SALMAT LIMITED

HALF-YEAR FINANCIAL REPORT
For the six months ended 31 December 2015

Contents

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

HALF-YEAR REPORT
31 December 2015

Results for announcement to the market

	Half year ended 31-Dec-15 $m	Half year ended 31-Dec-14 $m	% Change Increase / (decrease)
Revenue	235.6	253.5	(7%)
Net (loss)/ profit for the period attributable to members	(1.7)	(70.7)*	98%
Net profit/(loss)	(0.5)	(69.7)*	99%
Net tangible asset backing	0.07c	0.06c	17%
Fully Franked Dividends			
Fully franked interim dividend	-	-	-

* Net loss for the period attributable to members includes an non-cash impairment of $64.6m relating to goodwill within the Contact division

Explanation of results

- Refer to the attached ASX announcement for commentary on the results.
- The information contained in this report is to be read in conjunction with the 2015 Annual Report and any announcements to the market by Salmat Limited during the period.

The Directors present their report on the consolidated entity consisting of Salmat Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

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

Peter Mattick
Fiona Balfour
Ian Elliot
John Thorn
Mark Webster

Sadly, we must also announce the passing of Philip Salter, co-founder and Non-Executive Director of the company.

REVIEW OF OPERATIONS

Salmat's operations

Principal activities

Salmat is a full-service marketing and communications company with a single aim: to win more customers for our clients. With a talented team across four countries, our mission is to enable ROI-driven marketing services across local area marketing, digital and letterbox media. Combined with best-in-class business management services covering customer engagement and business processes, it's no wonder that there are billions of customer interactions managed by Salmat every single year.

In every discipline, Salmat delivers best-of-breed expertise and insight-driven solutions that empower our clients to reach, convert and serve their customers. Our specialists invest in keeping our clients ahead of the game, and they use innovative approaches to technology, proven processes and a creatively inquisitive approach to make this reality. This approach helps hundreds of clients save money on their bottom line, strengthen ROI and accelerate business growth.

Salmat deploys these key competences across two business divisions, within which we are market leaders:

Our **Media & Digital** services comprise both letterbox & digital marketing solutions. Within these units we deliver relevant, targeted and integrated communications across the digital and traditional channels, bridging online and offline to reach and convert more customers for our clients.

Salmat's solutions enable our clients to reach more customers through letterbox advertising and catalogue distribution, combined with online pre-shopping and tracking components (Lasoo.com) plus targeted search marketing. We help clients to convert more customers by aligning consumer paths to purchase via interactive email, search optimisation and targeting, data insights and analytics, loyalty management and SMS. We then help clients to secure sales and achieve strong ROI through our e-commerce platform (Netstarter).

Our **Contact** services help Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve customer experience. Salmat designs and delivers expertise across multi-channel contact centre services and technology solutions in multiple flexible, business-orientated executions. Salmat specialises in maximising business value by helping clients to deliver superb customer experiences and a digital first approach to customer engagement using inbound and outbound voice, email, web chat, social media, mobile and SMS.

Salmat also provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach, an enterprise class customer contact platform.

Key developments

2016 half year operating results summary

$ million	HY1 2016	HY1 2015	% change (pcp)
Reported revenue	235.6	253.5	- 7%
EBITDA	**9.2**	**5.1**	+ 80%
Depreciation and amortisation	(7.1)	(6.8)	+4%
Net interest	(0.9)	(0.9)	0%
Underlying profit / (loss) before income tax	**1.2**	**(2.6)**	>100%
Significant items*	0.0	(64.6)	**
Profit before income tax for the group	**1.2**	**(67.2)**	**
Income tax expense	(1.7)	(2.5)	-32%
Loss for the period	**(0.5)**	**(69.7)**	**

**The prior year significant item relates to a non-cash impairment of goodwill within the Contact division.*

*** No meaningful figure*

Revenue of $235.6 million was down from $253.5 million in the prior corresponding period. This was mainly due to the product and service lines that were discontinued following strategic review. Reduced discretionary spend within existing client accounts and expired contracts also reduced revenue, however this was offset by over $20 million in new business.

EBITDA of $9.2 million was up 80% on the first half 2015 total of $5.1 million. This was mostly due to the transformation program and associated cost-saving initiatives, which contributed more than $7 million. New business secured around $2.3 million in earnings.

Depreciation and amortisation was up 5% on the prior corresponding period due to the amortising of customer-related intangibles and the Reach platform.

The $64.6 million significant item in the prior corresponding period was a one-off non-cash impairment relating to goodwill in the Contact division.

Net loss after tax of $0.5 million included a tax expense of $1.7 million. Tax expense was due to profits generated from overseas entities and movements in timing related differences.

Financial position and cash flows

Net cash was $15.0 million at 31 December 2015, following the settlement of contingent considerations of $4 million, investment in capex of $2.4 million and $1.4 million in dividends paid by subsidiary to non-controlling interest.

The Board has elected not to pay an interim Dividend for this period.

Business strategies and prospects

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

During FY16, Salmat will conclude the overarching three-year strategy that commenced in July 2013. This was a client-facing strategy which involved the divestment of the Business Process Outsourcing division, a refresh of the IT environment and installation of scalable platform-based solutions across the business.

Salmat will also continue to progress the two-year Business Transformation strategy which commenced in January 2015. The key objectives of the transformation are to:

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

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

Salmat's senior management team is currently finalising the next-phase growth strategy that will follow on from the transformation process. This strategy will be announced following Board ratification.

Business Risks

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

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

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

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

EVENTS OCCURRING AFTER BALANCE DATE

On 4 January 2016 Salmat exercised its option in accordance with the Share Purchase Deed to purchase the remaining 50% of Fuse.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class order 98/0100 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Signed this 23rd day of February 2016 in accordance with a resolution of the Board of Directors.

Peter Mattick
Chairman

Auditor's Independence Declaration

As lead auditor for the review of Salmat Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

S. Horl

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
23 February 2016

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SALMAT LIMITED
Income Statement
For the half year ended 31 December 2015

	Note	Half year ended 31 Dec 2015 $000	Half year ended 31 Dec 2014 $000
Revenue	3	**235,577**	**253,457**
Other Income	4	1,468	-
Employee benefits expenses		(119,069)	(128,198)
Depreciation and amortization expense		(7,143)	(6,807)
Freight, distribution and communication expenses		(73,800)	(79,245)
Property related expenses		(13,121)	(11,847)
Equipment related expenses		(4,002)	(4,990)
Other expenses from ordinary activities		(17,495)	(23,217)
Impairment loss		-	(64,613)
Finance costs		(1,436)	(2,138)
Share of net profits of associates accounted for using the equity method		202	399
Profit/(loss) before income tax		**1,181**	**(67,199)**
Income tax expense	5	(1,685)	(2,521)
Loss for the period		**(504)**	**(69,720)**
Attributable			
Owners of the company		(1,704)	(70,658)
Non-controlling interests		1,200	938

Earnings per share for profit attributable to members of Salmat Limited

Basic loss per share (cents per share)	**(1.07)**	**(44.28)**
Diluted loss per share (cents per share)	(1.07)	(44.28)

SALMAT LIMITED
Statement of Comprehensive Income
For the half year ended 31 December 2015

	Note	Half year ended 31 Dec 2015 $000	Half year ended 31 Dec 2014 $000
Loss for the period		**(504)**	**(69,720)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		852	1,803
Items that may not be reclassified subsequently to profit and loss:			
Actuarial losses on retirement benefit obligation		80	-
Other comprehensive income for the period		**932**	**1,803**
Total comprehensive income/(loss)		**428**	**(67,917)**
Attributable			
Owners of the company:		(923)	(69,674)
Non-controlling interests		1,351	1,757
		428	**(67,917)**

SALMAT LIMITED
Statement of Financial Position
As at 31 December 2015

	Note	As at 31 Dec 2015 $000	As at 30 Jun 2015 $000
Current Assets			
Cash and cash equivalents		44,097	48,640
Trade and other receivables		54,138	57,401
Inventories		350	65
Other current assets		4,795	4,948
Total Current Assets		**103,380**	**111,054**
Non-Current Assets			
Receivables and other non-current assets		7,939	6,113
Investments accounted for using the equity method		2,827	2,585
Property, plant and equipment		17,046	19,863
Deferred tax assets		13,404	14,079
Intangibles assets		93,140	94,245
Total Non-Current Assets		**134,356**	**136,885**
Total Assets		**237,736**	**247,939**
Current Liabilities			
Trade and other payables		47,988	55,267
Provisions		11,060	13,647
Borrowings		723	-
Other financial liabilities	7	34,480	37,051
Current tax payable		419	769
Total Current Liabilities		**94,670**	**106,734**
Non-Current Liabilities			
Provisions		3,690	3,946
Borrowings		28,397	25,525
Other financial liabilities	7	1,733	1,645
Deferred tax liabilities		2,485	2,473
Retirement benefit obligations		948	851
Other non-current liabilities		698	698
Total Non-Current Liabilities		**37,951**	**35,138**
Total Liabilities		**132,621**	**141,872**
Net Assets		**105,115**	**106,067**
Equity			
Contributed equity		210,152	210,152
Reserves		(29,693)	(30,465)
Retained earnings		(87,456)	(85,792)
Equity attributable to owners of the company		**93,003**	**93,895**
Non-controlling interests		**12,112**	**12,172**
Total Equity		**105,115**	**106,067**

SALMAT LIMITED
Statement of Changes in Equity
As at 31 December 2015

	Consolidated				
	Contributed Equity $000	**Retained Profits $000**	**Reserves $000**	**Non-controlling interest $000**	**Totals $000**
Balance at 1 July 2015	**210,152**	**(85,792)**	**(30,465)**	**12,172**	**106,067**
(Loss)/Profit for the period	-	(1,704)	-	1,200	(504)
Other comprehensive income	-	40	741	151	932
Total comprehensive income for the period	**-**	**(1,664)**	**741**	**1,351**	**428**
Transactions with owners in their capacity as owners:					
Cost of share-based payments	-	-	31	-	31
Dividends paid	-	-	-	(1,411)	(1,411)
	-	-	31	(1,411)	(1,380)
Balance at 31 December 2015	**210,152**	**(87,456)**	**(29,693)**	**12,112**	**105,115**
Balance at 1 July 2014	**209,231**	**26,609**	**(27,419)**	**8,519**	**216,940**
(Loss)/Profit for the period	-	(70,658)	-	938	(69,720)
Other comprehensive income	-	-	984	819	1,803
Total comprehensive income for the period	**-**	**(70,658)**	**3,769**	**1,757**	**(67,917)**
Transactions with owners in their capacity as owners:					
Cost of share-based payments	-	-	356	-	356
Treasury shares	324	-	(48)	-	276
Dividends paid	-	(11,986)	-	-	(11,986)
Business combination reserve	-	-	(3,247)	-	(3,247)
	324	(11,986)	(2,939)	-	(14,601)
Balance at 31 December 2014	**209,555**	**(56,035)**	**(29,374)**	**10,276**	**134,422**

SALMAT LIMITED
Statement of Cash Flows
For the half year ended 31 December 2015

	Half Year Ended 31 Dec 2015 $000	Half Year Ended 31 Dec 2014 $000
Cash Flows from Operating Activities		
Receipts from customers	260,158	274,600
Payment to suppliers and employees	(259,734)	(283,506)
Income tax paid	(1,340)	(1,301)
Net cash used in operating activities	**(916)**	**(10,207)**
Cash Flows from Investing Activities		
Payments of deferred consideration for purchase of controlled entities	(4,187)	(487)
Payments for intangible assets	-	(384)
Interest received	465	1,290
Proceeds from sale of investment in associate	840	-
Payments for plant and equipment	(2,425)	(4,000)
Proceeds from sale of business	100	-
Net cash used in investing activities	**(5,207)**	**(3,581)**
Cash Flows from Financing Activities		
Proceeds from borrowings drawdown	3,783	-
Repayment of borrowings	(771)	(23,486)
Interest paid	(565)	(1,848)
Finance lease payments	-	(60)
Dividends paid to non-controlling interest	(1,411)	-
Dividends paid to company's shareholders	-	(11,986)
Net cash provided by/(used in) financing activities	**1,036**	**(37,380)**
Net decrease in cash held	**(5,087)**	**(51,168)**
Cash and cash equivalents at the beginning of the period	**48,640**	**116,860**
Effects of exchange rate changes on cash and cash equivalents	**544**	**579**
Cash and cash equivalents at the end of the period	**44,097**	**66,271**

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

a) Basis of preparation

This interim financial report for the half-year period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB134 Interim Financial Reporting, the Corporations Act 2001 and other mandatory professional reporting requirements.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Salmat Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies applied by the consolidated entity are consistent with those applied by the consolidated entity in its full year financial report for the year ended 30 June 2015 except for the adoption of new standards and interpretations issued since this date, noted below.

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

b) New accounting standards

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

2. SEGMENT INFORMATION

(a) Business Segments

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

Media & Digital Services

The Media & Digital services comprises of both letterbox & digital marketing solutions focused on delivering optimising & maximise clients reach into their marketplace. The combination of the traditional letterbox medium with digital catalogue content, digital search & conversion tools and overlaid with best class targeting, optimisation & client engagement delivers an enhanced ability for clients to be always on in market. These digital solutions include path to purchase digital channels such as ecommerce, competitions, email and SMS marketing.

Salmat's marketing solutions enable clients to reach & convert more customers through interactive email, search optimisation & targeting, data insights and analytics, competitions, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution.

Contact Services

Salmat Contact solutions help Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve customer experience to better serve their customers. Salmat designs and delivers expertise across multi-channel contact centre services and technology solutions in multiple flexible, business orientated executions. Specialising in maximising business value through serving our clients superb customer experience & a digital first approach to customer engagement using inbound and outbound voice, email, web chat, social media, mobile and SMS.

Salmat additionally provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach, an enterprise class contact centre technology solution hosted in the cloud.

2. SEGMENT INFORMATION (Continued)

(a) Business Segments (Continued)

Corporate Costs

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

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

Accounting Policies

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

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arm's length. These transfers are eliminated on consolidation. As intersegment revenues are considered immaterial no disclosure of these is made below.

Measure of performance change from 2014

As part of the product and services review, a number of revenue streams have been reclassified between segments in the current interim report. This has been performed to align presentation in the interim financial report to internal reports used by the Chief Executive Officer in assessing performance and provides more relevant information to the users of the interim financial report.

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

Six months to 31 December 2015	**Media and Digital $000**	**Contact $000**	**Corporate Costs $000**	**Total $000**
Segment revenue				
Sales to external customers	135,966	99,104		235,070
Interest revenue				507
TOTAL revenue				**235,577**
EBITDA before significant items	12,742	2,670	(6,159)	9,253
Depreciation and amortization expense				(7,143)
Net finance costs				(929)
Underlying profit before income tax				**1,181**
Significant items (note 2(c))				-
Profit before income tax				**1,181**
Income tax expense				(1,685)
Loss for the period				**(504)**

2. SEGMENT INFORMATION (continued)

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

Six months to 31 December 2014	**Media and Digital $000**	**Contact $000**	**Corporate Costs $000**	**Total $000**
Segment revenue				
Sales to external customers	154,178	97,989		252,167
Interest revenue				1,290
TOTAL revenue				253,457
EBITDA before significant items	15,823	1,679	(12,433)	5,069
Depreciation and amortization expense				(6,807)
Net finance costs				(848)
Underlying loss before income tax				**(2,586)**
Significant items (note 2(c))				(64,613)
Loss before income tax				**(67,199)**
Income tax expense				(2,521)
Loss for the period				**(69,720)**

(c) Significant items

The chief operating decision maker (CODM) assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

	Six Months to 31 Dec 2015 Pre Tax $000	**Six Months to 31 Dec 2014 Pre Tax $000**
Impairment Loss	-	(64,613)
Total significant items	**-**	**(64,613)**

During the prior corresponding period, the group recognised impairment losses in the Contact division.

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

3. REVENUE

The group derives the following type of revenue:	**Six Months to 31 Dec 2015 $000**	**Six Months to 31 Dec 2014 $000**
Services	235,070	252,167
Finance income	507	1,290
Total	**2 35,577**	**253,457**

4. OTHER INCOME

The group derives the following type of other income	Six Months to 31 Dec 2015 $000	Six Months to 31 Dec 2014 $000
Profit on sale of share in associate	840	-
Sale of BSI Learning	328	-
Other Income	300	-
Total	**1,468**	**-**

5. INCOME TAX EXPENSE

The income tax expense of $1,685,000 represents current tax payable in relation to profitable overseas jurisdictions as well as the reversal of certain temporary differences.

6. DIVIDENDS

	Six Months to 31 Dec 2015 Pre Tax $000	Six Months to 31 Dec 2014 Pre Tax $000
(a) Dividends paid during half-year		
Dividend paid by Subsidiary to Non-Controlling Interests (2014: nil)	1,411	-
Dividend paid (2014: final fully franked ordinary dividend of 7.5 cents per share)	-	11,986
Dividends paid as per Statement of Cash Flows	**1,411**	**11,986**

(b) Dividends proposed but not recognised as a liability at the end of the half year

No interim dividend has been declared by the Directors (2014: Nil).

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

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

The contingent considerations payable and put/call options associated with business combinations completed in the prior year are classified as Level 3 financial liabilities.

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

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

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(ii) Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

(iii) *Summary of level 3 financial instruments*

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

Reconciliation of the level 3 financial liabilities for the current year:	**$000**
Carrying amount at the start of the year	38,696
Increase in fair value	803
Unwinding of discount rate	901
Payment of Contingent Consideration	(4,187)
Carrying amount at the end of the year	**36,213**
Current	34,480
Non-current	1,733
	36,213

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

Description	***Carrying Value/Fair value at 31 Dec 2015 $'000***	***Unobservable inputs***	***Range of inputs (probability weighted average)***	***Relationships of unobservable inputs to fair value***
Put/call option - MicroSourcing	31,120	Discount rate Expected future earnings growth	4.32% 31-54%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would result in a fair value increase of $3,277,132
Contingent consideration – Other acquisitions	1,733	Discount rate Expected future earnings growth	4.32% >100%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would result in a fair value increase of $317,988
Purchase option – Fuse	3,360	There is a minimum exercise price of $3,360,000. This option has been exercised and payment made post half year end.		

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(iv) Valuation process

The finance team of the group performs the valuations required for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the audit risk and compliance committee (ARCC). Discussions of valuation processes and results are held between the CFO, ARCC and the finance team at least once every six months, in line with the group's half-yearly reporting periods. As part of this discussion the team presents a report that explains the reason for the fair value movements.

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

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

8. CONTINGENCIES

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

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

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 4 January 2016 Salmat exercised its option in accordance with the Share Purchase Deed to purchase the remaining 50% of Fuse.

Except for the matter discussed above, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected or may significantly affect:

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

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 17 are in accordance with the *Corporations Act 2001*, including:

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

   (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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

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

Signed this 23rd day of February 2016 on behalf of the Board.

Peter Mattick
Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Salmat Limited (the company), which comprises the statement of financial position as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Salmat Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on thehalf-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Salmat Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

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

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S. Horlin

Susan Horlin	Sydney
Partner	23 February 2016