during the period.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to outstanding performance share rights.

**Note 1. Summary of significant accounting policies**

**(x) Financial guarantee contracts**

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

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

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

**(y) Investments and other financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the statement of financial position.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**(z) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(aa) Rounding of amounts**

The company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statement have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Note 1. Summary of significant accounting policies**

**(ab) New accounting standards and AASB Interpretations**

a. The following standards and interpretations have been applied for the first time for the year ended 30 June 2015.

(i) *AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle (applicable for annual reporting periods commencing on or after 1 July 2014)*

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

This Improvement has not impacted the Group in the current year.

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

(i) *IFRS 15: Revenue from Contracts with Customers (applicable for annual reporting periods expected to commence on or after 1 January 2018)*

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

- (a) IAS 11 Construction Contracts
- (b) IAS 18 Revenue
- (c) IFRIC 13 Customer Loyalty Programmes
- (d) IFRIC 15 Agreements for the Construction of Real Estate
- (e) IFRIC 18 Transfers of Assets from Customers
- (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group enters into a number of contracts to which this standard applies, and there will likely be an impact on the timing of revenue during the period of the contracts, however the overall revenue derived from contracts will be the same.

The Standard also specifies how to account for the incremental costs obtaining a contract and the cost directly related to fulfilling a contract that generate or enhance resources of the company that will be used to deliver services in the future. Provided these costs are expected to be recovered, they can be capitalised and subsequently amortised and tested for impairment.

It is expected that this will have an impact on the Group, however, upon application of the IFRS 15 principles to the applicable revenue recorded in the current financial year, the impact was immaterial to both revenue and net assets.

**Note 1. Summary of significant accounting policies**

**(ab) New accounting standards and AASB Interpretations (continued)**

*(ii) AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

This Amendment has not materially impacted the Group.

*(iii) AASB 2014-4: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (applicable for annual reporting periods commencing on or after 1 January 2016)*

AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

This standard is not expected to impact the Group.

*(iv) AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016)*

The subjects of the principal amendments to the Standards are set out below:

**AASB 5 Non-current Assets Held for Sale and Discontinued Operations:**

- Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.

**AASB 7 Financial Instruments Disclosures:**

- Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.

- Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure—Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.

**AASB 119 Employee Benefits:**

- Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

**AASB 134 Interim Financial Reporting:**

- Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

This Improvement is not expected to materially impact the Group.

**Note 1. Summary of significant accounting policies**

*(v) AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016)*

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The impact of this Amendment is yet to be assessed.

**(ac) Parent entity financial information**

The financial information for the parent entity, SAI Global Limited, disclosed in note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries and associates*

Investments in subsidiaries and associates are accounted for at cost in the financial statements of SAI Global Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

*(ii) Tax consolidation legislation*

SAI Global Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, SAI Global Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, SAI Global Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate SAI Global Limited for any current tax payable assumed and are compensated by SAI Global Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SAI Global Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

*(iii) Financial guarantees*

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

**(ad) Comparative Information**

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Group's financial results and do not have any significant impact on the Group's balance sheet.

30 June 2015  
(continued)

**Note 2. Financial risk management**

The Group's activities expose it to a variety of financial risks. These risks are foreign exchange and translation risk, cash flow interest rate risk, credit risk and liquidity risk.

The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central finance department, located in Head Office under the guidance of the Senior Executive Team, and under policies approved by the Board.

**(i) Market Risk**

**(a) Foreign exchange and translation risk**

Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to translation risk arising from exposures to overseas jurisdictions predominantly the US dollar, Canadian dollar, British pound and the Euro.

The Group manages the translation risk through the use of natural hedges. This is achieved by funding the debt component of the consideration for foreign acquisitions in the currency that best matches the currency of the underlying net assets acquired.

At 30 June 2015 the Group had not entered into any derivative instruments for the purposes of managing foreign exchange risk. The Group does not currently hedge projected earnings streams in foreign currencies.

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	2015				
	USD \$'000	CAD \$'000	EURO \$'000	GBP \$'000	Other \$'000
Cash	6,574	914	3,499	117	203
Trade receivables	4,080	40	3,212	375	1,202
Trade payables	1,035	77	603	3,756	1,285
	2014				
	USD \$'000	CAD \$'000	EURO \$'000	GBP \$'000	Other \$'000
Cash	3,036	745	3,170	19	1,130
Trade receivables	2,214	5	3,005	10	708
Trade payables	252	-	558	270	684

The books of account for each of SAI Global's foreign operations are maintained in each jurisdiction's local currency. For the purposes of preparing the Group's consolidated financial information, each foreign operation's financial results and statements of financial position are translated into Australian dollars using the applicable foreign exchange rates, being the average rate for the period for the statement of comprehensive income, and the period end rate for the statement of financial position items. A translation risk therefore exists on translating the financial statements of SAI Global's foreign operations into Australian dollars for the purposes of reporting consolidated Group financial information. As a result, volatility in foreign exchange rates can impact both the Group's net assets through movements in the foreign currency translation reserve, and the reported net profit for the period.

The following sensitivity table is based on the foreign currency risk exposures in existence at the reporting date relative to the reporting date rates of USD 0.77 (2014: 0.94), GBP 0.49 (2014: 0.55), EUR 0.69 (2014: 0.69), and CAD 0.95 (2014: 1.00). For the period ended on, and as at, 30 June 2015, the impact on post tax profit and equity following reasonably possible changes to movements in foreign currencies, with all other variables held constant, are illustrated in the table below:

		Net profit Profit/(loss)		Other equity (Debit)/credit	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
If USD was 10% stronger/(weaker) relative to all other currencies	+ / -	962	500	-	-
If GBP was 10% stronger/(weaker) relative to all other currencies	+ / -	(326)	(24)	-	-
If EUR was 10% stronger/(weaker) relative to all other currencies	+ / -	611	562	-	-
If CAD was 10% stronger/(weaker) relative to all other currencies	+ / -	88	75	-	-
If other currencies were 10% stronger/(weaker) relative to all other currencies	+ / -	12	115	-	-

30 June 2015  
(continued)

**Note 2. Financial risk management (continued)**

*(b) Cash flow and fair value interest-rate risk*

The Group's interest-rate risk arises from long-term borrowings. Borrowings at variable interest rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group's borrowings are denominated in either Australian dollars, US dollars or British pounds, depending on the assets they are funding.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally the Group raises long-term borrowings at floating rates and swaps them into fixed rates which are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties (the Group's bankers) to exchange, at specified intervals, (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. The cash flows relating to cash flow hedging currently in place are expected to occur over the next 2.5 years.

The Board's policy is to hedge at least 50% of loans outstanding at any one time, as well as comply with the lender's requirements. As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30-Jun-15		30-Jun-14	
	Weighted average interest rates	Balance	Weighted average interest rates	Balance
		\$'000		\$'000
Bank Loans	3.13%	284,938	3.94%	248,794
Interest rates swaps (notional principal amounts)	3.74%	<u>(158,819)</u>	4.82%	<u>(141,592)</u>
		<u>126,119</u>		<u>107,202</u>

With regards to cash flow interest rate risk, the following table presents the impact on profit and equity after income tax from a reasonably possible adverse/favourable movement in interest rates of +/- 100 basis points from the year end rates with all other variables held constant.

	Net profit Profit/(loss)		Other equity (Debit)/credit	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
If interest rates were 100 basis points lower with all other variables constant	1,261	1,071	4,441	1,856
If interest rates were 100 basis points higher with all other variables constant	(1,261)	(1,071)	(4,355)	(1,820)

*(c) Fair value estimation*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on forward interest rate curves. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

As of 1 July 2009, SAI Global Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the liability that are not based on observable market data (level 3).



30 June 2015  
(continued)

**Note 2. Financial risk management (continued)**

*(c) Fair value estimation (continued)*

The following table presents the group's liabilities measured and recognised at fair value at 30 June 2015:

At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Net settled (Interest Rate Swap)	-	(2,035)	-	(2,035)

At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Net settled (Interest Rate Swap)	-	(2,660)	-	(2,660)

**(ii) Credit risk**

Credit risk arises from cash and cash equivalents on deposit with third parties, derivative financial instruments and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. In addition, the Group has policies that limit the amount of credit exposure to any one financial institution. Refer to note 10 for further details of receivables: not yet due; past due but not impaired; impaired receivables and maximum exposure to credit risk.

**(iii) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash reserves and the availability of committed credit facilities to meet the Group's liabilities as and when they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. In addition, the Group maintains a gearing policy commensurate with the Group's strong operational net cash inflows.

The Group seeks to stagger the maturity profile of its liabilities, in particular its debt funding, and ensure an appropriate maturity time line is maintained. The Groups seeks to renegotiate the maturity of individual loans ahead of the maturity date falling due.

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

*Financing arrangements*

	2015 \$'000	2014 \$'000
<b>Floating rate</b>		
Total Facilities: Bank overdraft and bill facility	329,000	329,000
Used at reporting date: Bank overdraft and bill facility	<u>284,938</u>	<u>248,794</u>
Unused at reporting date: Bank overdraft and bill facility	<u>44,062</u>	<u>80,206</u>

*Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based upon the remaining period to the contractual maturity date at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**At 30 June 2015**

	Less than 1 year \$'000	1-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
<b>Non-derivatives</b>					
Non-interest bearing (trade and other payables)	177,410	-	-	177,410	177,410
Variable rate (borrowings)	2,007	133,151	-	135,158	126,118
Fixed rate (hedged borrowings)	5,935	176,496	-	182,431	158,819
<b>Total non-derivatives</b>	<u>185,352</u>	<u>309,647</u>	<u>-</u>	<u>494,999</u>	<u>462,347</u>
<b>Derivatives</b>					
Net settled (interest rate swaps)	<u>2,088</u>	<u>6,711</u>	<u>-</u>	<u>8,799</u>	<u>2,035</u>
<b>Total non-derivatives and derivatives</b>	<u>187,440</u>	<u>316,358</u>	<u>-</u>	<u>503,798</u>	<u>464,382</u>

**Note 2. Financial risk management (continued)**

**At 30 June 2014**

	Less than 1 year	1-5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>					
Non-interest bearing (trade and other payables)	145,992	-	-	145,992	145,992
Variable rate (borrowings)	3,110	111,343	-	114,453	107,203
Fixed rate (hedged borrowings)	6,821	151,635	-	158,456	141,592
<b>Total non-derivatives</b>	<u>155,923</u>	<u>262,978</u>	<u>-</u>	<u>418,901</u>	<u>394,787</u>
<b>Derivatives</b>					
Net settled (interest rate swaps)	1,792	2,771	-	4,563	2,660
<b>Total non-derivatives and derivatives</b>	<u>157,715</u>	<u>265,749</u>	<u>-</u>	<u>423,464</u>	<u>397,447</u>

**Capital Resources**

The Group regards its capital resource base as consisting of:

1. Equity capital contributed by shareholders
2. Retained earnings
3. Other capital reserves that may arise from time to time
4. Debt funding

The first three items are collectively shown as "Capital and reserves attributable to the members of SAI Global Limited" in the statement of financial position.

Debt funding is shown on the balance sheet as "Borrowings" and is disclosed as either a current or non-current liability depending upon the maturity date.

The objectives, policies and processes for managing capital are summarised below:

*Objectives*

The key objective of the Group's capital management strategy over the medium-term is to achieve growth in return on capital employed whilst maintaining an appropriate mix of equity and debt.

Other objectives include:

- Ensuring that the Company maintains sufficient liquidity at all times to meet its financial obligations as and when they fall due
- Maintaining a prudent gearing ratio so as not to expose the Group to excessive liquidity or interest rate risk
- Achieving annual growth in dividends
- Growing earnings per share.

*Policies*

The Group uses debt to gear the statement of financial position with a view to increasing the returns to shareholders and lowering the overall cost of capital resources.

The providers of the debt finance impose certain capital related covenants on the Group. The company continues to operate within these covenants.

During the year the Board reassessed its gearing targets as follows:

Over the medium-term the gearing ratio will be maintained at below 45% and total debt will be less than 2.5 times underlying EBITDA. These limits may be increased to take advantage of strategic opportunities that may arise from time to time, but restored as soon as practicable thereafter.

The Group's dividend policy, which has a direct impact on the level of retained earnings, is to grow dividends from current levels, having regard to future business conditions and opportunities, the level of retained earnings and the cash flow requirements of the Group.

The Group's accounting policies which may result in the creation of certain capital reserves from time to time are set out in note 1,

- note 1(d) Foreign currency translation
- note 1(t)(iv) Share-based payments
- note 1(m) Derivative and hedging activities

**Note 2. Financial risk management (continued)**

*Processes*

All of the Group's capital management policies are reviewed periodically by the Board.

Compliance with the externally imposed capital covenants is confirmed monthly by Management and the calculations are formally reported to the Board on a monthly basis and to the lenders on a quarterly basis.

The capital implications of acquisitions are considered on a case by case basis as part of due diligence reviews.

At 30 June 2015 the gearing ratio was 33.6% (2014: 34.4%).

*Calculation of the gearing ratio is summarised below:*

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Total borrowings	<b>284,938</b>	248,794
Less: cash and cash equivalents	<b>(83,939)</b>	(67,730)
Net debt (A)	<b>200,999</b>	181,064
Total equity (B)	<b>396,915</b>	344,655
Total capital (A)+(B)	<b>597,914</b>	525,719
Gearing Ratio (A)/(A+B)	<b>33.6%</b>	34.4%

During 2015 the Group complied with all of the external capital covenants imposed as a result of its debt funding arrangements.

**Note 3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial effect on the Group and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The Group's operations, and in particular business combinations, necessitate making estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, not equal the related actual outcomes. The estimates and assumptions that could potentially result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(i) Impairment of goodwill and identifiable intangible assets*

The Group tests whether goodwill and indefinite life intangible assets have suffered any impairment on an annual basis, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based primarily on value-in-use calculations. These calculations require the use of assumptions which are set out in note 16.

*Amortising intangibles*

These assets are amortised over their assessed useful lives in accordance with the accounting policy stated in note 1(o). If there is an indication that the value of these assets has become impaired during the reporting period an impairment test is undertaken and any resulting loss taken to the statement of comprehensive income. These calculations require the use of assumptions which are set out in note 16.

*(ii) Purchase price allocation exercise on business combinations*

The price paid for acquired entities is allocated between the fair values of net assets acquired. Net assets acquired include identifiable intangible assets such as customer relationships and contracts, intellectual property, and product delivery platforms. Unless they are deemed to have an indefinite life, these intangible assets are amortised over their assessed useful lives which results in a charge to the statement of comprehensive income. Both the initial value assigned to intangible assets and the period over which they are amortised have a direct impact on the Group's reported result for the period. Independent valuations are obtained where intangible assets values are likely to be significant. Useful lives are determined on an entity-by-entity and asset-by-asset basis with reference to past experience and future projections.

**Note 3. Critical accounting estimates and judgements (continued)**

The purchase price allocation for acquisitions made in 2015 is outlined in note 33.

*(iii) Recognition of tax losses*

Tax losses are recognised as tax assets where it is deemed probable that they will be recovered in future periods. At 30 June 2015, the Group had recognised assets in respect of tax losses amounting to \$8,432,000 (note 15). Should future trading profits not generate sufficient taxable income to utilise the tax losses some or all of these assets may need to be written off in future periods.

**(b) Critical judgements in applying the entity's accounting policies**

*(i) Tax base of indefinite life intangible assets*

Management has determined that the intangible assets with indefinite life will be realised through sale rather than use. Consequently no deferred tax liability is recognised in relation to these assets.

**4. Segment information**

**Business segments**

Management has determined the operating segments based on the reports reviewed by the Board and senior executive team that are used to make strategic decisions.

The consolidated entity is organised on a global basis into the following business units by product and service type:

**Assurance Services**

- Assessing system and product conformity to international and locally based Standards, supported by one of the most widely recognizable symbols of excellence and assurance in Australia, the "five ticks" Standards Mark
- Providing a suite of services across the food value chain, from agricultural production through to the point of sale or service, aimed specifically at managing risks within the supply chain and improving the quality, safety and security of food products
- Providing tools for improving critical business processes
- Providing Standards related training and business improvement solutions

**Compliance Services**

- Advisory services in relation to regulatory compliance needs and solutions
- Providing newfeeds, alerts and databases covering key compliance and regulatory topics
- Providing governance, risk and compliance (GRC) solutions that catalogue, monitor, update, notify and manage a company's operational GRC needs
- Providing an extensive library of web-based learning and awareness solutions, supported by a learning management system providing both audit and compliance learning management capability
- Whistleblower and related case management and incident reporting services

**Standards & Technical Information**

- Distributing, through on-line information management tools, technical and business information such as Standards, legislation and other technical information
- Providing internally developed intellectual property such as bibliographic databases and property certificates
- Providing newfeeds, alerts and databases covering key compliance and regulatory topics

**Property Services**

- Business process outsourcing services; and
- Information broking and data services

**Corporate Services**

Provides company secretarial, legal, financial, information technology, human resource management, investor and public relations and internal audit services to the group, and central management services to the business units.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before interest, income tax and significant charges. Inter-segment revenues and costs are eliminated upon consolidation and are reflected in the 'eliminations' column.

30 June 2015  
(continued)

Note 4. Segment information

The segment information provided to the Board and Executive Committee for the year ended 30 June 2015 is as follows:

Year ended 30 June 2015	Assurance Services	Compliance Services	Standards & Technical Information <sup>1</sup>	Property Services <sup>1</sup>	Corporate Services	Eliminations	Consolidated
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Sales revenue	205,651	97,760	79,305	169,651	-	(4,706)	547,661
Other income	268	(450)	(86)	62	1	-	(205)
<b>Segment revenue</b>	<b>205,919</b>	<b>97,310</b>	<b>79,219</b>	<b>169,713</b>	<b>1</b>	<b>(4,706)</b>	<b>547,456</b>
Less: direct costs	(100,507)	(20,362)	(20,669)	(115,457)	(85)	4,706	(252,374)
<b>Gross margin</b>	<b>105,412</b>	<b>76,948</b>	<b>58,550</b>	<b>54,256</b>	<b>(84)</b>	-	<b>295,082</b>
Less: overheads	(59,263)	(39,077)	(14,917)	(22,718)	(32,798)	-	(168,773)
Less: corporate allocations	(6,482)	(3,839)	(2,447)	(2,842)	15,610	-	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA), before significant charges</b>	<b>39,667</b>	<b>34,032</b>	<b>41,186</b>	<b>28,696</b>	<b>(17,272)</b>	-	<b>126,309</b>
Less: depreciation	(4,619)	(9,050)	(1,333)	(5,518)	(5,408)	-	(25,928)
Less: amortisation of intangible assets	(1,422)	(7,252)	(2,501)	(920)	-	-	(12,095)
	<b>33,626</b>	<b>17,730</b>	<b>37,352</b>	<b>22,258</b>	<b>(22,680)</b>	-	<b>88,286</b>
Share of net profits of associates and joint venture partnership accounted for using the equity method	189	-	-	-	-	-	189
<b>Segment result: (Profit before interest, tax and significant charges)</b>	<b>33,815</b>	<b>17,730</b>	<b>37,352</b>	<b>22,258</b>	<b>(22,680)</b>	-	<b>88,475</b>

a) Reconciliation of segment revenue

	Note	
Segment revenue		547,456
Interest income	5	326
<b>Total revenue</b>		<b>547,782</b>

b) Reconciliation of segment result

Segment result		88,475
Significant charges:		
Accounting, legal, tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach and subsequent process	7	(5,228)
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)	7	(11,228)
Strategy formulation and transformation (consulting fees, temporary resources and other incidental costs)	7	(2,635)
Incidental charges relating to acquisition activity	7	(808)
Winding up of Canadian defined benefit pension plan	7	(2,399)
Other significant charges of a non-recurring nature	7	(500)
Total significant charges		(22,798)
Interest income	5	326
Interest expense	7	(11,068)
<b>Profit / (loss) for the period before income tax expense</b>		<b>54,935</b>

c) Segment revenue by geographical location

Asia Pacific	287,102
North America	163,165
UK, Europe and Africa	80,009
Asia, Middle East, Russia	17,180
<b>Total Segment Revenue</b>	<b>547,456</b>

<sup>1</sup> In recognition of the fact that the Property Services business is now managed and reported internally as a separate business, distinct from the Standards and Technical Information business, these two businesses have been reported as separate business segments. In prior periods these businesses jointly formed, and were reported as, the Information Services division. Prior period comparatives have been restated to reflect the disclosure adopted in the current period.

30 June 2014  
(continued)

**Note 4. Segment information**

The segment information provided to the Board and Executive committee for the year ended 30 June 2014 is as follows:

Year ended 30 June 2014	Assurance Services	Compliance Services	Standards & Technical Information <sup>1</sup>	Property Services <sup>1</sup>	Corporate Services	Eliminations	Consolidated
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Sales revenue	192,896	92,957	76,967	167,212	-	(2,283)	527,749
Other income	362	(201)	(464)	107	(35)	-	(231)
<b>Segment revenue</b>	<b>193,258</b>	<b>92,756</b>	<b>76,503</b>	<b>167,319</b>	<b>(35)</b>	<b>(2,283)</b>	<b>527,518</b>
Less: direct costs	(94,859)	(21,703)	(21,098)	(117,337)	(149)	2,283	(252,863)
<b>Gross margin</b>	<b>98,399</b>	<b>71,053</b>	<b>55,405</b>	<b>49,982</b>	<b>(184)</b>	<b>-</b>	<b>274,655</b>
Less: overheads	(58,579)	(42,207)	(13,093)	(22,786)	(30,853)	-	(167,518)
Less: corporate allocations	(6,666)	(3,801)	(2,603)	(3,018)	16,088	-	-
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) before significant charges</b>	<b>33,154</b>	<b>25,045</b>	<b>39,709</b>	<b>24,178</b>	<b>(14,949)</b>	<b>-</b>	<b>107,137</b>
Less: depreciation	(3,160)	(8,327)	(1,322)	(5,175)	(4,155)	-	(22,139)
Less: amortisation of intangible assets	(1,761)	(7,535)	(2,550)	(580)	-	-	(12,426)
	<b>28,233</b>	<b>9,183</b>	<b>35,837</b>	<b>18,423</b>	<b>(19,104)</b>	<b>-</b>	<b>72,572</b>
Share of net profits of associates and joint venture partnership accounted for using the equity method	258	-	-	-	-	-	258
<b>Segment result: (Profit before interest, tax and significant charges)</b>	<b>28,491</b>	<b>9,183</b>	<b>35,837</b>	<b>18,423</b>	<b>(19,104)</b>	<b>-</b>	<b>72,830</b>
<b>a) Reconciliation of segment revenue</b>					<b>Note</b>		
Segment revenue							527,518
Interest income							788
<b>Total revenue</b>							<b>528,306</b>
<b>b) Reconciliation of segment result</b>							
Segment result							72,830
Significant charges:							
Incidental charges relating to acquisitions					7		(188)
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)					7		(8,379)
CEO transition and other senior management changes					7		(2,975)
Closure of Canadian defined benefit pension plan					7		(741)
IT governance review					7		(790)
Other significant charges					7		(715)
Total significant charges							(13,788)
Interest income					5		788
Interest expense					7		(12,141)
<b>Profit / (loss) for the period before income tax expense</b>							<b>47,688</b>
<b>c) Segment revenue by geographical location</b>							
Asia Pacific							305,545
North America							134,393
UK, Europe and Africa							73,438
Asia, Middle East, Russia							14,142
<b>Total Segment Revenue</b>							<b>527,518</b>

<sup>1</sup> In recognition of the fact that the Property Services business is now managed and reported internally as a separate business, distinct from the Standards and Technical Information business, these two businesses have been reported as separate business segments. In prior periods these businesses jointly formed, and were reported as, the Information Services division. Prior period comparatives have been restated to reflect the disclosure adopted in the current period.

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**5. Revenue**

	2015	2014
	\$'000	\$'000
<b>Sales revenue</b>		
Sale of goods	17,754	21,091
Services	523,006	499,629
Royalties received	<u>6,901</u>	<u>7,029</u>
	<u>547,661</u>	<u>527,749</u>
<b>Other revenue</b>		
Interest income	<u>326</u>	<u>788</u>
	<u>326</u>	<u>788</u>
<b>Total revenue</b>	<u>547,987</u>	<u>528,537</u>

**6. Other income**

	2015	2014
	\$'000	\$'000
Foreign exchange losses	(565)	(677)
Other	<u>360</u>	<u>169</u>
<b>Total other income</b>	<u>(205)</u>	<u>(508)</u>

**7. Expenses**

	2015	2014
	\$'000	\$'000
Profit before income tax includes the following specific net gains and expenses:		
<b>Other Expenses</b>		
Administration costs	25,468	20,327
Promotional costs	4,315	4,035
Lease costs - minimum lease payments	18,159	19,131
Other expenses from ordinary activities	<u>34,552</u>	<u>27,934</u>
Total other expenses before significant charges	<u>82,494</u>	<u>71,427</u>

Included within the statement of comprehensive income are the following significant charges:

Accounting, legal, tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach and subsequent process	5,228	-
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)	11,228	8,379
Strategy formulation and transformation (consulting fees, temporary resources and other incidental costs)	2,635	-
Incidental charges relating to acquisition activity	808	188
Winding up / closure of Canadian defined benefit pension plan	2,399	741
IT governance review	-	790
CEO transition and other senior management changes	-	2,975
Other significant charges of a non-recurring nature	<u>500</u>	<u>715</u>
Significant charges	<u>22,798</u>	<u>13,788</u>

**7. Expenses (continued)**

	Note	2015 \$'000	2014 \$'000
Depreciation of plant and equipment	14	<u>25,928</u>	<u>22,139</u>
Amortisation:			
Publishing licence agreement	16	1,591	1,591
Customer relationships and contracts	16	4,833	5,855
Product delivery platforms	16	2,199	1,990
Intellectual property	16	3,002	2,990
Encompass software rights	16	470	-
Total amortisation		<u>12,095</u>	<u>12,426</u>
Total depreciation and amortisation		<u>38,023</u>	<u>34,565</u>
Other charges against assets:			
Provision for impairment - trade receivables		1,207	1,064
Inventory provision		140	157
		<u>1,347</u>	<u>1,221</u>
<b>Finance costs:</b>			
Interest and finance charges paid/payable		<u>11,068</u>	<u>12,141</u>
		<u>11,068</u>	<u>12,141</u>

**8. Income tax expense**

		2015 \$'000	2014 \$'000
<b>(a) Income tax expense</b>			
Current tax		15,356	17,675
Deferred tax		(987)	(5,728)
Over provided in prior years		1,013	279
		<u>15,382</u>	<u>12,226</u>
Deferred income tax expense/(income) included in income tax			
Decrease/(increase) in deferred tax assets	15	85	(424)
(Decrease)/increase in deferred tax liabilities	21	(1,072)	(5,304)
		<u>(987)</u>	<u>(5,728)</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable.</b>			
Profit/(loss) before income tax expense		<u>54,935</u>	<u>47,688</u>
Tax at the Australian tax rate of 30% (2014: 30%)		16,481	14,306
Entertainment		54	190
Employee Share Plan costs		(378)	323
R&D additional claim		(610)	(567)
Income tax loss not brought to account		570	478
Other non-taxable items/(deductions)		(3,560)	(1,812)
		<u>12,557</u>	<u>12,918</u>
Under/(over)provision from prior year		1,013	279
Tax effect of different foreign tax rates and other adjustments		1,884	(972)
Prior year losses not recognised now recouped		(72)	-
<b>Income tax expense</b>		<u>15,382</u>	<u>12,225</u>
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity			
Net deferred tax - (credited) directly to equity		<u>(1,045)</u>	<u>(302)</u>
		<u>(1,045)</u>	<u>(302)</u>
<b>(c) Tax losses</b>			
Corporate tax losses		-	-
US state tax losses:			
Unused tax losses for which no deferred tax asset has been recognised		55,018	35,588
Potential benefit at the applicable US state tax rate of 5.94% (2014: 5.94%)		<u>3,268</u>	<u>2,114</u>

Unused tax losses relate to controlled entities in the United States.



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(continued)

**8. Income tax expense (continued)**

**(d) Tax consolidation legislation**

SAI Global Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2005. The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, SAI Global Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate SAI Global Limited for any current tax payable assumed and are compensated by SAI Global Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SAI Global Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognized in the wholly owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

**9. Current assets - Cash assets and cash equivalents**

	2015 \$'000	2014 \$'000
Cash at bank and on hand	81,151	66,145
Deposits at call	<u>2,788</u>	<u>1,585</u>
	<u>83,939</u>	<u>67,730</u>

As at 30 June 2015 \$1.7M (2014: \$1.7M) of the cash and cash equivalents balance is held in trust in the SAI Global Limited Employee Share Purchase Plan. There are no restrictions on the availability or use of the remaining cash balances.

**(a) Interest rate risk exposure**

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

**10. Current assets - Trade and other receivables**

	2015 \$'000	2014 \$'000
Trade receivables	114,965	94,421
Less: Provision for impairment of receivables	<u>(2,563)</u>	<u>(1,748)</u>
	112,402	92,673
Prepayments	13,980	15,732
Accrued income	18,437	15,183
Advances to employees	144	83
Other receivables	<u>4,233</u>	<u>3,852</u>
	<u>149,196</u>	<u>127,523</u>

**(a) Impaired receivables**

As at 30 June 2015 current trade receivables of the Group with a nominal value of \$2.6M (2014: \$1.8M) were impaired. The amount of the provision was \$2.6M (2014: \$1.8M).

Movements in the provision for impaired receivables are as follows:

	2015 \$'000	2014 \$'000
Opening balance	(1,748)	(2,777)
Provision for impairment recognised during the year as an expense	(1,207)	(1,064)
Receivables written off during the year as uncollectible	534	2,066
Impact of acquisitions and foreign currency movements	<u>(142)</u>	<u>27</u>
Closing balance	<u>(2,563)</u>	<u>(1,748)</u>

The creation and release of the provision for impaired receivables has been included in "Other expenses" in the statement of comprehensive income. Amounts charged to the impairment account are generally written off when all avenues for collection have been exhausted and there is no expectation of recovering additional cash.

30 June 2015  
(continued)

**10. Current assets - Trade and other receivables (continued)**

**(b) Not yet due**

	2015 \$'000	2014 \$'000
Due within current trading terms	<u>76,687</u>	<u>70,132</u>
	<u><b>76,687</b></u>	<u><b>70,132</b></u>

All current receivables do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be received when due.

**(c) Past due but not impaired**

At 30 June 2015 a portion of the receivables balance was past due but not considered impaired. No specific collection issues have been identified with these receivables. The ageing of these receivables is as follows:

	2015 \$'000	2014 \$'000
Less than 3 months (as due date ageing)	26,120	17,499
Over 3 months overdue	<u>9,595</u>	<u>5,042</u>
	<u><b>35,715</b></u>	<u><b>22,541</b></u>

**(d) Foreign exchange and interest rate risk**

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

**(e) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of receivables.

Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

**11. Current assets - Inventories**

	2015 \$'000	2014 \$'000
Finished goods at cost	404	545
Less: provision for obsolescence	<u>(15)</u>	<u>(15)</u>
	<u><b>389</b></u>	<u><b>530</b></u>

**(a) Inventory expense**

Inventories recognised as expense through cost of goods sold during the year ended 30 June 2015 amounted to \$3,211,625 (2014: \$4,827,598). There was no write off of inventories for the year (2014: \$157,179).

**12. Non-current assets - Investments accounted for using the equity method**

	Note	2015 \$'000	2014 \$'000
Shares in associates	34	<u>1,145</u>	<u>1,079</u>
		<u><b>1,145</b></u>	<u><b>1,079</b></u>

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

**13. Derivative financial instruments**

	Note	2015 \$'000	2014 \$'000
Interest rate swap contracts - cash flow hedges	2(i)(c)	<u>(2,035)</u>	<u>(2,660)</u>
Total non-current derivative financial instrument (liabilities)/assets		<u>(2,035)</u>	<u>(2,660)</u>

The gain or loss from remeasuring the derivative financial instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the statement of comprehensive income when the hedged interest expense is recognised. In the year ended 30 June 2015 a loss of \$824,000 was reclassified into the statement of comprehensive income (2014: loss of \$934,000) and included in finance costs. When offset against the prevailing variable interest rate an effective hedge is achieved. There was no hedge ineffectiveness in the current or prior year.

The notional amount of the underlying hedged item is \$122,973,654 (2014: \$125,973,654) denominated in USD, GBP and AUD.

**(a) Instruments used by the Group**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

*(i) Interest rate swap contracts - cash flow hedges*

Bank loans of the Group currently bear an average variable interest rate of 3.1% (2014: 3.9%). It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 56% (2014: 57%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 2.18% and 7.0% (2014: 2.98% and 7.8%) and the variable rates are between 1.63% and 4.02% (2014: 1.93% and 5.10%) above the LIBOR rate which at reporting date was 0.13% (2014: 0.23%) for USD, 0.48% (2014: 0.53%) for GBP and BBSW rate of 2.16% (2014: 2.67%) for AUD.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the statement of comprehensive income when the hedged interest expense is recognised. In the current and prior years no amounts were reclassified into the statement of comprehensive income. There was no hedge ineffectiveness in the current or prior year.

**(b) Risk exposures**

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

**14. Non-current assets - Plant and equipment**

	2015 \$'000	2014 \$'000
Plant and equipment - at cost <sup>1</sup>	185,702	152,617
Less: Accumulated depreciation	<u>(125,317)</u>	<u>(102,606)</u>
	<u>60,385</u>	<u>50,011</u>
Capital work in progress	<u>7,215</u>	<u>6,696</u>
Total plant and equipment	<u>67,600</u>	<u>56,707</u>

<sup>1</sup> Plant and equipment consists of internally generated intellectual property, IT equipment, software, leasehold improvements and furniture and fittings.

**14. Non-current assets - Plant and equipment (continued)**

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the current financial year is set out below:

	Note	2015 \$'000	2014 \$'000
<b>Carrying amount at beginning of period</b>		<b>50,011</b>	49,990
Additions		<b>26,376</b>	11,615
Transfer from capital work in progress		<b>6,228</b>	10,522
Disposals		<b>(617)</b>	(57)
Additions through acquisition of entities	33	<b>105</b>	22
Depreciation charge	7	<b>(25,928)</b>	(22,139)
Foreign currency exchange movements		<b>4,210</b>	58
<b>Carrying amount at end of period</b>		<b><u>60,385</u></b>	<u>50,011</u>

A reconciliation of the carrying amount of capital work-in-progress at the beginning and end of the current financial year is set out below:

<b>Carrying amount at beginning of period</b>	<b>6,696</b>	4,873
Additions	<b>6,747</b>	12,345
Transfer to plant and equipment	<b>(6,228)</b>	(10,522)
<b>Carrying amount at end of period</b>	<b><u>7,215</u></b>	<u>6,696</u>

Capital work in progress consists mainly of information technology related projects in progress.

**15. Non-current assets - Deferred tax assets**

	Note	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:			
<i>Amounts recognised in profit or loss</i>			
Accruals		<b>2,856</b>	3,301
Employee benefits		<b>5,303</b>	2,774
Provision for doubtful debts		<b>486</b>	690
Provision for stock obsolescence		<b>5</b>	7
Fixed assets		<b>2,820</b>	1,686
Tax losses		<b>8,432</b>	6,579
Share issue expenses		<b>-</b>	2
Retirement benefit obligations		<b>430</b>	377
Cost of takeover offers		<b>1,167</b>	77
Foreign exchange		<b>125</b>	217
Employee share plan costs		<b>2,515</b>	3,445
Other timing differences		<b>912</b>	616
Net deferred tax assets		<b><u>25,051</u></b>	<u>19,771</u>
<i>Amounts recognised directly in equity</i>			
Cash flow hedges		<b>749</b>	1,006
		<b><u>749</u></b>	<u>1,006</u>
<b>Total deferred tax assets</b>		<b><u>25,800</u></b>	<u>20,777</u>
Set-off of deferred tax liabilities pursuant to set-off provisions:	21	<b>-</b>	-
<b>Net deferred tax assets</b>		<b><u>25,800</u></b>	<u>20,777</u>
Deferred tax assets to be recovered within 12 months		<b>13,799</b>	11,506
Deferred tax assets to be recovered after more than 12 months		<b>12,001</b>	9,271
		<b><u>25,800</u></b>	<u>20,777</u>

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(continued)

15. Non-current assets - Deferred tax assets (continued)

Movements	Tax Losses \$'000	Employee share plan costs \$'000	Employee benefits \$'000	Other \$'000	Total \$'000
<b>At 30 June 2014</b>	<b>6,579</b>	<b>3,445</b>	<b>2,774</b>	<b>7,979</b>	<b>20,777</b>
(Charged)/Credited to the statement of comprehensive income	680	71	481	(1,317)	(85)
(Charged)/Credited to equity	-	(722)	-	169	(553)
Foreign exchange	1,462	-	304	1,287	3,053
Adjustments in respect of deferred income tax in previous years	(566)	-	705	907	1,046
Net transfers	277	(279)	1,039	525	1,562
<b>At 30 June 2015</b>	<b>8,432</b>	<b>2,515</b>	<b>5,303</b>	<b>9,550</b>	<b>25,800</b>

16. Non-current assets - Intangible assets

	2015 \$'000	2014 \$'000
<b>Goodwill</b>		
Net book value	<b>512,682</b>	434,477
<b>Identifiable intangible assets</b>		
Trademark (5 Tick Standards Mark)	<b>16,100</b>	16,100
Publishing Licence Agreement	<b>31,955</b>	31,955
Less: Accumulated amortisation	<b>(18,344)</b>	(16,753)
	<b>13,611</b>	15,202
Customer relationships and contracts	<b>77,748</b>	67,761
Less: Accumulated amortisation and impairment	<b>(59,841)</b>	(48,024)
	<b>17,907</b>	19,737
Product delivery platforms	<b>20,695</b>	17,971
Less: Accumulated amortisation	<b>(17,109)</b>	(13,114)
	<b>3,586</b>	4,857
Intellectual property (courseware, databases)	<b>33,707</b>	29,114
Less: Accumulated amortisation	<b>(21,919)</b>	(16,016)
	<b>11,788</b>	13,098
Encompass software rights	<b>8,057</b>	-
Less: Accumulated amortisation	<b>(470)</b>	-
	<b>7,587</b>	-
Total identifiable intangible assets	<b>70,579</b>	68,994
Total Intangible assets	<b>70,579</b>	503,471

A reconciliation of the carrying amount of intangible assets at the beginning and end of the current financial year is set out below.

Note	2015 \$'000	2014 \$'000
<b>Goodwill</b>		
<b>Opening net book amount</b>	<b>434,477</b>	438,232
Additions		
- Acquisition of IQMS <sup>1</sup>	-	1,839
- Acquisition of OCICERT Mexico <sup>2</sup>	33 <b>2,762</b>	-
- Transfer to customer relationships	-	(1,819)
- Adjustments to goodwill arising on prior year acquisitions	<b>5,392</b>	(2,026)
- Other business combinations	-	18
- Closure of GRC NZ	-	(330)
Re-translation of goodwill denominated in foreign currencies	<b>70,051</b>	(1,437)
<b>Closing net book amount</b>	<b>512,682</b>	434,477

<sup>1</sup> On 19 September 2013, SAI Global UK Holdings Limited, a subsidiary of SAI Global Limited, acquired IQ Management Systems Limited for \$2.3M. Provisional net assets acquired amount to \$0.5M.

<sup>2</sup> On 17 July 2014, SAI Global Inc and SAI Global Mexico, subsidiaries of SAI Global Limited, acquired OCICERT Mexico S.A. de C.V. for \$3.0M. Provisional net assets acquired amount to \$0.2M

16. Non-current assets - Intangible assets (continued)

	2015	2014
	\$'000	\$'000
<b>Trademark - Assurance Services Division</b>		
<b>Opening net book amount at 1 July 2014 and closing net book value at 30 June 2015</b>	<u>16,100</u>	<u>16,100</u>
The Directors have determined that the trademark (5 Tick Standards Mark) has an indefinite life as there is no finite or contractual term and is therefore not amortised. The trademark is subjected to an annual impairment test. Refer note 16(a) for impairment test.		
<b>Publishing licence agreement</b>		
<b>Opening net book amount at 1 July</b>	15,202	16,793
Amortisation charge	(1,591)	(1,591)
<b>Closing net book amount at 30 June</b>	<u>13,611</u>	<u>15,202</u>
<b>Customer relationships and contracts</b>		
<b>Opening net book amount at 1 July</b>	19,737	21,305
Acquisition of QPRO	-	2,813
Transfer from goodwill	-	1,819
Revaluation of assets denominated in foreign currency	3,003	(345)
Amortisation charge	(4,833)	(5,855)
<b>Closing net book amount at 30 June</b>	<u>17,907</u>	<u>19,737</u>
<b>Product delivery platforms</b>		
<b>Opening net book amount at 1 July</b>	4,857	7,013
Revaluation of assets denominated in foreign currency	928	(166)
Amortisation charge	(2,199)	(1,990)
<b>Closing net book amount at 30 June</b>	<u>3,586</u>	<u>4,857</u>
<b>Intellectual property</b>		
<b>Opening net book amount at 1 July</b>	13,098	15,690
Revaluation of assets denominated in foreign currency	1,692	398
Amortisation charge	(3,002)	(2,990)
<b>Closing net book amount at 30 June</b>	<u>11,788</u>	<u>13,098</u>
<b>Encompass software rights</b>		
<b>Opening net book amount at 1 July</b>	-	-
Purchase of Encompass software rights	8,057	-
Amortisation charge	(470)	-
<b>Closing net book amount at 30 June</b>	<u>7,587</u>	<u>-</u>
<b>Total identifiable intangible assets</b>	<u>70,579</u>	<u>68,994</u>
<b>Total intangible assets</b>	<u>583,261</u>	<u>503,471</u>

Amortisation of \$12,095,000 (2014: \$12,426,000) is included in depreciation and amortisation expense in the statement of comprehensive income.

30 June 2015  
(continued)

**16. Non-current assets - Intangible assets (continued)**

**(a) Impairment tests for goodwill**

Goodwill is calculated and allocated to cash-generating units (CGUs) into which acquired businesses are integrated.

The operations of acquired legal entities are generally absorbed into the existing business operations of the Group as a result of integration activities. This is increasingly the case where global management structures are introduced and businesses are operated on a global basis rather than legal entity basis.

A summary of the goodwill and indefinite life intangible assets by cash generating unit is set out below:

	2015 \$'000	2014 \$'000
<b>Cash generating unit (CGU) or groups of CGUs</b>		
Standards & Technical Information	95,368	91,085
Property Services	26,996	26,996
Compliance Services	275,165	218,222
Assurance Services	115,153	95,993
<b>Total</b>	<b>512,682</b>	<b>432,296</b>
Trademark - SAI Global Limited (Assurance Services)	<b>16,100</b>	<b>16,100</b>

The recoverable amount of a CGU is determined primarily on a value-in-use calculation and secondly based on estimated net selling prices. Value-in-use calculations use cash flow projections based on financial budgets prepared by management and approved by the Board for the next three years. Cash flows for years four and five are extrapolated using the estimated growth rates stated below. After five years a terminal growth rate is assumed and a terminal value-in-use value calculated. The terminal growth rates used do not exceed the average growth rates that the business has experienced and are generally lower than the short-term growth rates assumed.

**(b) Key assumptions used for value-in-use calculations**

	5 yr EBITDA CAGR <sup>1</sup>		Terminal growth rates		Pre-tax (Post-tax) discount rates	
	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
<b>Material CGU's</b>						
Standards & Technical Information	<b>4.00</b>	9.60	<b>3.00</b>	3.00	<b>13.85</b> <b>(10.50)</b>	13.63 (10.50)
Property Services	<b>5.40</b>	5.20	<b>3.00</b>	3.00	<b>13.84</b> <b>(10.50)</b>	13.75 (10.50)
Compliance Services	<b>8.50</b>	13.00	<b>3.00</b>	3.00	<b>17.80</b> <b>(10.40)</b>	14.40 (10.40)
Assurance Services	<b>7.00</b>	6.50	<b>3.00</b>	3.00	<b>13.73</b> <b>(10.50)</b>	13.70 (10.50)

In performing the value-in-use calculations for each CGU, the company has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rates are disclosed above. Within the Compliance Services division the range listed reflects the risk profile of the cash flows of individual CGU's.

For the remaining divisions the pre-tax discount rate has remained fairly consistent because there was minimal change in mix of capital resources employed as compared to the prior year.

At 30 June 2015, the assessed value-in-use for each CGU exceeded the carrying amounts of the CGU and no impairment loss has been recognised.

The changes in assumptions year-on-year are based upon differing business risk profiles and revisions to actual and forecast business performance.

**(c) Impact of possible change in key assumptions**

With regard to the assessment of the value in use of the CGUs (excluding the Compliance Services division), management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The impact of changes in key assumptions for the Compliance Services division are listed below.

Holding all assumptions constant, if the forecast cash flows in years 1 through 5 declined by 5% no impairment charge would arise.

Holding all assumptions constant, if the after tax discount rate increased by 0.5% no impairment charge would arise.

Holding all assumptions constant, if the terminal growth rate declined by 0.5% no impairment charge would arise.

<sup>1</sup> CAGR stands for Compound Annual Growth Rate

**17. Current liabilities - Trade and other payables**

	2015 \$'000	2014 \$'000
Trade payables	30,091	25,455
Accrued expenses	61,348	48,284
Deferred revenue	<u>85,971</u>	<u>72,253</u>
	<u>177,410</u>	<u>145,992</u>

Revenue is deferred in accordance with the policy set out in note 1(e).

**(a) Foreign exchange and interest rate risk**

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other payables is provided in note 2.

**(b) Fair value and credit risk**

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of payables.

**18. Current tax liabilities/(receivable)**

	2015 \$'000	2014 \$'000
Income tax receivable	<u>(6,738)</u>	<u>(7,426)</u>
Balance relates to refundable tax instalments		
Income tax liability	<u>6,979</u>	<u>7,428</u>

**19. Current liabilities - Provisions**

	Note	2015 \$'000	2014 \$'000
Lease provision	(a)	477	49
Employee benefits		<u>5,484</u>	<u>5,274</u>
		<u>5,961</u>	<u>5,323</u>

**(a) Movements in provision**

Movements in each class of provision during the financial year, other than employee benefits see note 22.



**20. Non-current liabilities - Borrowings**

	2015 \$'000	2014 \$'000
Bank loans (unsecured)	284,938	248,794
Facility establishment costs	(1,898)	(1,427)
	283,040	247,367

**(a) Risk exposure**

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

**(b) Fair value**

The carrying amounts approximates the fair values of the borrowings at reporting date.

The carrying amount of the Group's non-current borrowings approximates their fair value at reporting date. The fair value of the interest bearing borrowings was estimated using a valuation technique in which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable (level 2). This has been calculated by discounting the expected future cash flows at prevailing market interest rates.

**21. Non-current liabilities - Deferred tax liabilities**

	Note	2015 \$'000	2014 \$'000	
<b>The balance comprises temporary differences relating to:</b>				
Work in progress not invoiced		442	-	
Plant and equipment		8,114	905	
Intangible assets		21,731	16,503	
Other timing differences		6,750	8,132	
		37,037	25,540	
Set-off of deferred tax liabilities pursuant to set-off provisions	15	-	-	
Net deferred tax liabilities		37,037	25,540	
Deferred tax liabilities to be settled within 12 months		7,192	8,132	
Deferred tax liabilities to be settled after 12 months		29,845	17,408	
		37,037	25,540	
<b>Movements</b>		Plant and equipment \$'000	Intangible assets \$'000	Other \$'000
		\$'000	\$'000	\$'000
<b>At 30 June 2014</b>		905	16,503	8,132
Charged/(Credited) to the statement of comprehensive income		2,578	(1,309)	(2,341)
Net transfers		4,900	1,605	(4,943)
(Charged)/Credited to equity		-	-	-
Acquisition of subsidiary		-	-	-
Adjustments in respect of deferred income tax in previous years		(443)	1,295	(1,506)
Foreign exchange movement		174	3,637	7,850
<b>At 30 June 2015</b>		8,114	21,731	7,192
		37,037	25,540	11,661

30 June 2015  
(continued)

**22. Non-current liabilities - Provisions**

	2015	2014
	\$'000	\$'000
Lease provision	3,545	218
Employee benefits	<u>3,679</u>	<u>3,647</u>
	<u><u>7,224</u></u>	<u><u>3,865</u></u>

Movements in current and non-current provisions other than provisions relating to employee benefits, are set out below:

<b>Opening balance</b>	267	306
(Credited)/charged to the statement of comprehensive income	(472)	(54)
Foreign currency exchange movements	2	15
Lease incentive	<u>4,225</u>	-
<b>Closing balance</b>	<u><u>4,022</u></u>	<u><u>267</u></u>
Current	477	49
Non-current	<u>3,545</u>	<u>218</u>
	<u><u>4,022</u></u>	<u><u>267</u></u>

**23. Non-current liabilities - Retirement benefit obligations**

**Statement of financial position amounts - Superannuation Plans**

**Superannuation Plans**

All employees of the Group are entitled to benefits from a Group superannuation plan on retirement, disability or death. The Group operates both defined contribution and defined benefit pension plans.

The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary.

	Note	2015	2014
		\$'000	\$'000
Employer contributions		<u>10,634</u>	<u>10,883</u>

In addition to these Superannuation Plans, QMI-SAI Canada Limited also operates a post retirement medical and life plan outlined in paragraph (b).

		2015	2014
		\$'000	\$'000
Net statement of financial position liability/(asset) - Pension Plan	(a)	(143)	1,036
Net statement of financial position liability - Medical Plan	(b)	<u>1,610</u>	<u>1,377</u>
		<u><u>1,467</u></u>	<u><u>2,413</u></u>

**(a) Defined Benefit Pension Plan**

On 6 June 2012 the Company announced the closure of the Defined Benefit Plan as of 28 February 2013. Affected employees became eligible for the Company's defined contribution scheme. Based on the wind up report received from the independent Actuary a minimum funding requirement liability was recognised in the year ended 30 June 2014 for the remaining payments to bring the plan assets to cover the liabilities on settlement.

On 10 March 2015 the Company settled the Plan through either a lump sum cash payment to a regulated pension vehicle, or through the purchase of an annuity that will deliver the same benefits as the Company plan. The type of settlement was at the discretion of the individual employee. As a result, a settlement loss equal to difference between the cost of settling the Plan and the liability recorded on an accounting basis was incurred.

**(i) The amounts recognised in the statement of financial position are determined as follows:**

	2015	2014
	\$'000	\$'000
Present value of the defined benefit obligation	-	(9,599)
Fair value of defined benefit plan assets	<u>143</u>	<u>10,045</u>
Funded Status	<u>143</u>	<u>446</u>
Asset not recognised due to asset ceiling	-	(446)
Liability arising from minimum funding requirement	-	(1,036)
<b>Net asset in the statement of financial position</b>	<u><u>143</u></u>	<u><u>(1,036)</u></u>

23. Non-current liabilities - Retirement benefit obligations (continued)

(ii) Categories of plan assets

	2015 \$'000	2014 \$'000
Equity	-	4,018
Fixed income	-	6,027
Cash	143	-
<b>Total</b>	<b>143</b>	<b>10,045</b>

(iii) Reconciliations - Defined benefit pension plan

*Reconciliation of the present value of the defined benefit obligation:*

<b>Balance at the beginning of the year</b>	<b>9,599</b>	8,042
<b>Charged to profit and loss</b>		
Interest cost	326	403
Settlement loss	2,223	-
Grow-in benefit	-	740
<b>Charged to other comprehensive income</b>		
Actuarial (gains) and losses	1,407	1,028
Foreign exchange movements	527	(413)
<b>Benefits paid</b>	<b>(14,082)</b>	<b>(201)</b>
<b>Balance at the end of the year</b>	<b>-</b>	<b>9,599</b>

*Reconciliation of the fair value of the defined benefit assets:*

<b>Balance at the beginning of the year</b>	<b>10,045</b>	8,395
<b>Charged to profit and loss</b>		
Interest income	295	397
<b>Charged to other comprehensive income</b>		
Actuarial gains and (losses)	896	906
Foreign exchange movements	631	(412)
<b>Contributions by Group companies</b>	<b>2,358</b>	960
<b>Benefits paid</b>	<b>(14,082)</b>	<b>(201)</b>
<b>Balance at the end of the year</b>	<b>143</b>	<b>10,045</b>

(iv) Significant actuarial assumptions

The significant actuarial assumptions used (expressed as weighted averages) were as follows:

*Superannuation Plans*

	2015 %	2014 %
Discount rate	4.25%	4.25%
Future salary increases	N/A	2.75%

(b) Statement of financial position amounts - Post Retirement Medical and Life

(i) The amounts recognised in the statement of financial position are determined

	2015 \$'000	2014 \$'000
Present value of the defined benefit obligation	1,610	1,377
<b>Net liability in the statement of financial position</b>	<b>1,610</b>	<b>1,377</b>

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the post retirement medical and life plan in line with the actuary's latest recommendations.

30 June 2015  
(continued)

**23. Non-current liabilities - Retirement benefit obligations (continued)**

**(ii) Reconciliations - Post Retirement Medical and Life Plan**

*Reconciliation of the present value of the Post Retirement Medical and Life Plan*

	2015 \$'000	2014 \$'000
<b>Balance at the beginning of the year</b>	<b>1,377</b>	1,435
<b>Charged to profit and loss</b>		
Current service cost	25	32
Interest cost	60	58
<b>Charged to other comprehensive income</b>		
Actuarial (gains) and losses	100	(50)
Foreign exchange movements	90	(59)
<b>Benefits paid</b>	<b>(42)</b>	(39)
<b>Balance at the end of the year</b>	<b>1,610</b>	1,377

During the year ended 30 June 2015 all Plan participants were offered a cash payment in settlement of the company's obligation to provide post-retirement medical benefits. A number of participants accepted the offer resulting in a settlement of the liability which was recorded in the statement of comprehensive income in that year.

**(iii) Significant actuarial assumptions**

The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	2015 %	2014 %
Discount rate	4.00%	4.25%
Health care trend rate - other medical and dental	5.00%	4.50%
Health care trend rate - drug rate	6.50%	7.00%
Future salary increases	2.75%	2.75%

**(iv) Sensitivity analysis - Medical cost trend rates**

	2015 \$'000	2014 \$'000
Sensitivity of amounts reported for Health Care Plans		
- Effect on total service cost and interest costs FY16 - 1% increase (annual)	18	16
- Effect on total service cost and interest costs FY16 - 1% decrease (annual)	(14)	(13)
- Effect on Post retirement Benefit Obligation - 1% increase (annual)	262	224
- Effect on Post retirement Benefit Obligation - 1% decrease (annual)	(217)	(183)

**24. Contributed equity**

	Note	2015 \$'000	2014 \$'000
<b>Share capital</b>			
Ordinary shares	24 (a)(i)	403,265	400,205
Less reserved shares		(870)	(228)
Net ordinary shares		<u>402,395</u>	<u>399,977</u>

**(a) Movements in ordinary share capital**

Details	Number of shares	Issue price	\$'000
<b>Opening balance at 1 July 2014</b>	210,779,307		<b>399,977</b>
Shares issued under the exercise of Performance Share Rights	237,130	Nil	-
Exercise of options over shares	13,045	\$2.99	39
Exercise of options over shares	54,127	\$2.29	124
Shares issued under dividend reinvestment plan	641,884	\$4.53	2,908
Shares issued under dividend reinvestment plan	857,962	\$4.14	3,552
Shares purchased on market for the issue of shares under dividend reinvestment plan	(857,962)	\$4.15	(3,563)
Transfer to reserve shares bought on market	24 (b)	(224,763)	\$3.89
Shares issued to the Trust by SAI Global Ltd	24 (b)	(304,302)	(163)
Exercise of Performance Share Rights and options over shares	24 (b)	341,698	396
<b>Closing balance at 30 June 2015</b>	<u>211,538,126</u>		<u>402,395</u>

30 June 2015  
(continued)

24. Contributed equity (continued)

Movements in ordinary share capital	Note	Number of shares	Issue price	\$'000
<b>Details</b>				
<b>Opening balance at 1 July 2013</b>		209,356,317		395,225
Shares issued under the exercise of Performance Share Rights		183,443	Nil	0
Exercise of options over shares		91,645	\$2.99	274
Exercise of options over shares		124,037	\$2.29	284
Exercise of options over shares		34,131	\$3.44	117
Shares issued under dividend reinvestment plan		942,165	\$4.26	4,009
Shares issued under dividend reinvestment plan		577,141	\$4.14	2,389
Shares purchased on market for the issue of shares under dividend reinvestment plan		(577,141)	\$4.15	(2,397)
Transfer to reserve shares bought on market	24 (b)	(358,377)	\$4.42	(1,584)
Transfer to reserved shares	24 (b)	(384,966)		(676)
Exercise of Performance Share Rights and options over shares	24 (b)	760,151		2,336
Closure of Deferred Tax Employee Share Scheme	24 (b)	30,761	Nil	-
<b>Closing balance at 30 June 2014</b>		<u>210,779,307</u>		<u>399,977</u>

(i) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of SAI Global Limited in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 30 June 2015 all shares were fully paid.

(ii) Information relating to long-term incentive plans, including details of rights issued under the plans, are set out in the remuneration report section of the Directors' Report.

**(b) Reserved Shares**

Details		Number of shares	Issue price <sup>1</sup>	\$'000
<b>Opening balance at 1 July 2014</b>		36,234		228
Purchase of reserved shares bought on market	24 (a)	224,763	\$3.89	875
Shares issued to the Trust by SAI Global Ltd	24 (a)	304,302		163
Distribution of shares under exercise of Performance Share Rights and options over shares	24 (a)	(341,698)		(396)
<b>Closing balance at 30 June 2015</b>		<u>223,601</u>		<u>870</u>
<b>Opening balance at 1 July 2013</b>		83,803		304
Purchase of reserved shares bought on market	24 (a)	358,377	\$4.42	1,584
Shares issued to the Trust by SAI Global Ltd	24 (a)	384,966		676
Distribution of shares under exercise of Performance Share Rights and options over shares	24 (a)	(760,151)		(2,336)
Closure of Deferred Tax Employee Share Scheme	24 (a)	(30,761)		-
<b>Closing balance at 30 June 2014</b>		<u>36,234</u>		<u>228</u>

Represents shares held by the trustee of the SAI Global Limited Deferred Tax Plan, SAI Global Limited Executive Performance Share Rights Plan and SAI Global Limited Executive Incentive Plan.

<sup>1</sup> Weighted average issue price reflects various transactions that have occurred throughout the year at different issue prices.

25. Reserves and retained earnings

	2015 \$'000	2014 \$'000
<b>(a) Reserves</b>		
Share-based payments reserve	10,088	8,400
Foreign currency translation reserve	(414)	(41,474)
Hedging reserve - cash flow hedges	(3,025)	(3,660)
Transactions with non-controlling interests	(19,471)	(19,471)
	<u>(12,822)</u>	<u>(56,205)</u>

**Movements:**

**Share-based payments reserve:**

Opening balance	8,400	7,398
Performance share rights and options expense	1,688	1,002
Closing balance	<u>10,088</u>	<u>8,400</u>

**Foreign currency translation reserve:**

Opening balance	(41,474)	(40,425)
Currency translation differences arising during the year	41,060	(1,049)
Closing balance	<u>(414)</u>	<u>(41,474)</u>

**Hedging reserve - Cash flow hedge:**

Opening balance	(3,660)	(4,222)
Revaluation increase arising during the year on interest rate swaps (net of tax)	635	562
Closing balance	<u>(3,025)</u>	<u>(3,660)</u>

**Transactions with non-controlling interests:**

Opening and closing balance	<u>(19,471)</u>	<u>(19,471)</u>
-----------------------------	-----------------	-----------------

**(b) Retained earnings**

	Note	2015 \$'000	2014 \$'000
Opening balance		(376)	(2,567)
Net profit for the year		39,264	35,295
Remeasurement on defined benefit plan		714	(1,202)
Dividends	28	(33,808)	(31,902)
Closing balance		<u>5,794</u>	<u>(376)</u>

**(c) Nature and purpose of reserves:**

*Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value at grant date of performance share rights and options issued over the relevant vesting period.

*Foreign currency translation reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d)(iii). The reserve is recognised in the statement of comprehensive income when the net investment is no longer controlled.

*Hedging reserve - cash flow hedges*

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

*Transactions with non-controlling interests*

Accounting Standard AASB127, Consolidated and Separate Financial Statements, was revised with effect from 1 July 2009. Under the revised Standard, transactions with non-controlling interests which do not result in a loss of control must be treated as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is now recognised directly in equity and not taken to goodwill.

30 June 2015  
(continued)

**26. Non-controlling interest**

	2015 \$'000	2014 \$'000
Interest in:		
Share capital	238	238
Retained earnings	<u>1,310</u>	<u>1,021</u>
	<u>1,548</u>	<u>1,259</u>

**27. Earnings per share**

	2015 Cents	2014 Cents
Basic earnings per share (cents)	18.6	16.8
Diluted earnings per share (cents)	<u>18.5</u>	<u>16.7</u>

**Profit attributable to the ordinary equity holders of the company used in calculating earnings per share (\$'000)**

	<u>39,264</u>	<u>35,295</u>
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Weighted average number of shares used as the denominator in calculating basic earnings per share

	<u>211,555,139</u>	<u>210,486,442</u>
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Adjustments for calculation of diluted earnings per share:  
Performance share rights and options

	159,938	284,213
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Weighted average number of shares used as the denominator in calculating diluted earnings per share

	<u>211,715,077</u>	<u>210,770,655</u>
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The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 40.

**28. Dividends**

	2015 \$'000	2014 \$'000
<b>Ordinary shares</b>		
Final dividend for the year ended 30 June 2013 of 8.2 cents per share paid on 20 September 2013 100% franked based on tax paid @30%		
Cash paid to shareholders	-	13,155
Dividend reinvestment plan	-	4,011
	<u>-</u>	<u>17,166</u>
Interim dividend for the year ended 30 June 2014 of 7.0 cents per share paid on 1 April 2014 100% franked based on tax paid @30%		
Cash paid to shareholders	-	12,347
Dividend reinvestment plan	-	2,389
	<u>-</u>	<u>14,736</u>
	<u>-</u>	<u>31,902</u>
Final dividend for the year ended 30 June 2014 of 8.5 cents per share paid on 26 September 2014 45% franked based on tax paid @30%		
Cash paid to shareholders	15,028	-
Dividend reinvestment plan	2,908	-
	<u>17,936</u>	<u>-</u>

30 June 2015  
(continued)

**28. Dividends (continued)**

	2015	2014
	\$'000	\$'000
<b>Ordinary shares</b>		
Interim dividend for the year ended 30 June 2015 of 7.5 cents per share paid on 10 April 2015 80% franked based on tax paid @30%		
Cash paid to shareholders	12,320	-
Dividend reinvestment plan	3,552	-
	15,872	-
	33,808	-

**Dividends not recognised at year end**

In addition to the above dividends, since the year end the Directors have declared the payment of a final dividend of 9.0 cents per share (2014 - 8.5 cents), 80% franked based on tax paid at 30%. The aggregate amount of the declared dividend expected to be paid on 23 September 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is

	19,059	17,919
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**Franked dividends**

The final dividends declared after 30 June 2015 will be franked out of existing franking credits.

Franking credits available for subsequent financial years including payment of FY15 final dividend, based on a tax rate of 30% (2014: 30%)

	4,294	-
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking credits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

The dividend declared by the Directors since year end but not recognised as a liability at year end, will reduce existing and future franking credits by \$6,527,499 (2014: \$3,461,176).

**29. Reconciliation of net profit after income tax to net cash inflow from operating activities.**

	Note	2015	2014
		\$'000	\$'000
<b>Net profit after tax</b>		39,553	35,462
Depreciation and amortisation	7	38,023	34,565
Non-cash employee benefits expense - share based payments		840	1,076
Charge for provision for impairment of trade receivables	7	1,207	1,064
Loss on disposal of plant and equipment		6	250
Share of profit of associates and joint ventures not received as dividends or distributions		(189)	(258)
Net exchange differences		504	681
<b>Changes in operating assets and liabilities, net of effects from purchase of controlled entity:</b>			
(Increase) in receivables		(235)	(10,088)
Decrease in inventories		155	165
Decrease in deferred tax balances		7,589	(4,605)
(Increase)/decrease in other operating assets		(39,922)	2,421
Increase in trade creditors		30,082	22,596
(Decrease)/increase in income receivable		(4,817)	1,333
(Decrease) in other provisions		(28)	(684)
Increase/(decrease) in deferred revenue		7,246	(3,519)
<b>Cash flow from operating activities</b>		80,014	80,459



### 30. Financial guarantees

The parent entity and certain wholly owned subsidiaries are parties to a deed of cross guarantee in respect of the loans.

SAI Global Limited, Anstat Pty Limited, Espreon Pty Limited, Enertech Australia Pty Limited and Cintellate Pty Ltd and Advancing Food Safety Pty Ltd are parties to a deed of cross guarantee as detailed in note 35.

In accordance with the policy detailed in note 1(x), the above guarantees have been stated at their fair value.

No liability was recognised by the parent entity in relation to these guarantees, as the fair value of the guarantees is insignificant.

### 31. Commitments

#### (a) Lease commitments

	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	17,993	9,624
Later than one year but not later than 5 years	28,932	25,907
Later than 5 years	13,292	15,840
	60,217	51,371

Representing:

Minimum lease payments relating to non-cancellable operating leases	60,217	51,371
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The Group leases various properties under non-cancellable operating leases expiring with 2 to 10 years, have various terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

### 32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Note	Principal Activities	Country of Incorporation	Class of shares	Equity holding <sup>1</sup> 2015 %	Equity holding <sup>1</sup> 2014 %
Advancing Food Safety Pty Limited		Assurance Services	Australia	Ordinary	100	100
Anstat Pty Limited <sup>2</sup>		Compliance, and Information Services	Australia	Ordinary	100	100
BMS Solutions USA Inc. Texas		Compliance Services	USA	Ordinary	100	100
SAI Global Tunisia		Assurance Services	Italy	Ordinary	75	75
Cintellate Europe Limited		Compliance Services	Belgium	Ordinary	100	100
Cintellate Pty Limited <sup>2</sup>		Compliance Services	Australia	Ordinary	100	100
Cistera Limited (HK)		Compliance Services	Hong Kong	Ordinary	100	100
Compliance & Ethics Learning Solutions Corporation (Midi) <sup>3</sup>		Compliance Services	USA	Ordinary	100	100
Compliance 360 Inc. <sup>3</sup>		Compliance Services	USA	Ordinary	100	100
Con.Top Polska Sp.z o.o.		Assurance Services	Poland	Ordinary	100	100
Controlli Torinesi Prodotti e Porcessi S.R.L.		Assurance Services	Italy	Ordinary	100	100
CQC-SAI Management Technologies Beijing Co. Ltd		Assurance Services	China	Ordinary	70	70
CRS Registrars		Assurance Services	USA	Ordinary	100	100
Easy I Inc.		Compliance Services	USA	Ordinary	100	100
Easy I Limited		Compliance Services	UK	Ordinary	100	100
Emerald Panther Investments 101 Proprietary Limited		Assurance Services	South Africa	Ordinary	100	100
Enertech Australia Pty Limited <sup>2</sup>		Assurance Services	Australia	Ordinary	100	100
Espreon Conveyancing (WA) Pty Ltd <sup>2</sup>		Property Services	Australia	Ordinary	100	100
Espreon Employees Share Plan Pty Ltd <sup>2</sup>		Property Services	Australia	Ordinary	100	100
Espreon Pty Limited <sup>2</sup>		Property Services	Australia	Ordinary	100	100
Excel Partnership Inc.		Assurance Services	USA	Ordinary	100	100
Foodcheck Limited		Assurance Services	UK	Ordinary	100	100
Global Trust Certification (UK) Limited		Assurance Services	UK	Ordinary	100	100
Global Trust Certification Limited		Assurance Services	Ireland	Ordinary	100	100
ILI Infodisk Inc.		Information Services	USA	Ordinary	100	100

**32. Subsidiaries (continued)**

Name of entity	Note	Principal Activities	Country of Incorporation	Class of shares	Equity holding <sup>1</sup> 2015 %	Equity holding <sup>1</sup> 2014 %
ILI Limited		Information Services	<b>UK</b>	Ordinary	<b>100</b>	100
Integrity Interactive Corporation <sup>3</sup>		Compliance Services	<b>USA</b>	Ordinary	<b>100</b>	100
IQ Management Systems Limited (Company No. 2556339) <sup>4</sup>		Assurance Services	<b>UK</b>	Ordinary	<b>100</b>	100
Lawpoint Pty Limited <sup>2</sup>		Property Services	<b>Australia</b>	Ordinary	<b>100</b>	100
NV Integrity Interactive Europe SA		Compliance Services	<b>Belgium</b>	Ordinary	<b>100</b>	100
OCICERT Mexico S.A. de C.V. <sup>5</sup>	33	Assurance Services	<b>Mexico</b>	Ordinary	<b>100</b>	-
PT Global Assurance Services		Assurance Services	<b>Indonesia</b>	Ordinary	<b>100</b>	100
PT SAI Global Indonesia		Assurance Services	<b>Indonesia</b>	Ordinary	<b>100</b>	100
QMI-SAI Canada Limited		Assurance Services	<b>Canada</b>	Ordinary	<b>100</b>	100
Quality and Safety Risk Professional Services International (Pty) Ltd		Assurance Services	<b>South Africa</b>	Ordinary	<b>100</b>	100
SAI Global (NZ) Limited		Assurance Services	<b>New Zealand</b>	Ordinary	<b>100</b>	100
SAI Global Assurance Services – Oficina de representacion en Espana		Assurance Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global Assurance Services Limited		Assurance Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global Assurance Services Limited Merkezi İngiltere Türkiye Istanbul Şubesi		Assurance Services	<b>Turkey</b>	Ordinary	<b>100</b>	100
SAI Global Assurance Services Sp. z. o. o. Oddzial w Gdyni (Poland)		Assurance Services	<b>Poland</b>	Ordinary	<b>100</b>	100
SAI Global Australia Pty Limited		Corporate Services	<b>Australia</b>	Ordinary	<b>100</b>	100
SAI Global Certification s.r.o.		Assurance Services	<b>Czech Republic</b>	Ordinary	<b>51</b>	51
SAI Global Certification Services Pty Limited		Assurance Services	<b>Australia</b>	Ordinary	<b>100</b>	100
SAI Global CIS US GP		Corporate Services	<b>USA</b>	Ordinary	<b>100</b>	100
SAI Global Compliance Ltd		Compliance Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global Cyprus Holdings Ltd		Assurance Services	<b>Cyprus</b>	Ordinary	<b>60</b>	60
SAI Global Czech s.r.o.		Assurance Services	<b>Czech Republic</b>	Ordinary	<b>100</b>	100
SAI Global Eurasia Ltd		Assurance Services	<b>Russia</b>	Ordinary	<b>59</b>	59
SAI Global GmbH		Assurance Services	<b>Germany</b>	Ordinary	<b>100</b>	100
SAI Global GP		Corporate Services	<b>USA</b>	Ordinary	<b>100</b>	100
SAI Global Inc.		Assurance Services	<b>USA</b>	Ordinary	<b>100</b>	100
SAI Global India		Assurance Services	<b>India</b>	Ordinary	<b>100</b>	100
SAI Global Italia s.r.l.		Assurance Services	<b>Italy</b>	Ordinary	<b>100</b>	100
SAI Global Japan Co., Limited		Assurance Services	<b>Japan</b>	Ordinary	<b>68</b>	68
SAI Global Korea Co. Ltd		Assurance Services	<b>Korea</b>	Ordinary	<b>70</b>	70
SAI Global Limited (Company No. 7109048)		Corporate Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global Mexico		Assurance Services	<b>Mexico</b>	Ordinary	<b>100</b>	100
SAI Global Property Conveyancing SA Pty Limited <sup>2</sup>		Property Services	<b>Australia</b>	Ordinary	<b>100</b>	100
SAI Global Property Division Pty Limited <sup>2</sup>		Property Services	<b>Australia</b>	Ordinary	<b>100</b>	100
SAI Global S.a.r.l.		Assurance Services	<b>France</b>	Ordinary	<b>100</b>	100
SAI Global Thailand Ltd		Assurance Services	<b>Thailand</b>	Ordinary	<b>100</b>	100
SAI Global UK CIS Ltd		Corporate Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global UK Holdings Ltd		Corporate Services	<b>UK</b>	Ordinary	<b>100</b>	100
SAI Global US Holdings Inc.		Corporate Services	<b>USA</b>	Ordinary	<b>100</b>	100
SAIGAS Africa Pty Ltd		Assurance Services	<b>South Africa</b>	Ordinary	<b>100</b>	100
Software Impressions Inc.		Compliance Services	<b>USA</b>	Ordinary	<b>100</b>	100
Technicomp Inc.		Assurance Services	<b>USA</b>	Ordinary	-	100

<sup>1</sup> The proportion of ownership interest is equal to the proportion of voting power held.

<sup>2</sup> This subsidiary has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

<sup>3</sup> As at 30 June 2014, Compliance 360 Inc and Integrity Interactive Corporation have merged into Compliance & Ethics Learning Solutions Corporation (Midi). Compliance & Ethics Learning Solutions Corporation (Midi) has changed its name to SAI Global Compliance Inc.

<sup>4</sup> On 19 September 2013, SAI Global UK Holdings Limited, a subsidiary of SAI Global Limited, acquired IQ Management Systems Limited.

<sup>5</sup> On 17 July 2014, SAI Global Inc and SAI Global Mexico, subsidiaries of SAI Global Limited, acquired OCICERT Mexico S.A. de C.V.

**The Holding Company**

The ultimate holding company of the Group is SAI Global Limited which is based and listed in Australia.

**Associate**

The Group has a 25% interest in Telarc SAI Global Limited (2014: 25%).

30 June 2015  
(continued)

### 33. Business Combinations

During the financial year the businesses noted below were acquired. The operating results of these businesses have been included in the consolidated statement of comprehensive income from the date of acquisition.

#### (a) Summary of acquisition

##### OCICERT Mexico S.A. de C.V.

On the 17th July 2014, SAI Global Inc and SAI Global Mexico, subsidiaries of SAI Global Limited acquired the share capital of OCICERT Mexico S.A. de C.V. for MXP 36.0M plus adjustments for net assets including cash, which brought the total cash outlay to MXP 36.6M.

The business provides auditing (accredited and non-accredited) and training services in Mexico and Central America.

The consolidated statement of comprehensive income includes sales revenue and net profit after tax for the year ended 30 June 2015 of MXP 13.4M and MXP 3.2M respectively, as a result of the acquisition of OCICERT Mexico S.A. de C.V.

Details of the provisional fair value of assets and liabilities acquired are as follows:

	Provisional at 30 June 2015 \$'000
Purchase consideration:	
Cash paid	2,992
Less: Fair value of net identifiable assets acquired	<u>230</u>
Goodwill	<u>2,762</u>

The goodwill is attributable to market penetration, potential for growth, and the business synergies expected to arise after the acquisition.

#### (b) Purchase consideration

	\$'000
Cash consideration	2,992
Less: cash acquired	<u>87</u>
Cash consideration net of cash acquired	<u>2,905</u>

#### (c) Assets and Liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's \$'000	Provisional \$'000
Cash	87	87
Trade and other receivables	194	194
Fixed assets	105	105
Other assets	31	31
Other liabilities	<u>(187)</u>	<u>(187)</u>
Total net assets	<u>230</u>	<u>230</u>

### 34. Investments in associates

#### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Ownership interest	2015 \$'000	2014 \$'000
<i>Unlisted</i>			
Telarc SAI Global Limited (i)	25%	<u>1,145</u>	<u>1,079</u>
		<u>1,145</u>	<u>1,079</u>

(i) Telarc SAI Global Limited is an assurance services provider and is incorporated in New Zealand.

	2015 \$'000	2014 \$'000
<b>(b) Movements in carrying amounts</b>		
Carrying amount at the beginning of the financial year	1,079	873
Share of net profits after income tax	189	258
Dividends received	<u>(123)</u>	<u>(52)</u>
Carrying amount at the end of the financial year	<u>1,145</u>	<u>1,079</u>

30 June 2015  
(continued)

**34. Investments in associates (continued)**

	\$'000	\$'000
<b>(c) Share of associates' profits or losses</b>		
Revenue	1,499	1,538
Expenses	<u>(1,310)</u>	<u>(1,280)</u>
Net profit before income tax	189	258
Net profit after income tax	<u>189</u>	<u>258</u>

	2015 \$'000	2014 \$'000
<b>(d) Share of associates' equity</b>		
Current assets	547	1,050
Non-current assets	583	27
Current liabilities	(261)	(501)
Non-current liabilities	<u>(123)</u>	<u>-</u>
Equity	<u>746</u>	<u>576</u>

	2015 \$'000	2014 \$'000
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**(e) Share of associates' expenditure commitments, other than for the supply of inventories**

Lease commitments	98	30
Capital commitments	<u>-</u>	<u>3</u>
	<u>98</u>	<u>33</u>

**(f) Contingent liabilities of associates**

No associated entities had any contingent liabilities at 30 June 2015.

**35. Deed of cross guarantee**

SAI Global Limited, Anstat Pty Limited, Cintellate Pty Limited, Eneritech Australia Pty Limited, Espreon Pty Limited and Advancing Food Safety Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial statement and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

**(a) Condensed consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings**

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by SAI Global Limited, they also represent the 'Extended Closed Group'.

Set out below is a condensed consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2015 of the Closed Group consisting of SAI Global Limited, Anstat Pty Limited, Cintellate Pty Limited, Eneritech Australia Pty Limited, Espreon Pty Limited and Advancing Food Safety Pty Ltd.

	2015 \$'000	2014 \$'000
<b>Consolidated statement of comprehensive income</b>		
<b>Profit/(loss) before income tax</b>		
Sale of goods	13,397	14,432
Services	287,611	286,879
Other income	<u>9,340</u>	<u>6,983</u>
<b>Total revenue from continuing operations</b>	<b>310,348</b>	<b>308,294</b>
<b>Expenses from continuing operations</b>		
Employee benefits expense	44,667	47,548
Depreciation and amortisation expenses	16,148	15,007
Finance costs	(847)	342
Dividends	30,506	31,915
Impairment of goodwill, intangibles and other capitalised costs	-	-
Other expenses	<u>211,128</u>	<u>208,528</u>
<b>Profit/(loss) before income tax expense</b>	<b>301,602</b>	<b>303,340</b>
Income tax expense	<u>8,746</u>	<u>4,954</u>
<b>Profit/(loss) for the year</b>	<b>7,877</b>	<b>6,853</b>
	<u>869</u>	<u>(1,899)</u>

**(b) Condensed statement of financial position**

Set out below is a consolidated statement of financial position as at 30 June 2015 of the Closed Group consisting of SAI Global Limited, Anstat Pty Limited, Cintellate Pty Limited, Eneritech Australia Pty Limited, Espreon Pty Limited and Advancing Food Safety Pty Ltd.

30 June 2015  
(continued)

**35. Deed of cross guarantee (continued)**

	2015 \$'000	2014 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	29,219	26,658
Trade and other receivables	144,400	152,911
Inventories	251	390
<b>Total current assets</b>	<b>173,870</b>	179,959
<b>Non-current assets</b>		
Investments in controlled entities	178,368	178,291
Plant and equipment	42,702	39,443
Deferred tax assets	11,043	11,062
Intangible assets	130,204	124,256
<b>Total non-current assets</b>	<b>362,317</b>	353,052
<b>Total assets</b>	<b>536,187</b>	533,011
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	68,650	69,689
Current tax liabilities	1,264	6,837
Provisions	5,026	4,802
<b>Total current liabilities</b>	<b>74,940</b>	81,328
<b>Non-current liabilities</b>		
Borrowings	79,537	79,537
Derivative financial instruments	505	779
Deferred tax liabilities	12,069	11,210
Provisions	7,835	4,190
<b>Total non-current liabilities</b>	<b>99,946</b>	95,716
<b>Total liabilities</b>	<b>174,886</b>	177,044
<b>Net assets</b>	<b>361,301</b>	355,967
<b>EQUITY</b>		
Contributed equity	403,264	401,370
Reserves	10,567	8,410
Retained earnings	(33,449)	(34,731)
Non-controlling interest	(19,081)	(19,082)
<b>Total equity</b>	<b>361,301</b>	355,967

**36. Related party transactions**

**(a) Parent entity**

The ultimate parent entity of the Group is SAI Global Limited.

**(b) Subsidiaries**

Interests in subsidiaries are set out in note 32.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in note 39.

**(d) Transactions with related parties**

There were no transactions with related parties. The Company may transact from time to time on normal terms and conditions with Companies of which the Directors of SAI Global Limited are also Directors.

**(e) Terms and conditions**

Outstanding balances are unsecured and repayable in cash.

### 37. Contingencies

#### Contingent liabilities

The Group had contingent liabilities at 30 June 2015 in respect of:

##### *Guarantees*

Cross guarantees given by SAI Global Limited, Anstat Pty Limited, Cintellate Pty Limited, Eneritech Australia Pty Limited, Espreon Pty Limited and Advancing Food Safety Pty Ltd as described in note 35. No deficiencies of assets exist in any of these companies. No material losses are anticipated in respect of any of the above contingent liabilities.

##### *Standards Australia Claim*

On 1 June 2015, the Company announced that it had been served with a Statement of Claim by Standards Australia in relation to royalties that it claims are payable to it by SAI Global Limited. SAI Global Limited disputes liability, intends to defend the claim, and believes that, even if the claim is successful, it will not have a financially material impact on the Company.

Standards Australia has invoked the Dispute Resolution procedure under the Publishing Licence Agreement and the claim will be resolved by arbitration.

SAI Global Limited estimates that its maximum potential exposure under the claim, as asserted by Standards Australia, could approximate \$1.5M but it denies that it has any such liability under the Publishing Licence Agreement.

### 38. Events occurring after the reporting date

Other than matters referred to previously in this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### 39. Key management personnel disclosures

#### (a) Key management personnel compensation

	2015	2014
	\$	\$
Short-term employee benefits	6,249,590	7,082,071
Post-employment benefits	286,755	268,840
Termination benefits	689,293	450,000
Share-based payments	465,339	921,192
	<b>7,690,977</b>	<b>8,722,103</b>

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report on pages 70 to 108

### 40. Share-based payments

#### (a) Summary of SAI Global's share based payment plans

SAI Global has a number of share based payment plans as follows:

- Executive Incentive Plan
- UK Sub-Plan to Executive Incentive Plan
- Performance Share Rights Plan
- Employee Share Plan
- SAI Global UK Share Incentive Plan

#### (b) Executive Incentive Plan

The Executive Incentive Plan was approved by shareholders at the Company's Annual General Meeting held on the 20 October 2006. Amendments to the Plan were approved by shareholders at the Company's Annual General Meeting held on 21 October 2011. This plan forms part of SAI Global's overall remuneration strategy and is a vehicle under which long-term incentives are annually granted to those executives selected by the Board to participate.

##### Plan description

The plan provides the Board with the flexibility to offer long-term incentives to executives considered to have the most influence on SAI Global's business performance, as either:

- Options over ordinary shares in SAI Global Limited
- Performance Share Rights
- Performance Shares

**(b) Executive Incentive Plan (continued)**

An option over an ordinary share in SAI Global Limited (Option) is an opportunity to purchase one fully paid ordinary share in the Company at a date in the future, at a price determined at the time the Option is granted, provided specific performance criteria, determined by the Board, have been met.

A Performance Share Right (PSR) is a right to acquire one fully paid ordinary share in SAI Global Limited provided specific performance criteria, determined by the Board, have been met.

A Performance Share is an ordinary share in the Company, held by a trustee for the benefit of the executive to whom it was granted, with such rights and performance criteria attached, as determined by the Board.

During the year ended 30 June 2015 Options and PSRs were issued to Members of SAI Global's Executive Committee (EXCO) under the plan. Each grant was subject to vesting periods and performance criteria. In relation to the Options and PSRs granted during the year, the following vesting periods and performance criteria applied.

Vesting Periods

Each grant of PSRs and Options may vest over a five-year period with up to one third available to vest three years from the commencement of the financial year in which they were granted, a further third, four years from the commencement of the financial year in which they were granted and the remainder five years from the commencement of the financial year in which they were granted. Any PSRs or Options that do not vest on the first date they become eligible to vest, lapse.

Performance Criteria

For the purpose of applying performance criteria, each grant of PSRs and each grant of Options is divided into two equal parts. One half is subject to a Total Shareholder Return (TSR) performance criterion and the other half to an Earnings per Share (EPS) criterion.

i) The TSR performance hurdle

On each vesting date the TSR of ordinary shares in SAI Global Limited over the vesting period is independently measured. If the TSR is less than, the 50<sup>th</sup> percentile of the TSR of shares listed in the S&P/ASX 200 Index, over the same period, none of the PSRs or Options eligible to vest will vest.

If the TSR is at the 50<sup>th</sup> percentile, 50% of the PSRs and Options eligible to vest will vest.

If the TSR is greater than the 75<sup>th</sup> percentile of the S&P/ASX 200, all of the PSRs or Options eligible to vest will vest.

For TSR outcomes between the 50<sup>th</sup> and 75<sup>th</sup> percentile, pro rata vesting will occur.

ii) The EPS performance criteria

On each vesting date, the compound EPS growth of ordinary shares in the Company over the vesting is calculated.

If the compound EPS growth achieved over the period, is less than 8% per annum, none of the PSRs or Options eligible to vest will vest. If the compound EPS growth is equal to 8%, 30% of the PSRs or Options eligible to vest will vest. For compound EPS growth outcomes between 8% and 15% per annum, 5% of the PSRs or Options eligible to vest will vest, for each half percent of EPS compound growth above 8% per annum.

**(c) UK Sub-Plan to Executive Incentive Plan**

The UK sub-plan to the Executive Incentive Plan was approved by shareholders at the Company's Annual General Meeting held on 20 October 2007. Amendments to the Sub Plan were approved by shareholders at the Company's Annual General Meeting held on 21 October 2011.

The sub-plan forms part of SAI Global's overall remuneration strategy and is a vehicle under which long-term incentives are annually granted to those executives domiciled for tax purposes in the United Kingdom, who are selected by the Board to participate.

Plan description

The plan provides the board with the ability to issue Options over ordinary shares in SAI Global Limited (as defined above) to executives who are domiciled in the United Kingdom for tax purposes, in a tax effective manner.

During the year ended 30 June 2015 no options were issued under the UK Sub-Plan to key management personnel.

30 June 2015  
(continued)

40. Share-based payments (continued)

(c) UK Sub-Plan to Executive Incentive Plan (continued)

Options and Performance Share Rights Granted

Set out below are summaries of options and PSRs rights granted under all plans.

2015

Performance Share Rights

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed and expired during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
9 November 2009	9 November 2014	172,379	-	62,829	109,550	-
19 February 2010	19 February 2014	22,877	-	6,690	16,187	-
5 November 2010	5 November 2015	337,175	-	100,882	6,194	230,099
4 November 2011	4 November 2016	506,419	-	45,082	15,984	445,353
12 November 2012	12 November 2017	509,022	-	-	61,251	447,771
22 November 2013	22 November 2018	648,662	-	-	90,613	558,049
19 November 2014	22 November 2019	-	549,158	-	-	549,158
		<u>2,196,534</u>	<u>549,158</u>	<u>215,483</u>	<u>299,779</u>	<u>2,230,430</u>

Options

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed and expired during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
9 November 2007	9 November 2017	38,774	-	13,046	-	25,728
18 July 2008	18 July 2018	128,218	-	62,853	-	65,365
9 November 2009	9 November 2016	204,579	-	32,761	102,974	68,844
4 November 2011	4 November 2018	121,407	-	-	-	121,407
12 November 2012	12 November 2019	1,495,432	-	-	132,074	1,363,358
22 November 2013	22 November 2020	344,324	-	-	113,558	230,766
19 November 2014	19 November 2021	-	496,917	-	-	496,917
		<u>2,332,734</u>	<u>496,917</u>	<u>108,660</u>	<u>348,606</u>	<u>2,372,385</u>

2014

Performance Share Rights

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed and expired during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
18 July 2008	18 July 2013	88,982	-	46,918	42,064	-
7 November 2008	7 November 2013	32,129	-	16,064	16,065	-
9 November 2009	9 November 2014	323,219	-	135,947	14,893	172,379
19 February 2010	19 February 2014	26,978	-	4,101	-	22,877
5 November 2010	5 November 2015	483,767	-	137,501	9,091	337,175
4 November 2011	4 November 2016	567,013	-	3,822	56,772	506,419
12 November 2012	12 November 2017	644,832	-	3,599	132,211	509,022
22 November 2013	22 November 2018	-	693,203	7,371	37,170	648,662
		<u>2,166,920</u>	<u>693,203</u>	<u>355,323</u>	<u>308,266</u>	<u>2,196,534</u>



40. Share-based payments (continued)

(c) UK Sub-Plan to Executive Incentive Plan (continued)

Options

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed and expired during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
9 November 2007	9 November 2017	155,302	-	116,528	-	38,774
18 July 2008	18 July 2018	356,349	-	143,238	84,893	128,218
7 November 2008	7 November 2018	90,877	-	68,160	22,717	-
9 November 2009	9 November 2016	353,798	-	149,219	-	204,579
4 November 2011	4 November 2018	121,407	-	-	-	121,407
12 November 2012	12 November 2019	1,495,432	-	-	-	1,495,432
22 November 2013	22 November 2020	-	344,324	-	-	344,324
		<u>2,573,165</u>	<u>344,324</u>	<u>477,145</u>	<u>107,610</u>	<u>2,332,734</u>

*Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was 65.5 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2015 included

- (a) expected price volatility of the company's shares: 25%
- (b) expected dividend yield: 4.0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**(d) Employee Share Plan**

A scheme under which shares may be issued by the company to employees for no cash consideration was created prior to the listing of the company in December 2003.

Under the scheme, eligible employees may be offered up to \$1,000 worth of fully-paid ordinary shares in SAI Global Limited for no cash consideration. Each share issued under the plan ranks equally with other shares.

Shares issued under the plan cannot be disposed of, dealt with or have any security interest granted over them by an eligible employee 3 years from the date they are issued under the plan (the trading lock).

The plan complies with current Australian tax legislation, enabling permanent employees, domiciled in Australia for tax purposes, to have up to \$1,000 of free shares, in respect of an employee share scheme, excluded from their assessable income.

The plan contains provisions to adjust the number of shares held by eligible employees under the plan (before the expiry of the 3 year trading lock period referred to above) to take into account the effect of any capital reconstruction, rights issue or bonus issue.

The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Australian Securities exchange during the five trading days immediately before the date of the offer.

UK domiciled employees eligible for shares, are issued their entitlement through the SAI Global UK Share Incentive Plan (refer to paragraph (f)).

	2015 Number	2014 Number
Shares issued under the plan to participating employees	<u>-</u>	<u>-</u>

**(e) SAI Global UK Share Incentive plan**

The introduction of this plan was approved by shareholders at the company's annual general meeting in October 2007. The Share Incentive Plan will enable the company to deliver benefits to UK domiciled employees that are broadly similar to benefits provided to other employees, but modified to the extent required for the benefits to be delivered tax efficiently in accordance with applicable tax legislation in the United Kingdom.

	2015 Number	2014 Number
Shares purchased under the plan	9,742	9,221

30 June 2015  
(continued)

**40. Share-based payments (continued)**

**(f) Expenses arising from share based payment transactions**

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

	2015 \$'000	2014 \$'000
Options and Performance Share Rights granted under Long Term Incentive Plans	<u>840</u>	<u>1,077</u>
	<u><b>840</b></u>	<u><b>1,077</b></u>

**41. Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015 \$	2014 \$
<b>(a) Assurance Services</b>		
Ernst & Young:		
Audit and review of financial statements and other audit work under the Corporations Act 2001	<u>746,058</u>	<u>716,840</u>
Other assurance services	14,078	-
<b>(b) Taxation services</b>		
Taxation compliance services	550,451	337,947
Taxation advice	914,229	320,081
<b>(c) Other services</b>		
Provision of comparative remuneration data	65,920	-
Total remuneration for non-audit services	<u><b>1,544,678</b></u>	<u><b>658,028</b></u>

Directors monitor the level of non-audit fees to ensure the independence of the auditors.

The ratio of non-audit to audit services provided by Ernst & Young to SAI Global has increased in 2015 due to the following one-off matters:

- Ernst & Young advised SAI on tax related matters in responding to the unsolicited indicative, conditional and non-binding proposal from Pacific Equity Partners;
- Ernst & Young acted on behalf of the company in dealing with an Internal Revenue Service audit on part of the US tax consolidated group; and
- The fees paid by SAI to Ernst & Young in respect of non-audit services, largely taxation advisory services, mostly reflect the decision by the company not to employ an internal taxation advisory function.

30 June 2015  
(continued)

**42. Parent entity financial information**

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 \$'000	2014 \$'000
<b>Statement of financial position</b>		
Current assets	36,957	45,448
Total assets	497,376	482,449
Current liabilities	54,792	50,394
Total liabilities	139,179	133,673
Net Assets	<u>358,197</u>	<u>348,776</u>
<i>Shareholders' equity</i>		
Issued capital	402,395	399,977
Reserves		
Cash flow hedges	(353)	(545)
Share based payments	10,342	8,654
Foreign currency translation	(180)	248
Retained earnings	<u>(54,007)</u>	<u>(59,558)</u>
	<u>358,197</u>	<u>348,776</u>
<b>Profit for the year</b>	<u>10,559</u>	<u>11,345</u>
<b>Total comprehensive income</b>	<u>10,323</u>	<u>11,601</u>

(b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of banks loans of subsidiaries, refer to note 20 for further details of financing facilities.

In addition, there are cross guarantees given by SAI Global Limited as described in note 35. No deficiencies of assets exist in any of these companies.

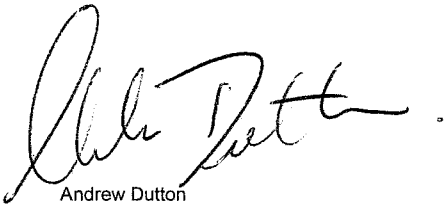
No liability was recognised by the parent in relation these guarantees, as the fair value of the guarantees is immaterial.

In the Directors' opinion:

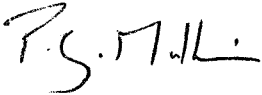
- (a) the financial statements and notes set out on pages 113 to 167 are in accordance with the Corporations Act 2001, including:
- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in Note 35.
- (d) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Andrew Dutton  
Chairman



Peter Mullins  
Managing Director and Chief Executive Officer

Sydney

18 August 2015

## Independent auditor's report to the members of SAI Global Limited

### Report on the financial report

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

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## *Opinion*

In our opinion:

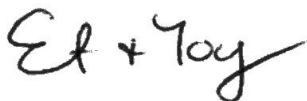
- a. the financial report of SAI Global Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in notes to the financial statements.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 70 to 108 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion, the Remuneration Report of SAI Global Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Christopher George  
Partner  
Sydney  
18 August 2015