SAI GLOBAL LIMITED

Financial Report

Half-Year Ended 31 December 2015

SAI Global Limited and controlled entities

Directors' report

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

Directors

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

Andrew Dutton	Chairman
Peter Mullins	Managing Director and Chief Executive Officer
Robert Aitken	Non-Executive Director
Anna Buduls	Non-Executive Director
Peter Day	Non-Executive Director
Sylvia Falzon	Non-Executive Director
David Spence	Non-Executive Director

Review of operations

The results set out in this report have been achieved against the back-drop of a major change program underway at SAI to create an integrated, customer centric business, focused on providing solutions to help our customers better manage corporate risk, food risk and process risk.

Corporate Risk

- Our Corporate Risk solutions meet the needs of a wide cross-section of commercial enterprises
- Key risk areas addressed are enterprise risk management, workplace health & safety, compliance and ethics and management systems
- Our services include standards and regulatory content aggregation and distribution to help clients identify risks and develop appropriate policies; training courses and software to support the implementation and operation of these policies and procedures; and audit services to provide independent verification or certification.

Food Risk

- Our Food Risk solutions are primarily focused on the needs of large retail supermarket chains; their associated food processors and primary producers; and quick service restaurants & casual dining chains.
- Key focus areas are food defence, food safety, food fraud and ethical sourcing. Our service offerings include supplier compliance management, food safety certification, audit & inspection services, product compliance management, horizon scanning and associated training and development.

Process Risk (BPO)

- We continue to be focused on the needs of the Tier 1 and Tier 2 Banks in Australia, large Australian Legal and Conveyancing firms and non-banking Financial Institutions in Australia
- Providing specialist process outsourcing services and associated information services

New operating structure from 1st July 2015

As noted in SAI Global's FY15 Annual Report, prior to 1 July 2015, the Company had historically been run as distinct operating divisions, being Assurance Services, Compliance Services, Standards & Technical Information and Property Services. The fundamental principles underlying this "siloed" 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.

Our desire is to accelerate the rate of organic revenue growth and move to a more cost effective operating model. The common thread across our unique combination of assets is the provision of products and services to help our customers manage risk. The appropriate strategy is 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.

In Risk Management Solutions the vast majority of our interactions with smaller customers will remain transactional. However, there is significant opportunity to leverage common digital assets and sales resources to enable, sell and deliver products and services to these customers. Multiple risk management products and services are now available to our larger customers from a single trusted partner - SAI Global. We have received strong endorsement for this integrated value proposition.

The new Risk Management Solutions division is managed on a regional basis; Asia Pacific (APAC), the Americas (AMER), and Europe, Middle East and Africa (EMEA). Regional Directors 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 Heads.

With effect from 1st July 2015, the Assurance Services, Compliance Services and Standards & Technical Information divisions ceased to exist. This financial report for the six months ending on 31 December 2015 is the first report under the new operating structure. Prior year comparative segment information has been restated to reflect the new reporting structure.

Overview of results

The weakening of the Australian dollar relative to 1H15 has had a major positive impact on the results reported by SAI Global in the current period. The Australian dollar averaged USD0.7250 in the first-half compared with USD0.8909 in the prior corresponding period, a depreciation of 18.6%. Whilst the movement in exchange rates accounts for much of the growth, the Company has achieved real growth in both revenue and EBITDA as set out in detail below. Importantly, the Company has taken a number of steps to implement the new strategic direction and create a robust platform from which to grow.

Sales revenue increased from $268.4 million to $290.2 million, an increase of 8.1% over the prior corresponding period.

The operational efficiency initiatives undertaken during FY15, together with a large reduction in the amount of significant charges incurred, have contributed to improved profitability in the first-half of FY16. Earnings before interest, tax, depreciation and amortisation (EBITDA) were $65.2 million, an increase of 27.6% over the prior corresponding period. Underlying EBITDA, which excludes the adverse impact of charges relating to potential acquisitions, was $66.2 million, an increase of 12.8% over the underlying EBITDA in the corresponding period.

As noted above, the weaker Australian dollar relative to the prior corresponding period has contributed favourably to the Group's performance, adding 7.0% to the revenue growth and 8.4% to the EBITDA growth. Revenue and EBITDA growth in constant currency terms were 1.1% and 3.6% respectively, reflecting a mixed performance across the business segments and product lines, as detailed further below.

The statutory net profit after tax of the Group attributable to shareholders was $28.7 million. This represents an increase of 46.9% over the result for the prior corresponding period of $19.5 million. The drivers of this pleasing increase are the favourable impact of operational efficiency initiatives undertaken in the prior period and the reduction in the amount of significant charges recorded in the current period. After excluding the adverse impact of the significant charges, the underlying net profit after tax attributable to shareholders was $29.4 million, an increase of 17.6% over the prior corresponding period.

Statutory earnings per share increased 46.7% to 13.5 cents, up from 9.2 cents in the prior corresponding period. Operating cash inflows for the period were $19.8 million, down from the $24.5 million achieved in the prior corresponding period. The reduction reflects the paying down of restructuring and other provisions made during the prior accounting period. Creditor balances on the statement of financial position have reduced accordingly.

The Directors have declared an interim dividend of 7.5 cents per share, 100% franked.

Further details relating to the performance of the business are provided later in this report.

<u>Summary financials</u>

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 apprising 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.

$'000	Statutory 1H16	Statutory 1H15	Statutory Change	Underlying[1] 1H16	Underlying[1] 1H15	Underlying[1] Change
Sales revenue	**290,186**	268,439	8.1%	**290,186**	268,439	8.1%
Other income[2]	**657**	360		**657**	360	
Segment revenue	**290,843**	268,799	8.2%	**290,843**	268,799	8.2%
Less: direct costs	**132,706**	125,952	5.4%	**132,706**	125,952	5.4%
Gross profit	**158,137**	142,847	10.7%	**158,137**	142,847	10.7%
Less: overheads	**92,954**	91,770	1.3%	**91,924**	84,147	9.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**65,183**	51,077	27.6%	**66,213**	58,700	12.8%
Less: depreciation	**13,614**	12,386	9.9%	**13,614**	12,386	9.9%
Less: amortisation of acquired intangible assets	**6,365**	5,714	11.4%	**6,365**	5,714	11.4%
Earnings before interest and tax (EBIT)	**45,204**	32,977	37.1%	**46,234**	40,600	13.9%
Add: share of net profits of associated companies	**123**	128	(3.9%)	**123**	128	(3.9%)
Segment result	**45,327**	33,105	36.9%	**46,357**	40,728	13.8%
Less: net financing costs[3]	**4,904**	5,723	(14.3%)	**4,904**	5,723	(14.3%)
Net profit before income tax	**40,423**	27,382	47.6%	**41,453**	35,005	18.4%
Less: income tax	**11,733**	7,667	53.0%	**12,021**	9,801	22.7%
Net profit after income tax	**28,690**	19,715	45.5%	**29,432**	25,204	16.8%
Profit is attributable to:						
Equity holders of SAI Global Limited	**28,688**	19,530	46.9%	**29,430**	25,019	17.6%
Non-controlling interests	**2**	185	(98.9%)	**2**	185	(98.9%)
	28,690	19,715	45.5%	**29,432**	25,204	16.8%

1. Excludes significant charges
2. Excludes interest income
3. Interest expense less interest income

Operating margins and the effective tax rate relating to the underlying result are summarised below:

Margin analysis:	Underlying[1] 1H16	Underlying[1] 1H15	Underlying[1] Change
Gross profit	**54.5%**	53.2%	1.3%
EBITDA	**22.8%**	21.9%	0.9%
EBIT	**15.9%**	15.1%	0.8%
Cost to income ratio[2]	**81.9%**	82.8%	(0.9%)
Effective tax rate	**29.0%**	28.0%	1.0%

1. Excludes significant charges
2. Direct costs, overheads and depreciation as a proportion of segment revenue

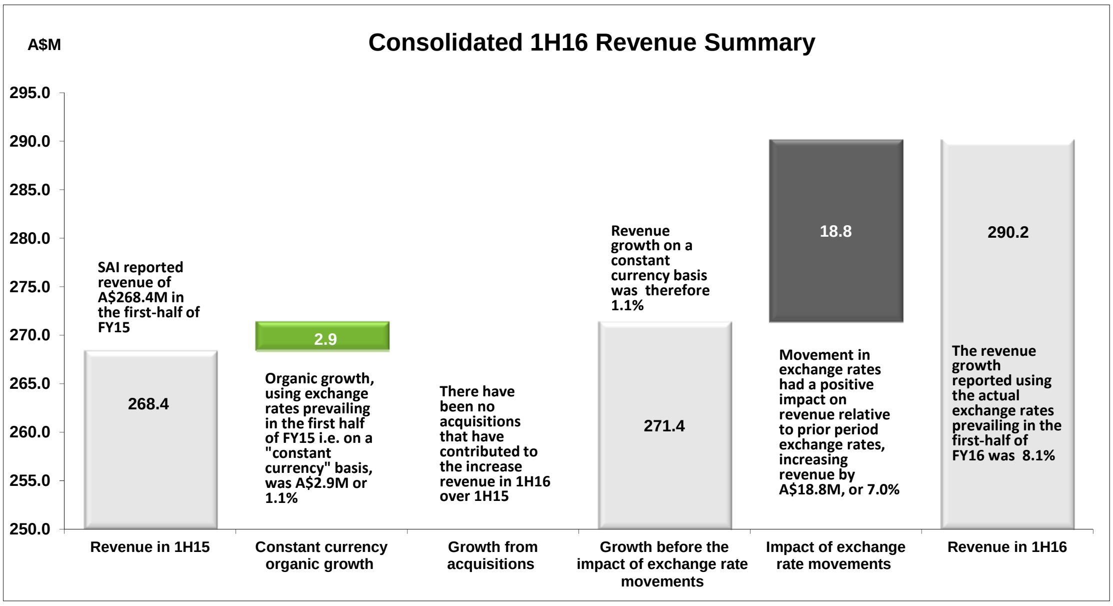
Reconciliation of statutory to underlying result

A reconciliation of the statutory result attributable to shareholders to the underlying result is provided below:

$'000	1H16	1H15	Change
Statutory net profit after tax attributable to equity holders of SAI Global Limited	**28,688**	19,530	46.9%
Add back significant charges net of tax:			
Accounting, legal, tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach to acquire the Company and subsequent process	-	5,228	
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)	-	2,294	
Incidental charges relating to prospective acquisitions	**1,030**	101	
	1,030	7,623	
Less: income tax impact of significant charges	**288**	2,134	
Significant charges net of tax	**742**	5,489	
Underlying net profit after tax attributable to equity holders of SAI Global Limited	**29,430**	25,019	17.6%

Discussion of summary financials

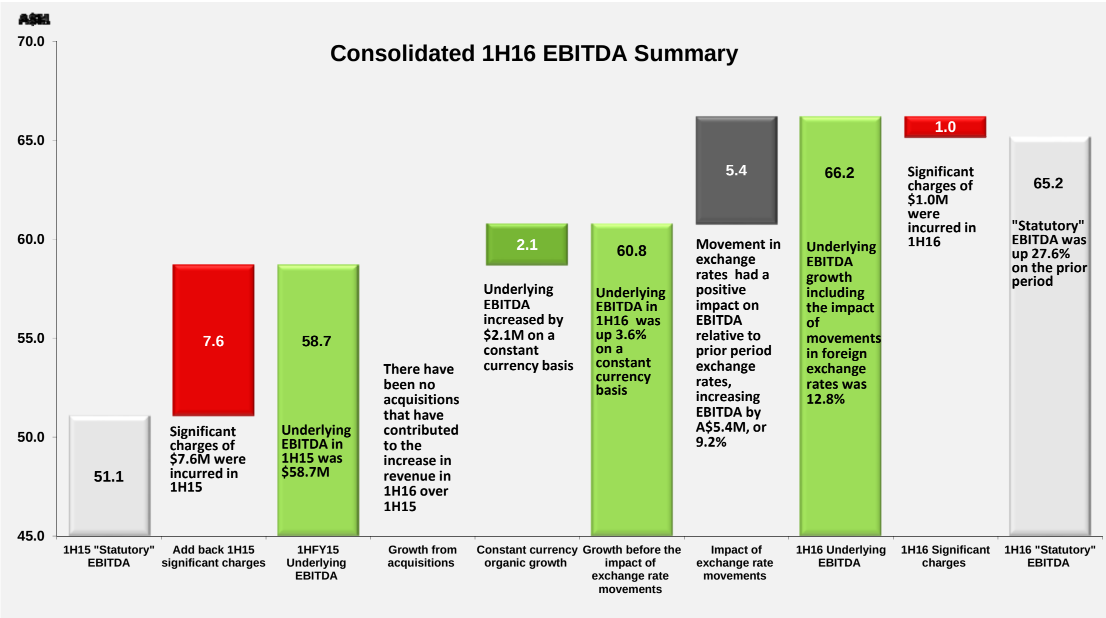
To assist in the understanding of the drivers of net profit after tax, the following discussion includes a review of revenue, EBITDA, interest, depreciation and tax.



The major contributor to the overall growth of the 8.1% was the Risk Management Services business which reported revenue growth of 10.8%. Revenue growth on a constant currency basis was 0.5%. The Property Services business achieved revenue growth of 2.4%. As this business only operates in Australia it is not impacted by movement in exchange rates.

Within the Risk Management Services business the Americas region was the standout performer, achieving revenue growth of 24.8% (4.1% on a constant currency basis). The EMEA region delivered revenue growth of 9.8% (flat on a constant currency basis), and the APAC region saw revenue decline by 1.5% (a decline of 2.8% on a constant currency basis). Further details relating to the regional performance are provided later in this report.

Underlying EBITDA increased 12.8% from $58.7 million to $66.2 million. The major components of the growth in statutory and underlying EBITDA are set out in the chart below:



On a constant currency basis underlying EBITDA grew by 3.6%, at an expanded margin of 22.8%, up from 21.9% achieved in the prior corresponding period.

The charge for depreciation increased to $13.6 million, up from $12.4 million in the corresponding period, reflecting the impact of the investment in new product development, and enhancing the IT infrastructure and product platforms, together with the adverse impact of the weaker Australian dollar.

The charge for amortization of identifiable intangible assets increased to $6.4 million, up from $5.7 million in the prior corresponding period. The increase reflects the addition of the amortisation charge in respect of the exclusive rights to use the Encompass software in Australia. The other intangible assets consist of the assessed values of acquired customer relationships and contracts, product delivery platforms and intellectual property.

The net financing charge of $4.9 million consists of an interest expense of $5.2 million net of interest received of $276k. This net charge was down from $5.7 million in the corresponding period reflecting the renegotiation of the Company's financing facilities on more favourable terms in December 2014.

Business combinations

Notwithstanding that we are in active dialogue with a number of potential acquisition targets, no transactions were completed during the first half.

Business operations

A summary of segment revenue and underlying earnings is set out below:

$'000	Revenue[1]			Underlying EBITDA		
	1H16	1H15	Change	1H16	1H15	Change
Risk Management solutions:						
APAC	**74,634**	75,762	(1.5%)	**26,374**	26,781	(1.5%)
EMEA	**40,299**	36,707	9.8%	**2,006**	5,621	(64.3%)
Americas	**86,991**	69,725	24.8%	**29,686**	20,522	44.7%
Eliminations	**(703)**	(633)	11.1%	-	-	
Total risk management Services	**201,221**	181,561	10.8%	**58,066**	52,924	9.7%
Property Services	**88,965**	86,878	2.4%	**17,998**	15,215	18.3%
	290,186	268,439	8.1%	**76,064**	68,139	11.6%
Corporate Services	-	-		**9,851**	9,439	4.4%
Segment Revenue and EBITDA before significant charges	**290,186**	268,439	8.1%	**66,213**	58,700	12.8%
Less: depreciation				**13,614**	12,386	9.9%
Less: amortisation of acquired intangible assets				**6,365**	5,714	11.4%
Add: share of net profits of associated companies				**123**	128	(3.9%)
Segment result before significant charges				**46,357**	40,728	13.8%

Risk Management Solutions

Under the new operating structure we have arranged our existing suite of products and services into four new groups of offerings, being Risk Software, Learning, Assurance and Knowledge.

Risk Software

Our suite of Risk Software products provide 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 manage and mitigate risks, focusing 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.

"C360", our integrated SaaS GRC software platform has been ranked a "Leader" by Forrester in their recent, highly influential, TechRadar review.[1]

In addition, our highly configurable, Environmental, Health and Safety (EH&S) platform enables 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.

Revenue from our Risk Software products increased 29.4% (2.2% on a constant currency basis) from A$20.4 million to A$26.4 million, at a gross margin of 86.9%, up from 80.3% in the prior corresponding period.

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.

Revenue from our Learning products increased 14.6% (down 11.2% on a constant currency basis) from A$34.8 million to A$39.9 million, at a gross margin of 70.4%, up from 69.6% in the prior corresponding period. Whilst we have been successful in our objective of stabilising the compliance e-learning business the standards (classroom) training business remains under pressure.

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 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 their management of food safety risks.
- Audit & Inspection Programmes (2nd party audits). Client specified audit programmes, including retail store and other site inspections.

[1] *The Forrester Wave™: Governance, Risk, And Compliance Platforms, Q1 2016*

- 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 focused 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 manufacturer has the capability to consistently manufacture a particular product that complies with 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.

Revenue from our assurance products increased 5.1% (down 6.9% on a constant currency basis) from A$88.7 million to A$93.2 million, at a gross margin of 49.9%, down from 51.2% in the prior corresponding period.

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.

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.

Revenue from our Knowledge products increased 10.7% (3.7% on a constant currency basis) from A$38.3 million to A$42.3 million, at a gross margin of 70.3%, down from 73.8% in the prior corresponding period. The reduced margin reflects the impact of sales of the updated ASME Pressure Vessel Code which generates a much lower gross margin than other publications.

APAC Region

The APAC region recorded a fall in revenue of 1.5% from A$75.8 million to A$74.6 million. On a constant currency basis revenue was down 2.8% compared to the prior corresponding period.

The APAC region has been impacted by the slow-down across Asia, particularly in China and Indonesia in our Assurance portfolio. The Australian business has exhibited weakness in Management Systems Certification (QMS and Food), as well as in the associated training environment. As a result, the Assurance product suite saw revenue reduce by 4.4% from A$37.3 million to A$ 35.7 million, and the revenue from Learning products reduce by 10.7% from A$5.5 million to A$4.9 million.

Growth occurred across the region in both the Risk Software and Knowledge product suites which reported growth of 2.1% to A$5.4 million and 3.6% to A$28.6 million respectively.

Gross margins are virtually the same as last year at 66.3% (1H15: 66.4%). EBITDA from the region was $26.4M, down from $26.8M in the prior corresponding period, at a consistent EBITDA margin of 35.3% (1H15:35.3%).

Our expectation is for an improved second-half performance following recent new business wins.

EMEA Region

The EMEA region contributed revenue growth of 9.8% due to the weakening of the Australian dollar against the European currencies. On a constant currency basis revenue was flat compared to the prior corresponding period.

Gross margin in the EMEA region declined from 49.9% to 46.7%. This decrement was as a result of the Pressure Vessel code noted above and also the loss of a key high margin regional contract which has been taken in-house by the client. However, we have an opportunity to retender for this business on a global basis in 2016. In addition, the EMEA results were adversely impacted by an increase in customer losses which has highlighted the need for operational improvement in this region.

Revenue performance across the EMEA region was mixed with the Knowledge business achieving growth of 18.5% to GBP 8.8 million, up from GBP 7.4 million, whereas the Risk Software, Learning and Assurance products saw constant currency revenue declines of 18.5%, 1.5% and 5.2% respectively.

EBITDA reduced from A$5.6 million to A$2.0 million as a result of the reduced gross margin and an increase in overheads. As EMEA is a key focal point of our strategy to grow our presence in the food risk sector, the region has been investing in capability to support delivery and on-boarding of our new strategic accounts across multi products. This investment largely comprised:

- Investment to upskill our audit team providing a more flexible and scalable resourcing pool
- Creating a more accountable audit team management structure with lead auditors assigned to key accounts tasked with improving the customer experience
- Re-organisation and re-engineering of operational support services to assist the European team to provide higher service levels to improve customer retention rates

In addition, the region has sought to recruit stronger sales and industry expertise to lead the global focus in the food risk sector. The combination of strong client relationships with additional domain expertise has already shown early signs of success and is expected to secure further high profile client wins.

Notwithstanding the adverse impact of the increased customer losses noted above, EMEA has achieved significant new business wins in the first-half of FY16 in the Casual Dining Sector across our product portfolios by combining Assurance and Risk Software solutions, with future opportunities for the inclusion of Learning and Knowledge products. These successes reinforce our resolve to focus on food risk as well as validate the enhanced sales capability and risk management product integration brought about through the new organisational structure.

The region is seeing growth in new business but due the nature of the contracts a significant proportion of this new business will flow through in the second-half of the year and into FY17. Consequently, we expect improved profitability from the EMEA region in 2H16.

Americas Region

The Americas region contributed revenue growth of 24.8% to A$87.0 million, up from A$69.7 million on the prior corresponding period due primarily to the weakening of the Australian dollar against the US dollar. On a constant currency basis, revenue was up 4.1% compared to the prior corresponding period.

The Americas region experienced strong growth in Risk Software products, achieving double digit constant currency revenue growth of 15% from US$14.3 million to US$16.4 million. Learning products decreased in revenue by 1.8% from US$24.1 million to US$23.6 million. This decrease is attributed to a slowdown in our instructor led (classroom) training offset by a strong performance in our ethics e-learning product suite. The Assurance product suite reported a 4.6% increase in revenue from US$28.1 million to US$29.4 million. The small Knowledge business in North America reported a 3.9% decrease in revenue from US$3.2 million to US$3.1 million.

The gross margin across the region improved to 67.9%, up from 66.4%.

The region contributed EBITDA growth of 44.7% to A$29.7 million, up from A$20.5 million in the prior corresponding period. Constant currency EBITDA growth was also strong at 18.2%, reflecting operational improvements and, in particular, a tight control on costs. These improvements have also led to higher customer retention and renewals over the prior year.

Property Services

SAI Global's Property Services division provides two core areas of services: Business Process Outsourcing services; and Information broking and data services.

SAI Global is Australia's premier business process outsourcing services provider in the area of property settlement services. We provide a range of technology services and software (e.g. document digitisation) to automate many parts of the property transaction.

Building on our strength across the end-to-end property transaction and the success of our Settlement Manager and Settlement Room platforms, we are well placed to provide the industry with a hybrid of digital and manual property transaction capability, offering financial institutions, conveyancers and solicitors online convenience and collaboration. During 2H16 and beyond, we will invest to remove further pain points of the settlement process, working with the industry to remove unnecessary cost and inefficient processes. The investment focus will be online collaboration between parties; electronic financial settlement; and digitising many of the manual and paper-based processes.

The property industry is undergoing digital transformation, but the adoption has been slow. As the largest processor of property settlements in Australia, SAI Global is optimally positioned to be a leading player in the transformation, offering a hybrid model which will simplify and accelerate this transformation.

Complementing this, our Search Manager and Conveyancing Manager platforms will continue to support the conveyancing process and digitally enhance property data, providing efficiencies to practitioners. Commercial data (e.g. ASIC, PPSR) will also be enhanced through continued investment in the Encompass platform – the first visualisation software of commercial and personal data – as well as provide more value-added data products, such as the Dynamic Companies and Securities Report that was released in the past year.

The Property business achieved revenue growth of 2.4% (6.0% if the authority fee pass through component of information brokerage revenue is excluded) and EBITDA growth of 18.3%. EBITDA margins increased by 2.7% to 20.2% compared to the previous corresponding period. This strong performance has been driven by new product offerings in broking and data services (Company Dynamic and Securities Report); a buoyant real estate market; the addition of a new client, NAB Broker, which went live late September 2015; and continued focus on operational excellence initiatives in our operations area.

In Information Broking and Data Services revenue growth includes an increase in search volumes by 0.6% as well as both new products and pricing.

Settlement volumes for the half-year period are up on the previous half-year by 1.7%. Excluding the impact of the loss of the St George business in the second half of FY15 and the new NAB broker business, the underlying ("same store") growth in completed settlements was 5.4%. This included a record month in December 2015 when c.58,600 settlements were completed. This exceeded our previous record month of June 2015, when c.55,800 settlements were completed. SAI's share of property settlements for banks continues to grow with SAI now undertaking around 55% of all such transactions carried out on a national basis.

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, Risk Management, Strategy and Mergers and Acquisitions, Internal Audit and External Audit fees.

Corporate costs increased from A$9.4 million to A$9.9 million reflecting the recruitment of a dedicated resource to focus on strategy and mergers and acquisitions, together with investment in project management and investor relations capability.

Capital Management

The Group finished the period with cash balances of $70.2 million, interest-bearing debt of $293.9 million and shareholders' funds of $410.4 million. The gearing ratio as at 31 December 2015 was 35.3%, up from 33.6% at 30 June 2015. This increase reflects the impact of the weaker Australian dollar on the portion of the Company's borrowings that are denominated in foreign currencies.

Where practicable, the debt component of 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 Group does not undertake hedging activities in relation to its projected foreign currency earnings.

Matters subsequent to the end of the half-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 Group, the results of those operations or the state of affairs of the Group in future financial years.

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 14.

Rounding of amounts to nearest thousand dollars

The Company is 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 report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Andrew Dutton
Chairman

Peter Mullins
Chief Executive Officer

25 February 2016

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

As lead auditor for the review of SAI Global Limited for the half-year ended 31 December 2015, I declare 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 SAI Global Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
25 February 2016

SAI Global Limited

Consolidated statements of comprehensive income for the half-year ended 31 December 2015

	Note	Half-Year Consolidated 2015 $'000	2014 $'000
Revenue		**290,186**	268,439
Other income		**933**	430
		291,119	268,869
Share of net gains of investments accounted for using the equity method		**123**	128
Expenses			
Employee benefits expense	3	**97,504**	92,646
Depreciation and amortisation expense	3	**19,979**	18,100
Finance costs	3	**5,180**	5,793
Other expenses	3	**128,156**	125,076
		250,819	241,615
Profit for the half-year before income tax expense		**40,423**	27,382
Income tax expense	4	**11,733**	7,667
Net profit for the half-year after income tax expense		**28,690**	19,715
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movement on cash flow hedges		**807**	444
Income tax effect		**(104)**	(35)
		703	409
Exchange differences on translation of foreign operations		**5,826**	25,857
Income tax effect		**-**	-
		5,826	25,857
Items that may not be reclassified subsequently to profit or loss			
Change in minimum funding requirement on closure of defined benefit plan		**-**	(12)
Income tax effect		**-**	-
		-	(12)
Other comprehensive income for the half-year, net of tax		**6,529**	26,254
Total comprehensive income for the half-year		**35,219**	45,969
Profit for the half-year is attributable to:			
Owners of SAI Global Limited		**28,688**	19,530
Non-controlling interests		**2**	185
		28,690	19,715
Total comprehensive income for the half-year is attributable to:			
Owners of SAI Global Limited		**35,217**	45,784
Non-controlling interests		**2**	185
		35,219	45,969
Earnings per share attributable to the ordinary owners of the Company:			
Basic (cents per share)	12	**13.5**	9.2
Diluted (cents per share)	12	**13.5**	9.2

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

SAI Global Limited

Consolidated statements of financial position as at 31 December 2015

	Note	Consolidated	
		31-Dec-15	30-Jun-15
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**70,233**	83,939
Trade and other receivables		**135,274**	142,868
Current tax receivable		**2,334**	6,738
Inventories		**604**	389
Total current assets		**208,445**	233,934
Non-current assets			
Investments accounted for using the equity method		**1,152**	1,145
Plant and equipment [1]		**68,890**	67,600
Deferred tax assets		**23,544**	25,800
Intangible assets	9	**593,144**	583,261
Total non-current assets		**686,730**	677,806
Total assets		**895,175**	911,740
LIABILITIES			
Current liabilities			
Trade and other payables	6	**141,171**	171,082
Current tax liabilities		**4,861**	6,979
Provisions		**5,198**	5,961
Total current liabilities		**151,230**	184,022
Non-current liabilities			
Borrowings [2]		**292,403**	283,040
Deferred tax liabilities		**35,157**	37,037
Provisions		**3,511**	7,224
Derivative financial instruments		**1,021**	2,035
Retirement benefit obligations		**1,432**	1,467
Total non-current liabilities		**333,524**	330,803
Total liabilities		**484,754**	514,825
Net assets		**410,421**	396,915
EQUITY			
Contributed equity	11	**401,291**	402,395
Reserves	7	**(6,859)**	(12,822)
Retained profits		**14,439**	5,794
Capital and reserves attributable to the ordinary owners of SAI Global Limited		**408,871**	395,367
Non-controlling interests		**1,550**	1,548
Total equity		**410,421**	396,915

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

[1] Plant and equipment consists of internally generated intellectual property, IT equipment, software, leasehold improvements and furniture and fittings.

[2] Non-current borrowings is net of $1.531M of facility establishment costs (30 June 2015: $2.242M).

SAI Global Limited

Consolidated statements of changes in equity for the half-year ended 31 December 2015

	Half-Year Consolidated				
	Attributable to owners of SAI Global Limited				
	Contributed Equity	Reserves	Retained earnings	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	402,395	(12,822)	5,794	1,548	396,915
Profit for the half-year	-	-	28,688	2	28,690
Other comprehensive income	-	6,529	-	-	6,529
Total comprehensive income for the half-year	**-**	**6,529**	**28,688**	**2**	**35,219**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	(1,104)	-	-	-	(1,104)
Dividends paid	-	-	(20,043)	-	(20,043)
Movement in share based payments reserve	-	(566)	-	-	(566)
Acquisition of non-controlling interest	-	-	-	-	-
Balance at 31 December 2015	**401,291**	**(6,859)**	**14,439**	**1,550**	**410,421**
Balance at 1 July 2014	399,977	(56,205)	(376)	1,259	344,655
Profit for the half year	-	-	19,530	185	19,715
Other comprehensive income	-	26,266	(12)	-	26,254
Total comprehensive income for the half-year	**-**	**26,266**	**19,518**	**185**	**45,969**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	2,654	-	-	-	2,654
Dividends paid	-	-	(17,952)	-	(17,952)
Movement in share based payments reserve	-	227	-	-	227
Acquisition of non-controlling interest	-	-	-	-	-
Balance at 31 December 2014	**402,631**	**(29,712)**	**1,190**	**1,444**	**375,553**

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

SAI Global Limited

Consolidated statements of cash flows for the half-year ended 31 December 2015

	Note	Half-Year Consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		**313,002**	288,952
Payments to suppliers and employees		**(271,268)**	(242,073)
Interest received		**276**	70
Interest paid		**(5,180)**	(5,793)
Income taxes paid		**(9,811)**	(9,672)
		27,019	31,484
Cash outflow impact of significant charges booked in the current and prior period [1]		**(7,226)**	(6,936)
Net cash inflow from operating activities		**19,793**	24,548
Cash flows from investing activities			
Payments for purchase of controlled entities (net of cash acquired)		-	(2,789)
Payment for Encompass rights		-	(8,000)
Payments for product development		**(3,149)**	(5,940)
Payments for plant and equipment [2]		**(3,007)**	(3,374)
Payments for capital work-in-progress		**(8,149)**	(2,673)
Net cash outflow from investing activities		**(14,305)**	(22,776)
Cash flows from financing activities			
Proceeds from issue of shares		-	163
Payments for shares		**(1,500)**	(555)
Payment for shares bought on market for issue of shares under DRP		**(3,962)**	-
Dividends paid		**(15,138)**	(15,032)
Net cash outflow from financing activities		**(20,600)**	(15,424)
Net increase/(decrease) in cash and cash equivalents		**(15,112)**	(13,652)
Cash and cash equivalents at the beginning of the financial period		**83,939**	67,730
Effects of exchange rate changes on cash and cash equivalents		**1,406**	4,119
Cash and cash equivalents at the end of the half-year	5	**70,233**	58,197

[1] Cash outflow impact of significant charges is comprised of:

	2015	2014
Accounting, legal, tax, advisory and other incidental costs incurred in responding to the unsolicited, conditional and non-binding approach and subsequent process	-	(4,541)
Operational efficiency initiatives (consulting fees, terminations and office rationalisation)	(5,862)	(2,294)
Incidental charges relating to prospective acquisitions	(1,364)	(101)
Cash outflow impact of significant charges	(7,226)	(6,936)

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

[2] Plant and equipment consists of internally generated intellectual property, IT equipment, software, leasehold improvements and furniture and fittings.

Contents of the notes to the financial statements

Corporate Information

The consolidated financial statements of SAI Global Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 25 February 2016.

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 these 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 subsidaries.

Basis of preparation of half-year report

This general purpose condensed financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Acccounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full a disclosure of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by SAI Global Limited during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Comparative Figures

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

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.

Segment Information

As explained in note 2, on 1 July 2015 the distinct Assurance, Compliance and Standards & Technical Information divisions were combined into a single Risk Management Solutions division. Property Services remained as a stand-alone division, given the discrete nature of the services it provides.
The new Risk Management Solutions division is managed on a regional basis; Asia Pacific (APAC), the Americas (AMER), and Europe, Middle East and Africa (EMEA). This financial report for the six months ending on 31 December 2015 is the first report under the new operating structure. Prior year comparatives have been restated to reflect the new reporting structure.

New Acccounting Standards and Intepretations

(a) Changes in accounting policy

The Group has adopted AASB 2013-9 – Conceptual Framework, Materiality and Financial Instrument from 1 July 2015. Adoption of this standard did not have a material impact on the Group.

Note 2. Segment information

The segment information provided to the Board and Executive Committee for the half-year ended 31 December 2015 is as follows:

Half-year ended 31 December 2015	Risk Management Solutions			Total RMS [1]	Property Services	Corporate Services	Eliminations	Consolidated
	APAC $'000s	EMEA $'000s	Americas $'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Sales revenue:								
Risk	5,404	804	20,238	26,446	-	-	(137)	26,309
Learning	4,932	5,911	29,085	39,928	-	-	-	39,928
Assurance	35,667	23,717	33,824	93,208	-	-	(420)	92,788
Knowledge	28,631	9,867	3,844	42,342	-	-	(146)	42,196
Property	-	-	-	-	88,965	-	-	88,965
Total sales revenue	**74,634**	**40,299**	**86,991**	**201,924**	**88,965**	**-**	**(703)**	**290,186**
Other income	76	337	255	668	40	(51)	-	657
Segment revenue	**74,710**	**40,636**	**87,246**	**202,592**	**89,005**	**(51)**	**(703)**	**290,843**
Less: direct costs	(25,134)	(21,492)	(27,916)	(74,542)	(58,793)	(74)	703	(132,706)
Gross margin	**49,576**	**19,144**	**59,330**	**128,050**	**30,212**	**(125)**	**-**	**158,137**
Less: overheads	(23,202)	(17,138)	(29,644)	(69,984)	(12,214)	(9,726)	-	(91,924)
Segment earnings before interest, tax, depreciation and amortisation (EBITDA), before significant charges	**26,374**	**2,006**	**29,686**	**58,066**	**17,998**	**(9,851)**	**-**	**66,213**
Less: depreciation	(569)	(1,760)	(4,303)	(6,632)	(2,937)	(4,045)	-	(13,614)
Less: amortisation of intangible assets	(940)	(718)	(4,113)	(5,771)	(594)	-	-	(6,365)
	24,865	**(472)**	**21,270**	**45,663**	**14,467**	**(13,896)**	**-**	**46,234**
Share of net profits of associates and joint venture partnership accounted for using the equity method	123	-	-	123	-	-	-	123
Segment result before significant charges	**24,988**	**(472)**	**21,270**	**45,786**	**14,467**	**(13,896)**	**-**	**46,357**

a) Reconciliation of segment revenue

Segment revenue	290,843
Interest income	276
Total revenue	**291,119**

b) Reconciliation of segment result

Segment result before significant charges	46,357
Significant charges:	
Incidental charges relating to prospective acquisitions	(1,030)
Total significant charges	(1,030)
Interest income	276
Interest expense	(5,180)
Profit for the period before income tax expense	**40,423**

1 As noted in SAI Global's FY15 Annual Report, prior to 1 July 2015, the Company had historically been run as distinct operating divisions, being Assurance Services, Compliance Services, Standards & Technical Information and Property Services.

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.

The new Risk Management Solutions division is managed on a regional basis; Asia Pacific (APAC), the Americas (AMER), and Europe, Middle East and Africa (EMEA). Regional Directors 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 1st July 2015, the Assurance Services, Compliance Services and Standards & Technical Information divisions ceased to exist. This financial report for the six months ending on 31 December 2015 is the first report under the new operating structure. Prior year comparatives have been restated to reflect the new reporting structure.

Note 2. Segment information (continued)

The segment information provided to the Board and Executive Committee for the half-year ended 31 December 2014 is as follows:

Half-year ended 31 December 2014	**Risk Management Solutions**			**Total RMS** [1]	**Property Services**	**Corporate Services**	**Eliminations**	**Consolidated**
	APAC $'000s	**EMEA $'000s**	**Americas $'000s**		**$'000s**	**$'000s**	**$'000s**	**$'000s**
Sales revenue:								
Risk	5,291	852	14,300	20,443	-	-	(123)	20,320
Learning	5,522	5,258	24,050	34,830	-	-	-	34,830
Assurance	37,307	23,202	28,147	88,656	-	-	(356)	88,300
Knowledge	27,642	7,395	3,228	38,265	-	-	(154)	38,111
Property	-	-	-	0	86,878	-	-	86,878
Total sales revenue	**75,762**	**36,707**	**69,725**	**182,194**	**86,878**	-	**(633)**	**268,439**
Other income	22	429	(114)	337	20	3	-	360
Segment revenue	**75,784**	**37,136**	**69,611**	**182,531**	**86,898**	**3**	**(633)**	**268,799**
Less: direct costs	(25,424)	(18,387)	(23,452)	(67,263)	(59,222)	(100)	633	(125,952)
Gross margin	**50,360**	**18,749**	**46,159**	**115,268**	**27,676**	**(97)**	**-**	**142,847**
Less: overheads	(23,579)	(13,128)	(25,637)	(62,344)	(12,461)	(9,342)	-	(84,147)
Segment earnings before interest, tax, depreciation and amortisation	**26,781**	**5,621**	**20,522**	**52,924**	**15,215**	**(9,439)**	**-**	**58,700**
Less: depreciation	(669)	(1,253)	(3,746)	(5,668)	(2,722)	(3,996)	-	(12,386)
Less: amortisation of intangible assets	(950)	(729)	(3,742)	(5,421)	(293)	-	-	(5,714)
	25,162	**3,639**	**13,034**	**41,835**	**12,200**	**(13,435)**	**-**	**40,600**
Share of net profits of associates and joint venture partnership accounted for using the equity method	128	-	-	128	-	-	-	128
Segment result before significant charges	**25,290**	**3,639**	**13,034**	**41,963**	**12,200**	**(13,435)**	**-**	**40,728**

a) Reconciliation of segment revenue

Segment revenue	268,799
Interest income	70
Total revenue	**268,869**

b) Reconciliation of segment result

Segment result before significant charges	40,728
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)	(2,294)
Incidental charges relating to acquisitions	(101)
Total significant charges	(7,623)
Interest income	70
Interest expense	(5,793)
Profit for the period before income tax expense	**27,382**

[1] As noted in SAI Global's FY15 Annual Report, prior to 1 July 2015, the Company had historically been run as distinct operating divisions, being Assurance Services, Compliance Services, Standards & Technical Information and Property Services.

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.

The new Risk Management Solutions division is managed on a regional basis; Asia Pacific (APAC), the Americas (AMER), and Europe, Middle East and Africa (EMEA). Regional Directors 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 1st July 2015, the Assurance Services, Compliance Services and Standards & Technical Information divisions ceased to exist. This financial report for the six months ending on 31 December 2015 is the first report under the new operating structure. Prior year comparatives have been restated to reflect the new reporting structure.

Note 3. Other expenses

	Half-Year Consolidated 2015 $'000	2014 $'000
Profit for the half-year before income tax expense includes the following expenses:		
Other expenses		
Cost of providing services	**50,563**	44,385
Property service disbursements	**43,302**	43,421
Administration costs	**9,076**	14,581
Promotional costs	**2,581**	2,072
Lease costs	**9,778**	8,437
Other expenses	**12,856**	12,180
Total other expenses (including significant charges of $1,030,000[1])	**128,156**	125,076
Employee benefits expense	**97,504**	92,646
Depreciation of plant and equipment	**13,614**	12,386
Amortisation:		
Publishing licence agreement	**802**	802
Customer relationships and contracts	**2,283**	2,344
Product delivery platforms	**1,253**	1,030
Intellectual property	**1,624**	1,470
Encompass rights	**403**	68
Total amortisation	**6,365**	5,714
Total depreciation and amortisation	**19,979**	18,100
Other expenses:		
Accounts receivable impairment expense	**503**	1,078
	503	1,078
Finance costs:		
Interest and finance charges paid/payable	**5,180**	5,793
	5,180	5,793

[1] 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)	-	2,294
Incidental charges relating to acquisitions	**1,030**	101
Total significant charges	**1,030**	7,623

Note 4. Income tax expense

	Half-Year Consolidated 2015 $'000	2014 $'000
(a) Income tax expense		
Current tax	**12,262**	9,309
Deferred tax	**(391)**	(1,599)
Under/(over)provision from prior year	**(138)**	(43)
	11,733	7,667
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(17)**	1,926
(Decrease)/increase in deferred tax liabilities	**(374)**	(3,525)
	(391)	(1,599)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**40,423**	27,382
Tax at the Australian income tax rate of 30% (2014 - 30%)	**12,127**	8,215
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	**(386)**	(716)
	11,741	7,499
Under/(over)provision from prior year	**(138)**	(43)
Tax effect of different foreign tax rates and other adjustments	**130**	211
Income tax expense	**11,733**	7,667
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	**394**	266
	394	266
(c) Tax losses		
US State tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**57,947**	51,638
Potential benefit at the applicable US state tax rate of 5.94%	**3,442**	3,067

Note 5. Current assets - Cash assets and cash equivalents

	Half-Year Consolidated	
	31-Dec-15	30-Jun-15
	$'000	$'000
Cash at bank and on hand	**67,392**	81,151
Deposits at call	**2,841**	2,788
	70,233	83,939

As at 31 December 2015 $0.4M (June 2015: $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.

Note 6. Current liabilities - Trade and other payables

Trade payables	**12,463**	23,763
Accrued expenses	**48,039**	61,348
Deferred revenue	**80,669**	85,971
	141,171	171,082

Due to the short-term nature of these payables, their carrying value is considered to approximate their fair value.

Note 7. Reserves

(a) Reserves

Share-based payments reserve	**9,522**	10,088
Foreign currency translation reserve	**5,412**	(414)
Hedging reserve - Cash flow hedges	**(2,322)**	(3,025)
Transactions with non-controlling interests	**(19,471)**	(19,471)
	(6,859)	(12,822)

(b) 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. 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 accumulates the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges.

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.

Note 8. Dividends

	Half Year Consolidated 2015 $'000	2014 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	**20,043**	17,952

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the year end the Directors have declared the payment of an interim dividend of 7.5 cents per share (2014 - 7.5 cents), 100% franked based on tax paid at 30%. The aggregate amount of the declared dividend expected to be paid on 8 April 2016, but not recognised as a liability at year end, is	**15,848**	15,871

Note 9. Non-current assets - Intangible assets

	Half Year Consolidated 31-Dec-15 $'000	30-Jun-15 $'000
Goodwill		
At cost	**528,270**	512,682
Identifiable intangible assets		
Trademark	**16,100**	16,100
Publishing Licence Agreement	**31,955**	31,955
Less: Accumulated amortisation	**(19,146)**	(18,344)
	12,809	13,611
Customer relationships and contracts	**79,292**	77,748
Less: Accumulated amortisation	**(63,533)**	(59,841)
	15,759	17,907
Product delivery platforms	**21,310**	20,695
Less: Accumulated amortisation	**(18,793)**	(17,109)
	2,517	3,586
Intellectual property	**34,832**	33,707
Less: Accumulated amortisation	**(24,327)**	(21,919)
	10,505	11,788
Encompass software rights	**8,057**	8,057
Less: Accumulated amortisation	**(873)**	(470)
	7,184	7,587
Total identifiable intangible assets	**64,874**	70,579
Total Intangible assets	**593,144**	583,261

A reconciliation of the carrying amount of intangible assets at the beginning and end of the current financial year is set out below.

Note 9. Non-current assets - Intangible assets (continued)

	Half Year Consolidated 31-Dec-15 $'000	30-Jun-15 $'000
Goodwill		
Opening net book amount	**512,682**	434,477
Additions:		
Acquisition of OCICERT Mexico	**-**	2,762
Adjustments to goodwill arising on prior year acquisitions	**-**	5,392
Re-translation of goodwill denominated in foreign currencies	**15,588**	70,051
Closing net book amount	**528,270**	512,682

Trademark - Assurance Services Division		
Opening net book amount at 1 July 2015	**16,100**	16,100

The Directors have determined that the trademark 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.

Publishing licence agreement		
Opening net book amount	**13,611**	15,202
Amortisation charge	**(802)**	(1,591)
Closing net book amount	**12,809**	13,611
Customer relationships and contracts		
Opening net book amount	**17,907**	19,737
Re-translation of assets denominated in foreign currency	**135**	3,003
Amortisation charge	**(2,283)**	(4,833)
Closing net book amount	**15,759**	17,907
Product delivery platforms		
Opening net book amount	**3,586**	4,857
Re-translation of assets denominated in foreign currency	**185**	928
Amortisation charge	**(1,254)**	(2,199)
Closing net book amount	**2,517**	3,586

Note 9. Non-current assets - Intangible assets (continued)

	Half Year Consolidated 31-Dec-15 $'000	30-Jun-15 $'000
Intellectual property		
Opening net book amount	**11,788**	13,098
Re-translation of assets denominated in foreign currency	**341**	1,692
Amortisation charge	**(1,624)**	(3,002)
Closing net book amount	**10,505**	11,788
Encompass software rights		
Opening net book amount	**7,587**	-
Purchase of Encompass software rights	-	8,057
Amortisation charge	**(403)**	(470)
Closing net book amount	**7,184**	7,587
Total identifiable intangible assets	**64,874**	70,579
Total intangible assets	**593,144**	583,261

Note 10. Financial Instruments

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. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

Interest Rate Swap Valuation Methodology

A swap has two series of cash flows, the fixed leg and the floating leg.
The present value of a swap is equal to the sum of all the discounted future cash flows. The fixed leg of the swap has fixed payments (subject to day count changes between periods) as per the swap confirmation. For the floating coupon payments, implied forward rates are determined from a zero coupon interest rate curve denominated in the currency specified in the swap confirmation. The floating margin (if applicable) is then added to these forward rates to calculate the expected floating leg coupon rates on each reset date. The valuation of the swap is calculated by discounting the expected future cash flows of both legs from their future payment dates back to the valuation date using a benchmark zero coupon curve.

AASB 7 Financial Instruments: Disclosures 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).

The following table presents the Group's financial instruments measured and recognised at fair value at 31 December 2015:

At 31 December 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Net settled (Interest Rate Swap) liability	-	**(1,021)**	-	**(1,021)**

At 30 June 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Net settled (Interest Rate Swap) liability	-	(2,035)	-	(2,035)

Note 11. Contributed equity

	Note	Half Year Consolidated 31-Dec-15 $'000	30-Jun-15 $'000
Share capital			
Ordinary shares		**403,221**	403,265
Less reserved shares		**(1,930)**	(870)
Net ordinary shares	(a)	**401,291**	402,395

Movements in ordinary share capital

Details	Number of shares	Issue price	$'000
Opening balance at 1 July 2015	211,538,126		**402,395**
Shares issued under the exercise of Performance Share Rights	-		-
Exercise of options over shares	-		-
Exercise of options over shares	-		-
Shares issued under dividend reinvestment plan	892,633	$4.39	3,919
Shares purchased on market for the issue of shares under dividend	(892,633)	$4.44	(3,963)
Transfer to reserve shares bought on market	(342,568)	$4.38	(1,500)
Shares issued to Trust by SAI Global Ltd	-		-
Exercise of Performance Share Rights and options over shares	111,153		440
Closing balance at 31 December 2015	211,306,711		**401,291**
Opening balance at 1 July 2014	210,779,307		399,977
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	(224,763)	$3.89	(875)
Shares issued to Trust by SAI Global Ltd	(304,302)		(163)
Exercise of Performance Share Rights and options over shares	341,698		396
Closing balance at 30 June 2015	211,538,126		402,395

(a) 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 31 December 2015 all shares were fully paid.

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 attached to the June 2015 Annual Report.

Note 11. Contributed equity (continued)

Reserved Shares [1]

Details	Number of shares	Issue price	$'000
Opening balance at 1 July 2015	223,601		**870**
Purchase of reserved shares bought on market	342,568	$4.38	**1,500**
Shares issued to Trust by SAI Global Ltd	-		**-**
Distribution of shares under exercise of Performance Share Rights	-		**-**
and options over shares	(111,153)		**(440)**
Closing balance at 31 December 2015	455,016		**1,930**
Opening balance at 1 July 2014	36,234		228
Purchase of reserved shares bought on market	224,763	$3.89	875
Shares issued to Trust by SAI Global Ltd	304,302		163
Distribution of shares under exercise of Performance Share Rights and options over shares	(341,698)		(396)
Closure of Deferred Tax Employee Share Scheme			
Closing balance at 30 June 2015	223,601		870

[1] 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.

Note 12. Earnings per share

	Half year Consolidated	
	2015	2014
Basic earnings per share (cents)	**13.5**	9.2
Diluted earnings per share (cents)	**13.5**	9.2
Profit attributable to the ordinary owners of SAI Global Limited used in calculating earnings per share ($'000)	**28,688**	19,530
Weighted average number of shares used as the denominator in calculating basic earnings per share	**211,761,727**	211,351,920
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**211,825,835**	211,537,249

Note 13. Events occuring after the balance sheet date

Other than matters referred to previously in this report, the Directors are not aware of any matter of 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.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 15 to 30 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 consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that SAI Global Limited will be able to pay its debts as and when they become due and payable.

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

Andrew Dutton
Chairman

Peter Mullins
Chief Executive Officer

Sydney

25 February 2016

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To the members of SAI Global Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SAI Global Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 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 SAI Global Limited and the entities it controlled during the half-year, 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*. 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that half-year financial report of SAI Global 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; and

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
25 February 2016