

Salmat Limited

ABN 11 002 724 638

Annual report

for the year ended 30 June 2016

Salmat Limited ABN 11 002 724 638
Annual report - 30 June 2016

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SALMAT LIMITED
(ABN 11 002 724 638)

Appendix 4E
FULL-YEAR REPORT

For the year ended 30 June 2016
Results for announcement to the market

	Year ended 30-Jun-16 \$m	Year ended 30-Jun-15 \$m	% Change Increase /(decrease)
Total revenue	450.8	498.1	(9.5%)
Underlying earnings before interest, income tax, depreciation and amortisation from continuing operations (Underlying EBITDA)(1)	19.6	13.3	47.4%
Underlying (Loss) / Profit after income tax for the period attributable to members from continuing operations(1)	(1.9)	(10.9)	*
Statutory (Loss) / Profit after income tax for the period attributable to members	(8.0)	(100.6)	*
NTA backing Net tangible assets per ordinary security	\$0.04	\$0.07	
Fully Franked Dividends			
Final Dividend	-	-	
Interim Dividend	-	-	

Explanation of results

Refer to the attached ASX announcement for commentary on the results.

The information contained in this report is to be read in conjunction with the 2016 Annual Report and any announcements to the market by Salmat Limited during the period.

* No meaningful number

(1) Refer to note 2 in the notes to the financial statements for the significant items excluded from the Underlying EBITDA and Underlying Net (Loss)/Profit for the period. This is non-recurring expenditure such as restructuring costs, impairment, fair value adjustments to other liabilities, profit on sale of shares in associate and other income (including sale of a small online learning business as part of product and services review). Non-IFRS information is unaudited.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Salmat Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were Directors of Salmat Limited during the financial year and up to the date of this report:

Peter Mattick (Chairman)
Fiona Balfour
Ian Elliot
John Thorn
Mark Webster

Founding partner, Philip Salter, was a director until he sadly passed away on 7 November 2015.

Operating and Financial Review

The Board presents the 2016 Operating and Financial Review, which has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during 2016 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group. The review complements the financial report and has been prepared in accordance with the recently released guidance set out in RG247.

1. Salmat's Operations

Principal activities

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

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

- a) The Media + Digital division delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through national letterbox distribution, digital catalogues, pre-shopping website Lasoo, ecommerce, search (SEO, SEM and display advertising), email and SMS marketing and competitions.
- b) The Contact division helps trusted brands to generate revenue, exit cost, and improve their customer experience. Our contact centre solutions specialise in maximising customer lifetime value using inbound and outbound voice, email, webchat, SMS, social media, customer experience solutions and sophisticated speech technology and automation solutions including natural language speech recognition and voice biometrics. Salmat's MicroSourcing business provides Philippines-based outsourced business solutions - including contact centre services, back-office processes and digital creative and development services - which are provided via an innovative range of managed service delivery models.

Key developments

Fiscal year 2016 was a year of change, as the business continued to implement a major transformation program to restructure revenue and earnings growth for sustainable profitability and shareholder returns.

Key developments included:

- Continuing the Business Transformation initiative launched in January 2015, to simplify every aspect of the business and focus on key strengths, to drive profitable growth. This includes an operational structure and process review and a full product and services portfolio review.
- Finalising the acquisitions of Fuse and MicroSourcing in February and August 2016 respectively.
- Refining the senior leadership team to a core group of five, reflecting the more streamlined focus of the business post-transformation.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Salmat Limited that occurred during the year under review, that were not otherwise disclosed in this report or the financial statements.

2016 Operating Result Summary

\$ million	2016	2015	% change (pcp)
Total revenue	450.8	498.1	-9.5%
Underlying EBITDA	19.6	13.3	+47.4%
Depreciation	(10.1)	(11.1)	-9.0%
Underlying EBITA	9.5	2.2	+331.8%
Amortisation	(3.5)	(3.6)	-2.8%
Underlying EBIT	6.0	(1.4)	*
Net interest	(1.8)	(1.7)	+5.9%
Tax (expense)/benefit	(3.4)	(3.6)	-5.6%
Underlying NPAT ¹ for the Group	0.8	(6.7)	*
Significant items	(6.8)	(91.3)	-92.6%
NPAT from continuing operations	(6.0)	(98.0)	+93.9%

¹ Adjusted for significant items, refer to note 2 in the notes to the financial statements for the significant items included in the Underlying Net Profit for the period. This is non-recurring expenditure such as restructuring costs, impairment, fair value adjustments of other liabilities, profit on sale of shares of an associate and other income (including sale of a small business as part of products and services review). Non-IFRS information is unaudited.

* No meaningful figure

Revenue of \$450.8 million (2015: \$498.1) was down \$47.3 million on the previous year. This was due to the product and services portfolio review announced last year that saw a number of underperforming and non-strategic services discontinued, along with the exiting of a number of customer contracts. The direct impact of this was just under \$38 million in FY16. While client retention was strong and first half revenue tracked well, the impact of the discontinued services was more acute in the second half. There were also fewer new sales in the third quarter and delayed timing in some new contract wins late in the second half. A number of initiatives were implemented during the second half of FY16 to specifically target revenue growth and these are already showing results.

Underlying EBITDA of \$19.6 million (2015: \$13.3) was up 47.4% on the previous year. This was a good result given the reduced revenue. The transformation program's emphasis on simplifying Salmat's business operations was the key contributor to this result, with a reduced cost base and improved efficiency across every area of the business. Moving to cloud-based platforms helped switch costs from fixed to variable and reduce Salmat's IT spend in FY16.

Underlying profit after income tax was \$0.8 million, compared with a \$6.7 million loss in the prior year. Depreciation and amortisation costs were slightly down on the prior year in line with reduced capital spend.

There was \$6.8 million of net costs in **significant items** for this period, compared with a net cost of \$91.3 million in FY15. For FY16, this included transformation restructuring costs and a fair value adjustment of \$5.5 million on previous acquisitions, offset by profit on the sale of shares in an associate and a small online learning business. The FY15 figures included a substantial, one-off non-cash impairment for goodwill and intangibles.

Net loss after tax of \$6.0 million after significant items of \$6.8 million and tax expense of \$3.4 million. The comparative net loss after tax of \$98.0 million in the prior year followed significant item costs of \$91.3 million and a tax expense of \$3.6 million.

Segment results

Media + Digital

Media + Digital revenue of \$254.9 million (2015: \$293.3m) was down by 13.1% on the prior year. The decline in revenue was predominantly due to the product and services portfolio review that saw a number of products being discontinued. Catalogue revenue also dropped, with overall volumes down in FY16. While we retained all of the major accounts up for renewal in FY16, we lost some ground in the mid-tier segment.

Underlying EBITDA of \$24.2 million (2015: \$25.2m) has reduced by 4.0% as a result of continued pricing pressure in certain market segments. The Digital product portfolio has offset this decline and remains a focus with a targeted mid-tier approach. As a result the margin performance for Media + Digital has improved to 9.5% (2015: 8.6%).

Contact

Contact revenue was down by \$8 million to \$194.9 million (2015: \$202.9m) due to rationalisation of the product and services portfolio and a shift of a number of seats off-shore. New revenue was generated by both Contact Centres and MicroSourcing across a number of jurisdictions however was offset by a number of existing contracts expiring and shifting in-house. This segment has experienced a number of new wins late in H2 which will generate revenue in the new year.

Underlying EBITDA of \$5.8 million declined from the prior year (2015: \$7.2m) in line with the reduced revenue however the margin percentage was largely maintained. MicroSourcing made a positive contribution. Some IT investment cost was also attributed to Contact as we continue to enhance the platform, moving to fully cloud hosted solution that will enable a more flexible cost base as we grow revenue in the future.

Corporate Costs of \$10.4 million (2015: \$19.2m) reduced as a result of a number of cost initiatives undertaken throughout the year, with the focus on simplification and improved efficiencies. With the implementation of Workday there is improved transparency of costs, allowing allocations to specific segments to be managed more effectively.

2. Financial position and cash flows

Operating cash was an inflow of \$7.5 million before income tax for FY16. Throughout the year cash was utilised to make payment of a deferred consideration relating to MicroSourcing and to settle the purchase commitment for the Fuse acquisition. Capital expenditure investment reduced this year to \$3.6 million in line with overall operating expenses. The net cash position as at the of FY16 was \$14.6 million.

In June a revised banking term sheet was executed which extended the repayment terms and a number of assets will now be pledged as security.

Our net asset position has decreased by 8% as a result of movement across the entire asset base, offset by a corresponding reduction in liabilities. The major variances can be seen across plant and equipment with reduced capital expenditure as well as a reduction in cash as noted above.

3. Business risks, strategies and prospects

Business strategies and prospects

Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. 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 the physical and digital assets, Salmat is uniquely positioned to enable its clients to distribute more engaging content enabling our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

During FY16, the Group continued its Business Transformation strategy, with an underlying objective 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, post the BPO sale, became apparent as although solid progress had been made with the growth 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.

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.

External Economic Factors

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 retail sales achieved by our retail clients particularly in the Media + Digital division. Salmat endeavours to mitigate reliance on major retailers and diversify its customer base through other industry verticals such as government, telecommunications, financial and health sectors in addition to targeting small and medium enterprises. The company also monitors economic, market and industry trends to identify potential opportunities for growth.

Operational

The company in its handling of customer data increases its exposure to regulatory and reputation risk. To mitigate this risk Salmat technology security policies are in place to ensure information managed is secure from destruction, corruption, unauthorised access and breach of confidentiality whether unintentional or malicious. In addition another key operational risk includes ongoing delivery of customer contractual commitments. System availability is constantly monitored in addition to operational KPI performance to ensure there is continued customer satisfaction and adequate service levels.

Customer Retention and New Business Growth

During FY16 Salmat successfully renewed key customer contracts. Salmat implements governance and review processes where sales, operations, IT, finance and legal teams are all involved in the contract and delivery process. There will be a continued solid focus in FY17 to further increase top line revenue growth. During the FY16 year, Salmat initiated a sales transformation program in conjunction with the recent appointment of a new Chief Sales Officer in May 2016. The sales transformation will carry through to FY17 and will cover improvements across people, processes and technology.

People Assets

Salmat relies on a large number of contractors within the Media business and contact centre agent employees. In line with Salmat's ISO quality accreditation there is ongoing continual improvement to ensure processes and standardised and consistent. In addition to ensuring compliance with labour and health and safety laws.

Financial Risk

Salmat maintains strong financial management practices including governance, control activities and monitoring.

Dividends - Salmat Limited

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

	2016 \$'000	2015 \$'000
Final ordinary dividend for the year ended 30 June 2014 of 7.5 cents per fully paid share paid on 18 September 2014	-	11,986
	-	11,986

No dividends were paid or declared during the year.

Performance indicators

Management and the Board monitor the Group's overall performance, from its implementation of the strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor KPIs on a regular basis. Directors receive reporting on the critical KPIs for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

Environmental issues

The Group is committed to the protection of the environment, to the health and safety of its employees, contractors, customers and the public at large, and to the compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business. The Group is not subject to significant environmental regulation in respect of its operations. The Group has set down a rigorous approach to sourcing and working with suppliers that comply with our environmental criteria.

Matters subsequent to the end of the financial year

On 10 August 2016, the Group completed the remaining 50% acquisition of MicroSourcing International, for \$32.3m (included in current liabilities at 30 June 2016). \$22.3m of this liability was settled on 10 August 2016, through a \$20m cash payment and \$2.3m share issue. Subsequent to the year end, payment terms for the remaining \$10.1m were re-negotiated to defer cash settlement dates. The Group has retained the option to settle \$7.4m in shares. Alternatives to fund this \$10m are being considered and if it is paid in cash the amounts are due in April 2017 (\$5m) and August 2017 (\$5m).

Except for the matter discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

Information on Directors

Peter Mattick, AM

Chairman

Experience and expertise

Peter Mattick co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from executive duties with Salmat in October 2009. Since that time Peter has remained as a Non-executive Director of the company and assumed the role of Chairman in November 2013.

Peter has served as Chairman and Director of the Australian Direct Marketing Association and is a member of the National Aboriginal Sports Corporation. He is a Fellow of the Australian Society of Certified Practicing Accountants and the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research and Chairman of The Shepherd Centre. Peter was educated at the University of New South Wales where he gained a Bachelor of Commerce degree. Peter was awarded a Member (AM) in the General Division of the Order Of Australia in 2014.

Special responsibilities

Chairman of the Board; and
Member of the Innovation and Technology Committee.

Interests in shares and options

37,060,735 ordinary shares in Salmat Limited.

Ian Elliot

Non-executive Director (Independent)

Experience and expertise

Ian is a Non-executive Director of Hills Limited and McMillan Shakespeare Limited; a former Chairman of Promentum Limited; and a former Commissioner of the National Rugby League. He is a Fellow of the Australian Institute of Company Directors. Ian is also a former Chief Executive Officer of George Patterson Bates and a graduate of the Advanced Management Program of the Harvard Business School.

Special responsibilities

Member of Audit, Risk and Compliance Committee; and
Chairman of Remuneration and Compensation Committee.

Interests in shares and options

33,435 ordinary shares in Salmat Limited.

Philip Salter (deceased)

Non-executive Director

Experience and expertise

Philip Salter co-founded Salmat Limited in 1979 and served as its Joint Managing Director until his retirement from his executive duties with Salmat Limited in October 2009. After that time, Mr Salter remained as a Non-executive Director of the company, until his death on 7 November 2015. Philip entered the real estate business in 1972. In 1979, Philip and Peter Mattick formed Salmat, developing the business into one of Australasia's leading customer communications companies. Philip was a member of the Australian Institute of Company Directors.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

36,692,238 ordinary shares in Salmat Limited

John Thorn

Non-executive Director (Independent)

Experience and expertise

John Thorn has been a Non-executive Director of Salmat Limited since September 2003. John is a professional Director and brings expertise to the Board in the areas of accounting, financial services, mergers and acquisitions, business advisory, risk management and general management. He had 38 years of professional experience with PricewaterhouseCoopers (PwC), where he was a Partner from 1982 to 2003 advising major international and Australian companies. He served on the firm's Board, was the Managing Partner of PwC's Assurance and Business Advisory practice and was the National Managing Partner of PwC until 2003. He has experience in Asia having lived and worked in Singapore and Indonesia. John is a Non-executive Director of Amcor Limited (appointed December 2004) and a former Director of National Australia Bank Limited (October 2003 - December 2014) and Caltex Australia Ltd (June 2004 - 2013). His Board committee experience includes Audit Committees (Chairman), Human Resources Committees, IT Committees, Nomination Committees and Risk Committees.

Special responsibilities

Chairman of Audit, Risk and Compliance Committee; and
Member of Remuneration and Compensation Committee.

Interests in shares and options

131,101 ordinary shares in Salmat Limited.

Fiona Balfour

Non-executive Director (Independent)

Experience and expertise

Fiona is an independent non-executive director of Metcash Limited, TAL (Dai-ichi Life) Australia and Airservices Australia; a Member of Chief Executive Women; a Fellow of Monash University; and a Fellow of the Australian Institute of Company Directors. Fiona has over 35 years' experience working in enterprise technology across Aviation and Transport, Information and Telecommunication Services, Financial Services, Distribution and Logistics, the Education sector and not-for-profits. Fiona is a former Council Member and Treasurer of Knox Grammar School, former Trustee of the National Breast Cancer Foundation, former Chair of the St James' King Street Conservation Appeal, former Council Member of Chief Executive Women and is a former non-executive director of SITA SC (Geneva). Fiona holds a BA Hons (Monash), Dip IM (UNSW) and MBA (University of RMIT).

Special responsibilities

Member of Audit, Risk and Compliance Committee;
Member of Remuneration and Compensation Committee; and
Chairman of the Innovation and Technology Committee.

Interests in shares and options

79,740 ordinary shares in Salmat Limited.

Mark Webster

Non-executive Director (Independent)

Experience and expertise

Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited. Mark's had extensive, hands-on experience in extending traditional businesses into the online environment, both in the media industry and in his current role. Mark has established the Inglis Digital division, which operates bloodstock.com.au and horsezone.com.au - both now market leaders. Mark has also served as Director on a number of Boards over the past 15 years, including realestate.com.au and Nationwide News Limited.

Special responsibilities

Member of the Innovation and Technology Committee.

Interests in shares and options

Nil ordinary shares in Salmat Limited.

Company Secretary

The Company Secretary is Mr Stephen Bardwell. Mr Bardwell has been Company Secretary since October 2002. He has had over 26 years in senior commercial roles, and joined the Company as Group Financial Controller in 1989, actively participating in the expansion and development of Salmat in both Australia and Asia.

Prior to listing of the Company, he had over ten years' experience as Secretary of Salmat Group Companies. He has a Bachelor's degree in Accounting and is a Fellow of the Institute of Chartered Secretaries and CPA Australia.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

	Full meeting of Directors		Audit, Risk and Compliance		Meetings of Committees Remuneration and Compensation		Technology and Innovation	
	A	B	A	B	A	B	A	B
Peter Mattick	8	8	*	*	*	*	4	4
John Thorn	8	8	4	4	3	3	*	*
Ian Elliot	8	8	4	4	3	3	*	*
Philip Salter [#]	0	2	*	*	*	*	*	*
Fiona Balfour	8	8	4	4	3	3	4	4
Mark Webster	8	8	*	*	*	*	4	4

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

* = Not a member of the relevant Committee.

= Founding partner, Philip Salter, was a director until he sadly passed away on 7 November 2015.

Remuneration Report

The Board presents the 2016 Remuneration Report for Salmat Limited (Salmat or the Group) in accordance with the requirements of the *Corporations Act 2001* and its regulations. This report outlines key aspects of our remuneration practices and remuneration awarded this year. The remuneration practices are aligned with Salmat's strategy of providing senior executive rewards that drive and reflect the creation of shareholder value. The information in this report has been audited, unless otherwise stated.

Section	What it covers
1 Remuneration at a glance	An overview of key remuneration outcomes in 2016.
2 Remuneration governance	Details of the key management personnel this report covers and how remuneration is governed.
3 Remuneration strategy, structure and framework	Outlines our remuneration policy and how it supports our strategic objectives and is focused on the long term strategy of Salmat, with a description of the key components of remuneration.
4 Fixed remuneration	Detailed description of our fixed remuneration policies.
5 Short-term incentives	Detailed description of our Short Term Incentive schemes (STI).
6 Long-term incentives	Detailed description of our Long Term Incentive schemes (LTI).
7 Executive remuneration disclosures	Disclosures by person of the remuneration paid in the current and previous periods.
8 Service agreements	Summary of the key contract terms of key management personnel.
9 Non-executive Director remuneration	Details of Non-executive Director remuneration and relevant disclosures of remuneration in the current and prior periods.
10 Financial performance	Information on Salmat's performance in key shareholder measures, and five year statutory financial information.

1. Remuneration at a glance

Remuneration outcomes in 2016

Remuneration	2016 outcomes
<i>Fixed remuneration</i>	In light of the business transformation strategy and associated restructuring within the Group during 2016, the Board did not award salary increases to the CEO and senior executives for the 2016 fiscal year.
<i>Short-term incentives</i>	A new STI plan was introduced in 2016. Prior to any STI being paid, 85% of underlying Group EBITDA had to be achieved. The 2016 STI plan included both financial and non-financial targets. The 2016 STI has been approved by the Board and the CEO and senior executives will receive up to 80.3% of the STI that was available to them.
<i>Long-term incentives</i>	An issue of performance rights was made on 14 December 2015 to the CEO and senior executives, with the performance measures to be assessed at the end of the 2018 financial year. The performance measures are total shareholder return (TSR), earnings per share (EPS) and return on capital employed (ROCE). The type of measures were set based on feedback from shareholders in 2014.
<i>Non-executive Director fees</i>	Consistent with the principles applied to fixed remuneration of the CEO and senior executives, the Board did not award increases in Non-executive Director fees in 2016. The Non-executive Directors' remuneration cap remains at \$1.2m, as approved by shareholders at the 2009 AGM.

2. Remuneration governance

Who this covers

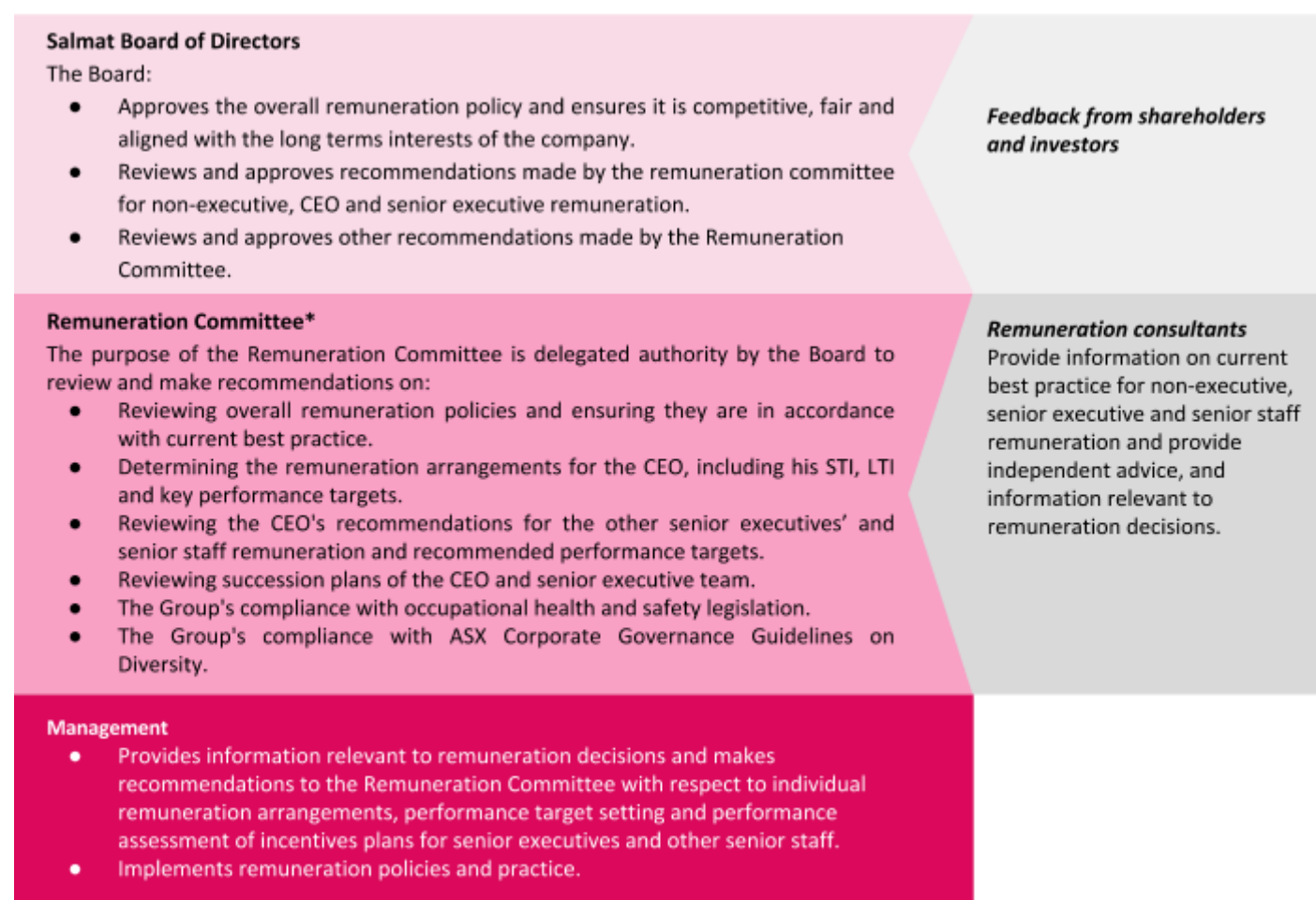
The Remuneration Report sets out remuneration information for Salmat's Non-executive Directors (listed in the Directors' Report on page 4) and key management personnel (KMP). KMP are the Chief Executive Officer and senior executives, who are the key individuals who have or had authority and responsibility for planning, directing and controlling the major activities of Salmat during the financial period and up to the date of this report.

Senior executives

Name	Title	Status
Craig Dower	Chief Executive Officer (CEO)	Full year
Rebecca Lowde	Chief Financial Officer (CFO)	Full year
Chris Walsh	Chief Operating Officer (COO)	Full Year

Remuneration governance framework

The below represents Salmat's remuneration framework:



*The charter adopted by the Remuneration Committee is displayed on the Salmat Limited website www.salmat.com.au.

Use of remuneration consultants

In the past the Remuneration Committee has retained Ernst & Young (EY) as an adviser to assist with remuneration issues. In 2016 no advice was sought from EY on aspects of the remuneration of Non-executive Directors or KMP.

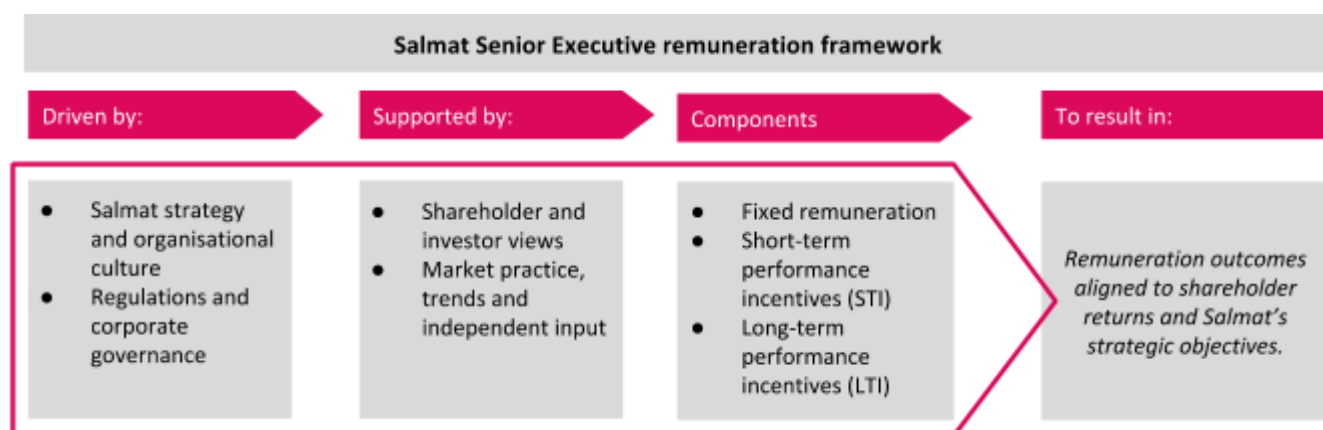
Securities Trading Policy

The Securities Trading Policy of Salmat outlines the responsibilities of all key management personnel including Directors and employees to ensure that any market sensitive information whether about Salmat or any other Company is not used to trade in securities.

The trading of shares issued to participants under any of Salmat's employee equity plans is subject to, and conditional upon, compliance with this policy. Senior executives are prohibited from entering into any hedging arrangements over unvested rights or deferred shares issued under Salmat's employee share plans. Salmat would consider any breach of this policy as serious.

3. Remuneration strategy, structure and framework

Salmat's policy is to remunerate staff in accordance with market rates in alignment with the individual's duties, responsibilities and performance.



The following table sets out a summary of each component of the remuneration package for all senior executives, including its purpose, link to performance and key changes from last year.

Component	Performance measure	Strategic objective and link to performance	Change from 2015
<i>Fixed remuneration - Fixed</i>	When setting fixed remuneration and considering external benchmarks the Remuneration Committee takes into account: <ul style="list-style-type: none"> • Group and individual performance; • Job size and complexity; • Individual's qualifications and experience; • Risk profile of the role; and • Internal relativities. 	<p>To provide base strategy and benefits which are competitive with those provided by companies of a similar size and level of complexity.</p> <p>To reward performance relative to expectations based on senior executives' job descriptions and scope of responsibility.</p> <p>To retain talented employees and to not encourage excessive risk taking.</p>	No fixed remuneration increase was awarded to senior executives.
<i>STI – at risk</i>	STI performance criteria are set by reference to the Salmat budget information (financial measures) and individual performance targets relevant to their specific position (non-financial measures).	<p>STI awards objectives are as follows:</p> <ul style="list-style-type: none"> • Financial measures (60%): Group, or line of business profit measures of EBITDA and revenue. These are considered to deliver financial benefits to shareholders through growth in earnings. • Non- financial measures (40%): Individual KPI performance results relevant to the longer term growth strategy initiative of the Group. <p>STIs are measured over a one year performance period and paid in cash.</p>	<p>85% of Underlying Group EBITDA had to be achieved prior to any STI being paid across the Group in 2016. A sliding scale came into effect for results between 85% and 100% for each measure.</p> <p>For the senior executives, the split of 2016 financial measures was 35% Group EBITDA and 25% Group revenue.</p>

Component	Performance measure	Strategic objective and link to performance	Change from 2015
<i>LTI – at risk</i>	An annual LTI grant is made to senior executives. LTI targets are linked to internal growth measures (EPS and ROCE), and external relative out performance measures (TSR) to align senior executives with shareholder interests.	<p>LTI awards are designed to motivate senior executives to achieve Salmat's sustainable long term growth.</p> <p>The internal and external measures were chosen because:</p> <ul style="list-style-type: none"> ● EPS: Deemed to be a direct measure of growth of Salmat's earnings over the performance period. ● ROCE: An efficient use of working capital is key to maximising shareholder return in the medium term. ● TSR: As it is a measure of the return generated for shareholders over the performance period relative to a peer group of companies. <p>LTIs are measured over a three-year performance period and delivered in equity.</p>	<p>An issue of performance rights was made on 14 December 2015.</p> <p>No performance rights were issued in the prior year.</p>

Remuneration mix

The remuneration strategy provides for a target remuneration mix which links remuneration outcomes to the execution of Salmat's strategy over the short (1 year) and long term (3 years). The target remuneration mix for current senior executives in 2016 is shown below:

	Percentage of total target remuneration		
	Fixed remuneration	STI cash – 1 year	LTI equity – 3 years
CEO	34%	20%	46%
CFO	62%	18%	20%
COO	62%	18%	20%

* The COO's contract of employment did not specifically state LTI allocation as this is at the discretion of the Board. However the 2016 LTI grant has been included in the percentage above.

Remuneration portion received in full (for LTI the full tranche was granted, with a performance period of 3 years)

Remuneration portion not received in FY16 financial year

Remuneration portion partially received

In the future, LTI will form approximately 35% of the base salary for both the CFO and senior executives.

4. Fixed remuneration

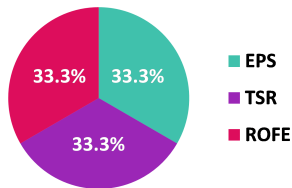
Fixed remuneration is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits such as health insurance, and car allowances. Fixed remuneration is reviewed annually, or on promotion, to ensure the pay is competitive with the market.

For senior executives, superannuation is included in fixed remuneration. Retirement benefit obligations are delivered to the employee's choice of superannuation fund. Salmat has no ongoing interest or liability to the fund or the employee in respect of retirement benefits.

5. Short Term Incentives

<i>Participants and description</i>	All senior executives are eligible for participation in the STI. The STI is the ‘at risk’ remuneration component subject to the achievement of pre-defined individual, Group and line of business performance hurdles which are set annually by the Remuneration Committee at the beginning of the financial year. The purpose of the STI is to recognise and reward the contributions that individuals make to the overall success of Salmat.																
<i>Performance measures</i>	<div>The STI metrics align with the group’s strategic priorities to attract and retain talented individuals, focus on driving profitable revenue growth and encourage collaboration and team work across the business through shared goals.</div> <table><tr><th>Metric</th><th>Target</th><th>Weighting</th><th>Reason for selection</th></tr><tr><td>EBITDA</td><td>FY16 budget</td><td>35%</td><td>Reflects focus on growing the business in a targeted and profitable manner.</td></tr><tr><td>Revenue</td><td>FY16 budget</td><td>25%</td><td>Retention and growth of customer base, and increasing market share.</td></tr><tr><td>Individual performance metrics</td><td>Specific to individuals</td><td>40%</td><td>Targeted metrics have been chosen that are critical to individual roles.</td></tr></table>	Metric	Target	Weighting	Reason for selection	EBITDA	FY16 budget	35%	Reflects focus on growing the business in a targeted and profitable manner.	Revenue	FY16 budget	25%	Retention and growth of customer base, and increasing market share.	Individual performance metrics	Specific to individuals	40%	Targeted metrics have been chosen that are critical to individual roles.
Metric	Target	Weighting	Reason for selection														
EBITDA	FY16 budget	35%	Reflects focus on growing the business in a targeted and profitable manner.														
Revenue	FY16 budget	25%	Retention and growth of customer base, and increasing market share.														
Individual performance metrics	Specific to individuals	40%	Targeted metrics have been chosen that are critical to individual roles.														
<i>Timing and delivery</i>	The measures are assessed immediately prior to the release of Salmat’s financial statements in August. The payments are made in the form of cash, and will be paid in September.																
<i>Assessment of hurdles</i>	<div>The Remuneration and Compensation Committee is responsible for assessing whether the KPIs of Key Management Personnel are met.</div> <div>The Board of Directors has final discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes.</div>																
<i>Performance and impact on variable remuneration</i>	Based on the final results, and assessment that individual performance metrics have been met, up to 80.3% of the available STI payment has been approved by the Board of Directors.																

6. Long Term Incentives

<i>Participants and description</i>	<p>Senior executives are eligible for participation in the LTI scheme if a grant is approved by the Board. The LTI is an 'at risk' remuneration component subject to the achievement of pre-defined performance hurdles for a three year period which are set by the Remuneration Committee.</p> <p>An offer will be made to senior executives subject to approval by the Board. Each participant will be issued performance rights in the form of zero-priced options each year. Each right granted is an entitlement to a fully paid ordinary share in the Group on terms and conditions, including vesting conditions linked to service and performance measures up to three years after grant.</p>
<i>Value of grant of rights</i>	<p>The number of rights granted to an executive is determined by dividing the value of their annual grant by the 5 day VWAP on the date of the grant. The value of an individual's annual grant is determined by the Remuneration Committee based upon the individual's role and responsibilities within the Group.</p>
<i>Performance measures</i> 	<p>The rights granted will have performance measures based 33% on EPS performance, 33% on TSR performance and 33% on ROCE.</p> <p>EPS A positive cumulative three year growth target is set by the Board for the performance period. Vesting will not occur unless 90% of the cumulative EPS target is achieved.</p> <p>TSR Salmat's Total Shareholder Return (TSR) will be measured relative to the constituents of the ASX small industrials index (XSIAI). Vesting will not occur unless the Group is at or above the 50th percentile and the rights will then vest in a straight line until the Group is at or above the 75th percentile, where 100% of the rights will vest.</p> <p>ROCE The ROCE target (expressed as a percentage) is an average over three years. Vesting will not occur unless 90% of the ROCE target is achieved.</p>
<i>Legal rights</i>	<p>Rights granted as part of the LTI Plan do not carry voting or dividend rights nor can the holders attend shareholders meetings; however, shares allocated upon vesting of rights and exercise of options will carry the same rights as other ordinary shares.</p>
<i>Forfeiture and termination</i>	<p>Rights will lapse if performance measures are not met. There is a service condition attached to each tranche of performance rights in that the executive must also be employed by the company at the release date of the Group's financial results of the relevant financial year on which the final performance measures are based.</p>
<i>Timing and delivery</i>	<p>For future grants the performance measures will be assessed immediately prior to the release of Salmat's financial statements in August, 3 years from the date of issue. The rights will vest subject to the satisfaction of performance hurdles. Rights vest and the resulting shares are transferred to the senior executive at no cost to the executive. The rights will expire five years after they have been granted.</p>
<i>Other information</i>	<p>The only LTIs that have been issued to current senior executives are those in 2016 with the exception of Craig Dower. This is due to the current tenure of the senior executives (less than 2 years), and no 2015 rights being issued. On joining Salmat in 2014, Craig Dower, received 257,643 performance rights equivalent to \$500,000 to replace rights forfeited from his previous employer. These rights vested and were exercised during 2015.</p>

7. Executive Remuneration disclosures

Remuneration expenses for senior executives:

Details of the remuneration of senior executives of the Group (as defined in AASB 124 Related Party Disclosures) is set out in the following table. This table is prepared in accordance with Accounting Standards.

		Short-term employee benefits ⁵			Long-term employee benefits	Post-employment benefits	Share-based payments		
A\$		Salary \$	Bonus \$	Non-monetary benefits \$	Long service leave \$	Super-annuation \$	Shares \$	Rights ⁴ \$	Total \$
Current Senior Executives									
Craig Dower	2016	812,311	385,440	6,133	2,214	19,308	-	178,605	1,404,011
	2015	782,225	-	4,200	671	18,783	-	395,890	1,201,769
Rebecca Lowde ¹	2016	445,734	103,400	6,133	541	19,308	-	24,392	599,508
	2015	359,888	-	3,708	148	18,479	-	-	382,223
Chris Walsh ²	2016	420,577	97,565	6,133	455	19,308	-	23,016	567,054
	2015	62,307	-	700	92	-	-	-	63,099
Former Senior Executives									
Nick Warne ³	2016	-	-	-	-	-	-	-	-
	2015	282,307	-	3,150	218	18,783	-	-	304,458
Peter Anson ³	2016	-	-	-	-	-	-	-	-
	2015	398,319	-	3,850	6,354	18,783	-	(99,842)	327,464
David Besson ³	2016	-	-	-	-	-	-	-	-
	2015	426,049	-	-	(5,238)	18,783	-	(71,811)	367,783
Total	2016	1,678,622	586,405	18,399	3,210	57,924	-	226,013	2,570,573
	2015	2,311,095	-	15,608	2,245	93,611	-	224,237	2,646,796

1) Rebecca Lowde was appointed Salmat's CFO on 13 August 2014.

2) Chris Walsh was appointed Salmat's COO on 20 April 2015, and while he was employed within the Group prior to this he received new remuneration details on this date.

3) Nick Warne ceased employment on 7 April 2015 receiving a termination payment of \$207,886, Peter Anson ceased employment on 30 May 2015 receiving a termination payment of \$398,861, David Besson ceased employment on 30 June 2015 receiving a termination payment of \$443,713. David Besson received an additional payment of \$19,971 for his final annual leave payment.

4) Rights to shares granted under the 2016 LTI scheme are expensed over the performance period. For 2016, these rights were issued on 14 December 2015 and the performance period is until September 2018.

5) Note that in the current financial year there was one extra fortnight compared to the prior year.

Relative proportions of fixed vs variable remuneration expense:

The relative proportions of remuneration that are linked to performance and those that are fixed calculated in accordance with the amounts in the table above are as follows:

%	Fixed remuneration		At risk – STI actual		At risk – LTI Actual	
	2016	2015	2016	2015	2016	2015
Craig Dower	60	67	27	-	13	33
Rebecca Lowde	79	100	17	-	4	-
Chris Walsh	79	100	17	-	4	-

The above table reflects actual remuneration split, compared to the table on page 16 which shows target split.

Performance based remuneration granted and forfeited during the year:

2016	Total STI			Total LTI	
	Total opportunity	Awarded %	Forfeited %	Value granted*	Value exercised/ forfeited** \$
<i>Current Senior Executives</i>					
Craig Dower	480,000	80	20	885,881	-
Rebecca Lowde	128,800	80	20	120,986	-
Chris Walsh	121,500	80	20	114,158	-

* The value at the grant date of rights has been determined as the fair value of the rights at that date in accordance with AASB 2 share-based payment of options.

** The KMPs at present only hold rights that have been issued in 2016, no LTI have been exercised or forfeited during the period.

Terms and conditions of the share-based payments arrangements:

The terms and conditions of the only grant that affects remuneration in the current period or future reporting period is as follows:

	Grant date	Date vested and exercisable	Expiry date	Cumulative three year target		Value per right at grant date**		Exercise price
				EPS	ROCE	EPS & ROCE	TSR	
Rights	December 2015	September 2018	December 2020	14 cents	6.5%	\$0.65	\$0.39	\$0.00

The table below shows the details of the rights per executive. No senior executive held any rights or unvested options at the start of the year:

Executive	Contractual LTI value	Number of rights granted*	Fair value of rights**
Craig Dower	\$1,100,000	1,573,676	885,881
Rebecca Lowde	\$150,230	214,290	120,986
Chris Walsh	\$141,750	202,790	114,158

* The 5 day VWAP was used to calculate the number of rights, and for the 2016 rights this was 0.70 cents

** The value at the grant date of rights has been determined as the fair value of the rights at that date in accordance with AASB 2 share-based payment of options.

Shareholdings:

The following table shows the relevant shareholdings of each KMP that were held during the financial year, including their close family members and entities related to them.

2016	Balance at the start of the year	Granted during the year as compensation	Received during the year on the exercise of rights	Other acquisition and disposal of shares	Balance at the end of the year
<i>Non-Executive Directors - Ordinary shares</i>					
John Thorn	131,101	-	-		131,010
Ian Elliot	33,435	-	-		33,435
Philip Salter (deceased 7 November 2015)	36,692,238	-	-	(36,692,238)*	-
Peter Mattick	37,060,735	-	-		37,060,735
Fiona Balfour	79,740	-	-		79,740
<i>Current Senior Executives - Ordinary shares</i>					
Craig Dower	257,643	-	-		257,643
Rebecca Lowde	16,000	-	-		16,000
Chris Walsh	5,000	-	-		5,000

* The shares are now held by either the Estate of Philip Salter, or various family members directly.

8. Service agreements

Senior executive contracts specify remuneration components, benefits and notice provisions. Senior executives are typically employed on ongoing contracts that have no fixed term.

	Fixed remuneration	Notice by Salmat	Notice by executive	Treatment on termination with notice by Salmat*
Craig Dower – CEO	801,500	6 months	6 months	Salmat can choose to make payment in lieu of notice, which would not exceed the average base salary plus STIs paid in the 12 months before termination. The senior executives are not entitled to receive any additional retirement or termination benefits.
Rebecca Lowde - CFO	448,500	3 months	3 months	
Chris Walsh - COO	424,300	3 months	3 months	

* Termination clauses are specified in each contract describing treatment on termination based on the reason for termination (i.e. resignation, with notice, due to illness or immediate termination for cause).

9. Non-executive Director Remuneration

Remuneration policy

The remuneration policy for Non-executive Directors is designed to remunerate them at market levels for their time, commitment and responsibilities. The Group is cognisant that it needs to attract and retain well qualified and experienced Directors. The Remuneration Committee also takes into account external market data in setting Non-executive Director fees.

Director fees

The Director's fee is a composite fee and covers all responsibilities of the respective members including Board and Committee duties. The Non-executive Directors do not receive any retirement or performance related or other benefits. Shareholders at the Annual General Meeting in 2009 set the aggregate remuneration for Non-executive Directors at \$1.2 million. Non-executive Directors' fees are reviewed annually in June and reflect the responsibility of the Directors.

The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

\$A'000s	2016			2015		
	Board and Committee fees ¹	Post- employment superannuation	Total ¹	Board and Committee fees	Post- employment superannuation	Total
Peter Mattick (Chairman)	247,883	19,308	267,191	238,714	18,783	257,497
John Thorn	118,328	11,241	129,569	113,945	10,825	124,770
Ian Elliot	118,328	11,241	129,569	113,945	10,825	124,770
Philip Salter ²	43,825	4,163	47,988	113,945	10,825	124,770
Fiona Balfour	118,328	11,241	129,569	113,945	10,825	124,770
Mark Webster	118,328	11,241	129,569	113,945	10,800	124,745
Total	765,020	68,435	833,455	808,439	72,883	881,332

1) Note that in the current financial year there was one extra fortnight compared to the prior year.

2) Founding partner, Philip Salter, was a director until he sadly passed away on 7 November 2015.

10. Financial performance

We aim to align our executive remuneration to our strategic objectives and the creation of shareholder wealth. The table below show measures of Salmat's financial performance as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded:

\$'000	2016	2015	2014	2013	2012
Revenue	450,800	498,119	452,840	467,579	823,879
Underlying EBITDA	19,586	13,289	18,223	36,364	103,546
(Loss) / Profit for the year attributable to owners of Salmat Limited	(8,029)	(100,550)	261	40,142	30,348
Return on capital employed	4.64%	(1.0%)	2.5%	6.5%	14.96%

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Dividend payments (\$'000)	-	11,986	23,972	56,732	33,558
Basic (loss) / earnings per share (cents)	(5.0)	(62.9)	0.2	25.4	19.2
Share price at financial year end (\$)	0.44	0.72	1.62	1.94	2.076
Decrease in share price (%)	38.9%	55.6%	16.5%	6.6%	34.1%

Insurance of officers

During the financial year, Salmat Limited paid a premium of \$139,159 to insure work performed by current or past principals, partners, directors and employees. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

Insurance of officers (continued)

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

No indemnification insurance has been undertaken for the auditors of the Company.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Salmat Limited support and have adhered to the principles of corporate governance (as described in this Report). The Company's Corporate Governance Statement is published on the Salmat Limited website www.salmat.com.au.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Salmat Group are important.

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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 24.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Peter Mattick
Chairman



John Thorn
Director

Sydney
29 August 2016



Auditor's Independence Declaration

As lead auditor for the audit of Salmat Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in grey ink, appearing to read 'S. Horlin'.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
29 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757

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Salmat Limited
Consolidated Income Statement
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue	3	450,800	498,119
Other Income	2c	1,468	2,273
Employee benefits expenses		(226,277)	(258,502)
Depreciation and amortisation expense	4	(13,624)	(14,648)
Freight, distribution and communication expenses		(141,828)	(155,260)
Property related expenses		(25,543)	(23,657)
Equipment related expenses		(7,622)	(12,083)
Other expenses from ordinary activities		(37,503)	(32,561)
Impairment loss	2c	-	(94,879)
Finance costs	4	(2,754)	(3,820)
Share of net profits of joint ventures accounted for using the equity method	20d	271	551
Loss before income tax		(2,612)	(94,467)
Income tax expense	5	(3,432)	(3,569)
Loss for the period		(6,044)	(98,036)
Attributable:			
Owners of the company		(8,029)	(100,550)
Non-controlling interests		1,985	2,514
		(6,044)	(98,036)
Cents			
Earnings per share for (loss) / profit for the period:			
Basic (loss) / earnings per share	22	(3.8)	(61.3)
Diluted (loss) / earnings per share	22	(3.8)	(61.3)
Earnings per share for (loss) / profit attributable to owners of Salmat Limited			
Basic (loss) / earnings per share	22	(5.0)	(62.9)
Diluted (loss) / earnings per share	22	(5.0)	(62.9)

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

Salmat Limited
Consolidated Statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Loss for the year		(6,044)	(98,036)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	18	609	1,772
Income tax relating to components of other comprehensive income	18	-	-
		<u>609</u>	<u>1,772</u>
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Actuarial gains on retirement benefit obligation		<u>448</u>	<u>270</u>
Other comprehensive income for the year, net of tax		<u>1,057</u>	<u>2,042</u>
Total comprehensive loss		<u>(4,987)</u>	<u>(95,994)</u>
Attributable:			
Owners of the company		(7,133)	(99,647)
Non-controlling interests	20	<u>2,146</u>	<u>3,653</u>
		<u>(4,987)</u>	<u>(95,994)</u>

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

Salmat Limited
Consolidated Statement of financial position
As at 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	6	42,911	48,640
Trade and other receivables	7	51,192	57,401
Inventories		99	65
Other current assets	8	7,235	4,948
		101,437	111,054
Non-current assets			
Receivables and other non-current assets	9	4,993	6,113
Investments accounted for using the equity method	20	3,107	2,585
Property, plant and equipment	10	13,441	19,863
Deferred tax assets	5	12,743	14,079
Intangible assets	11	91,170	94,245
Total non-current assets		125,454	136,885
Total assets		226,891	247,939
Current liabilities			
Trade and other payables	12	43,486	55,267
Provisions	13	10,696	13,647
Borrowings	14	7,526	-
Other financial liabilities	15	36,832	37,051
Current tax payable		750	769
Total current liabilities		99,290	106,734
Non-current liabilities			
Provisions	13	3,610	3,946
Borrowings	14	20,731	25,525
Other financial liabilities	15	1,492	1,645
Deferred tax liabilities	5	2,430	2,473
Retirement benefit obligations		720	851
Other non-current liabilities	16	698	698
Total non-current liabilities		29,681	35,138
Total liabilities		128,971	141,872
Net assets		97,920	106,067
Equity			
Contributed equity	17	209,976	210,152
Reserves	18	(29,056)	(30,465)
Retained earnings	18	(93,598)	(85,792)
Equity attributable to owners of the company		87,322	93,895
Non-controlling interests	20	10,598	12,172
Total equity		97,920	106,067

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

Salmat Limited
Consolidated Statement of changes in equity
For the year ended 30 June 2016

Consolidated		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
	Notes					
Balance at 1 July 2014		209,231	(27,419)	26,609	8,519	216,940
(Loss)/Profit for the year		-	-	(100,550)	2,514	(98,036)
Other comprehensive income		-	768	135	1,139	2,042
Total comprehensive income for the year		-	768	(100,415)	3,653	(95,994)
Transactions with owners in their capacity as owners:						
Dividends paid	19	-	-	(11,986)	-	(11,986)
Cost of share based payments	18	-	(646)	-	-	(646)
Treasury shares		921	-	-	-	921
Transaction with NCI reserve	18	-	(3,168)	-	-	(3,168)
		921	(3,814)	(11,986)	-	(14,879)
Balance at 30 June 2015		210,152	(30,465)	(85,792)	12,172	106,067
Balance at 1 July 2015		210,152	(30,465)	(85,792)	12,172	106,067
(Loss)/Profit for the year		-	-	(8,029)	1,985	(6,044)
Other comprehensive income		-	673	223	161	1,057
Total comprehensive income for the year		-	673	(7,806)	2,146	(4,987)
Transactions with owners in their capacity as owners:						
Dividends paid	19	-	-	-	(3,215)	(3,215)
Cost of share based payments	18	-	232	-	-	232
Treasury shares	17	(176)	-	-	-	(176)
Acquisition of NCI portion of Fuse	18	-	505	-	(505)	-
		(176)	737	-	(3,720)	(3,159)
Balance at 30 June 2016		209,976	(29,056)	(93,598)	10,598	97,920

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

Salmat Limited
Consolidated Statement of cash flows
For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		502,876	540,876
Payments to suppliers and employees (inclusive of goods and services tax)		(495,345)	(544,673)
		7,531	(3,797)
Income taxes paid		(2,106)	(1,950)
Net cash inflow/(outflow) from operating activities	28	5,425	(5,747)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,605)	(8,493)
Payments for intangible assets		-	(477)
Proceeds from sale of business		100	-
Proceeds from sale of investment in associate		840	2,273
Payments of other financial liabilities (prior acquisitions)		(4,193)	(958)
Interest received		836	2,001
Net cash outflow from investing activities		(6,022)	(5,654)
Cash flows from financing activities			
Repayment of borrowings		(2,282)	(43,486)
Proceeds from borrowings drawdown		4,663	471
Interest and finance costs paid		(1,070)	(2,778)
Finance lease payments		-	(85)
Purchase of shares through the Salmat Ltd employee share trust	17	(176)	-
Transaction with non-controlling interest		(3,360)	-
Dividends paid to non-controlling interest		(3,215)	-
Dividends paid to Company's shareholders	19	-	(11,986)
Net cash outflow from financing activities		(5,440)	(57,864)
Net decrease in cash and cash equivalents		(6,037)	(69,265)
Cash and cash equivalents at the beginning of the financial year		48,640	116,860
Effect of exchange rate changes on cash and cash equivalents		308	1,045
Cash and cash equivalents at end of year	6	42,911	48,640

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

Notes to the financial statements

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Corporate Information

The financial report of Salmat Limited and the entities it controlled for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 29 August 2016.

Salmat Limited (the ultimate parent) is a Company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Registered Office
Level 3, 116 Miller Street
North Sydney NSW 2060

The nature of the operations and principal activities of the Group are described in the Directors' report.

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 Salmat Limited and its controlled entities (together referred to as the Group).

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Salmat Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a historical costs basis except for financial assets and liabilities (including derivative financial instruments) and retirement benefit obligations which are held at fair value.

(i) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Salmat Group

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 July 2015. The adoption of these standards did not have any impact on the current period or any prior period.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

Under the new standard issued in February 2016, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of \$74.2m. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. This standard is mandatory for financial years commencing on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

1. Summary of significant accounting policies (continued)

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group at present has does not have any hedge relationships, and while the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the main financial assets expected to be impacted are trade receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139.

While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The Group does not expect the new guidance to have a significant impact on the classification and measurement of these.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group expects its other financial liabilities to be settled prior to the implementation date.

Finally, the new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group is currently assessing whether it should adopt AASB 9 before its mandatory date, 1 January 2019.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules and has identified that some of the service contracts held in Media + Digital and Contact may require the identification of separate performance obligations which could again affect the timing of the recognition of revenue. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) Working Capital

The Group has net current assets at year end of \$2.1m. Included in current liabilities at 30 June 2016 is an amount \$32.3m for the remaining 50% of MicroSourcing International.

\$22.3m of this liability was settled on 10 August 2016, through a \$20m cash payment and \$2.3m share issue. Subsequent to the year end, payment terms for the remaining \$10m were re-negotiated to defer cash settlement dates. The Group has retained the option to settle \$7.4m in shares. Alternatives to fund this \$10m are being considered and if it is paid in cash the amounts are due in April 2017 (\$5m) and August 2017 (\$5m).

1. Summary of significant accounting policies (continued)

c) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Salmat limited has only joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for the non-listed investments.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Salmat Limited.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

1. Summary of significant accounting policies (continued)

e) Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction. Foreign currency exchange gains and losses resulting from the settlement of such items, and from the translation of monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates are generally recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined, and translation differences are reported as part of the fair value gain or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates applicable at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at a rate that approximates the exchange rates at the dates of the transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve (FCTR), a separate component of equity, through other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to, a foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

When a foreign operation is sold or borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1. Summary of significant accounting policies (continued)

f) Revenue recognition (continued)

Revenue from the rendering of a service is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Percentage of completion is measured by reference to an assessment of costs incurred to date as a percentage of estimated total costs for each contract. Costs for this purpose, represent costs that are reflective of services performed to date, or services to be performed.

Revenue from the licensing of products developed by the Company for a fixed term is recognised over the period for which the product is licensed.

Where payment terms extend beyond 12 months, revenue is discounted to its present value if the impact of discounting is material.

Revenue for other business activities is recognised as follows:

(i) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Salmat Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1. Summary of significant accounting policies (continued)

h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

i) Business combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

j) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

The fair value of the business combination put options or commitments to purchase are measured at inception and at each period end. This is classified as a financial liability. Movements in fair value are recorded in the income statement. This liability has been recorded against a business combination reserve. This value of this reserve liability will be adjusted against minority interest on exercise of the reserve.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

If the Group reassesses its Cash Generating Units (CGUs), goodwill and other intangibles are allocated between CGUs based on the relative value of the businesses.

l) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1. Summary of significant accounting policies (continued)

m) Trade receivables

Trade receivables are non-interest bearing, generally have 7-45 day terms and are recognised and carried at amortised cost amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

n) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs include direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenses. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1. Summary of significant accounting policies (continued)

p) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less - where applicable - any accumulated depreciation and impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

The depreciation amount of all fixed assets, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

- Plant and equipment 14.0% to 33.0%
- Leasehold improvements Over term of lease or 10 years, whichever is less

The assets' residual values, useful lives and amortisation are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

q) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Other Intangible asset

Intangible assets including business systems acquired are capitalised at cost, unless acquired as part of a business combination in which case they are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and provision for impairment.

Other intangible assets include both customer contracts and relationships and costs of acquiring and developing business systems. Useful lives have been established for all other intangible assets. Amortisation charges are expensed in the income statement on a straight-line basis over those useful lives. Estimated useful lives are reviewed annually.

The expected useful lives of intangible assets are generally:

Customer contracts and relationships	5 - 12 years
Business systems	3 - 7 years

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

1. Summary of significant accounting policies (continued)

r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables are non-interest bearing and are normally settled on supplier agreed terms.

s) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All Philippines employees of the Group are entitled to benefits from the superannuation plan on retirement, disability or death. There are two defined benefit schemes, for Salmat Services Inc and MicroSourcing International Limited. The defined benefit plan expense for the plan is determined separately for each plan by independent actuarial valuations. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income and employee expenses and interest costs are recognised through the income statement. The defined benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation.

1. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

(iii) Retirement benefit obligations (continued)

The discount rate applied is based on zero-coupon bond yields (using the RDST-R2 index) and compounded annually. The salary growth rate applied takes into account inflation, seniority, promotion, production, merit and other market factors. The salary growth rate affects all future years, and is considered to be the long-term growth rate. While these are significant actuarial assumption, due to the size of the defined benefit obligation, changes in these are not expected to have a material impact on the obligation at 30 June 2016.

(iv) Share-based payments

Share-based compensation benefits are provided to employees of Salmat limited. Information relating to these schemes is set out in note 30.

The fair value of options and deferred shares granted are recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and deferred shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The share-based payment plans administered by a Share Trust, which is consolidated in accordance with the consolidation principles in 1(b). When the options are exercised or deferred shares vest, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Shares in the Group held by the share trust are classified and disclosed as treasury shares and deducted from equity.

w) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted EPS is calculated as net profit attributable to ordinary equity holders of the parent entity divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

- Receivables and payables are stated with the amount of GST included.
- The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.
- Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1. Summary of significant accounting policies (continued)

y) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, or in certain cases, the nearest dollar.

z) Comparative amounts

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

aa) Parent entity financial information

The financial information for the parent entity, Salmat Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Salmat Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

2. Segment Information

a) Identification of reportable 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

The Media + Digital segment delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through national letterbox distribution, digital catalogues, pre-shopping website Lasoo, ecommerce, search (SEO, SEM and display advertising), email and SMS marketing and competitions.

Contact

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

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 arms 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 2015

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

2. Segment Information (continued)

b) Segment Result

2016	Media + Digital \$'000	Contact \$'000	Corporate Costs \$'000	Total \$'000
External service revenue	254,897	194,934		449,831
Finance income				969
Total revenue				450,800
Underlying EBITDA before significant items	24,195	5,770	(10,379)	19,586
Depreciation and amortisation expense				(13,624)
Net finance costs				(1,785)
Underlying profit before income tax				4,177
Significant items (note 2c)				(6,789)
Loss before income tax				(2,612)
Income tax expense				(3,432)
Loss for the year				(6,044)
2015	Media + Digital \$'000	Contact \$'000	Corporate Costs \$'000	Total \$'000
External service revenue	293,262	202,856		496,118
Finance income				2,001
Total revenue				498,119
Underlying EBITDA before significant items	25,186	7,239	(19,136)	13,289
Depreciation and amortisation expense				(14,648)
Net finance costs				(1,818)
Underlying loss before income tax				(3,177)
Significant items (note 2c)				(91,290)
Loss before income tax				(94,467)
Income tax expense				(3,569)
Loss for the year				(98,036)

2. Segment Information (continued)

c) Significant Items

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

	Consolidated			
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
	Pre Tax	Post Tax	Pre Tax	Post Tax
Significant items included in total expenses				
Restructuring costs	2,760	1,932	4,002	2,801
Profit on sale of share in associate	(840)	(840)	(2,273)	(2,273)
Other Income ¹	(628)	(538)	-	-
Fair value adjustment on other financial liabilities	5,497	5,497	(5,318)	(5,318)
Impairment charge (note 11)	-	-	94,879	94,488
Significant items	6,789	6,051	91,290	89,698

1) This includes sale of a small online learning business as part of the product and services review.

d) Geographical information

The following table presents Salmat's segment revenues and assets by geographical area.

	Segment revenues		Segment assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Australia	334,997	391,249	165,757	202,786
New Zealand	40,350	45,455	9,755	8,316
Philippines	74,216	57,490	10,576	17,611
Other	268	1,924	28,060	5,147
Total	449,831	496,118	214,148	233,860
Unallocated: deferred tax asset			12,743	14,079
Total			226,891	247,939

Segment revenues are allocated based on the country in which the work is performed. Segment assets and capital expenditure are allocated based on where the assets are located.

In 2016 two clients generated 10.7% and 8.8% of total revenue. In 2015 two clients generated 10.2% and 7.4% of total revenue.

3. Revenue

	Consolidated	
	2016	2015
	\$'000	\$'000
The Group derives the following type of revenue:		
Services	449,831	496,118
Finance income	969	2,001
Total	450,800	498,119

4. Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Depreciation</i>		
Plant and equipment	10,101	11,092
<i>Amortisation</i>		
Customer Intangibles	1,471	2,227
Other intangibles	2,052	1,329
<i>Total amortisation</i>	3,523	3,556
Depreciation and amortisation expense	13,624	14,648
Finance costs	2,754	3,820
Net loss on disposal of property, plant and equipment	38	62
Rental expense relating to operating leases	15,132	16,392
Net foreign exchange losses	169	29
Defined contribution superannuation expense	11,121	14,444
Share based payments expense	232	11
Fair value adjustment on other financial liabilities	5,497	(5,318)
Impairment of goodwill and intangible assets	-	94,879

5. Income tax and deferred tax

	Consolidated	
	2016	2015
	\$'000	\$'000
a) Income tax expense		
Current tax	1,978	2,304
Deferred tax	1,228	1,241
Adjustments for current tax of prior periods	226	24
Total income tax expense	3,432	3,569
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before tax	(2,612)	(94,467)
Tax at the Australian tax rate of 30% (2015 – 30%)	(784)	(28,340)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non- allowable deductions	160	546
Non-taxable income	(351)	(1,328)
Tax impact of fair value adjustment and discounting of other liabilities	2,154	(1,058)
Goodwill impairment	-	28,072
Under provision for income tax in prior year	226	24
Difference in overseas tax rates	(1,349)	(1,153)
Share of joint ventures profits not assessable	(81)	(191)
Unrecognised tax losses	3,457	6,997
Total income tax expense	3,432	3,569
c) Tax losses		
Gross unused tax losses for which no deferred tax asset has been recognised	34,846	23,324
Potential benefit at 30%	10,454	6,997

The Group has recognised deferred tax losses of \$4.8m to the extent that short term tax forecasts support their utilisation (see note 5(d)). The unrecorded tax losses of \$34.8m are available for utilisation, and they will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

Salmat Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Salmat Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Salmat Limited for any current tax payable assumed and are compensated by Salmat Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Salmat Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

5. Income tax and deferred tax (continued)

d) Non-current deferred tax assets

	Consolidated	
	2016	2015
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	477	197
Employee benefits	3,766	4,533
Property, plant & equipment	951	1,007
Intangibles	-	281
Other provisions	2,726	3,238
Tax losses	4,823	4,823
	12,743	14,079
Movements:		
Opening balance at 1 July	14,079	16,703
(Charged)/ credited to the income statement	(1,336)	(2,641)
Acquisition of controlled entity	-	17
Closing balance at 30 June	12,743	14,079

(i) Critical accounting estimate

The deferred tax assets include an amount of \$4.8m which relates to carried forward tax losses of Salmat Limited. The Group has incurred losses over the last three financial years, some of which have not been recorded as a deferred tax asset as at 30 June 2016. Management has exercised its judgement, and concluded that the deferred assets will be recoverable using the estimated future taxable income based on the Board approved FY17 budget. The Group is expected to generate taxable income from FY17.

e) Non-current deferred tax liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Intangible assets	2,430	2,473
Movements:		
Opening balance at 1 July	2,473	3,466
Credited to the income statement	(108)	(1,400)
Charged to equity	65	407
Closing balance at 30 June	2,430	2,473

6 Current assets – Cash and cash equivalents

	Consolidated	
	2016	2015
	\$'000	\$'000
Cash at bank	42,898	48,623
Cash on hand	13	17
	42,911	48,640

\$nil (2015: \$15 million) of cash at bank is held within term deposits. \$263,000 (2015: \$485,000) of cash is held in trust and is restricted for use for the settlement of short-term and long-term incentives.

7. Current assets - Trade and other receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade receivables	46,655	50,727
Provision for impairment (note (a))	(1,813)	(851)
	44,842	49,876
Other receivables	6,350	7,525
	51,192	57,401

a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a nominal value of \$1,812,558 (2015: \$850,894) were impaired. The individually impaired receivables mainly relate to clients, which are in an unexpectedly difficult economic situation.

Movements in the allowance for impairment of receivables are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
At 1 July	851	2,589
Allowance for impairment recognised during the year	1,254	33
Receivables written off during the year as uncollectible	(296)	(2,028)
Net exchange difference on translation of foreign operations	4	257
At 30 June	1,813	851

The creation and release of the allowance for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

b) Past due but not impaired

As of 30 June 2016, trade receivables of \$10,585,863 (2015: \$10,048,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
1-30 days	7,857	7,551
31-60 days	1,577	1,314
Greater than 60 days	1,152	1,183
	10,586	10,048

7. Current assets - Trade and other receivables (continued)

b) Past due but not impaired (continued)

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. Based on the credit history of trade receivables not past due or past due and not impaired, the Group believes that these amounts will be received when due.

The other classes within trade and other receivables do not contain impaired assets and the Group believes that these amounts will be fully recovered. Outstanding balances are unsecured and are repayable in cash.

(i) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 21 for more information on the risk management policy of the Salmat Group and the credit quality of the entity's trade receivables.

8. Current assets - Other current assets

	Consolidated	
	2016	2015
	\$'000	\$'000
Prepayments	4,575	3,598
Related party receivable - Reach Media NZ	2,406	-
Withholding tax receivables	38	152
Recoverable deposits	216	1,198
	7,235	4,948

a) Related party transaction

The loan to Reach Media NZ Limited is considered to be a transaction with a related party. This is classified as a current receivable as it is due for repayment at 30 June 2017, and is made on normal commercial terms and conditions. Interest is concluded to be at market rates.

9. Non-current assets - Receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
Related party receivable - joint venture	-	2,320
Recoverable deposits	1,506	546
Prepayments	208	415
Non current trade receivables	3,279	2,832
	4,993	6,113

a) Fair values

The carrying amounts for all non-current receivables are a reasonable approximation of fair value.

10. Non-current assets - Property, plant and equipment

Plant and equipment
\$'000

At 30 June 2014

Cost	114,112
Accumulated depreciation	(92,165)
Net book amount	<u>21,947</u>

Year ended 30 June 2015

Opening net book amount	21,947
Additions	8,493
Disposals	(62)
Depreciation charge	(11,092)
Net exchange difference on translation of foreign operations	577
Closing book amount	<u>19,863</u>

At 30 June 2015

Cost	108,939
Accumulated depreciation	(89,076)
Net book amount	<u>19,863</u>

Year ended 30 June 2016

Opening net book amount	19,863
Additions	3,605
Disposals	(38)
Depreciation charge	(10,101)
Net exchange difference on translation of foreign operations	112
Closing book amount	<u>13,441</u>

At 30 June 2016

Cost	112,051
Accumulated depreciation	(98,610)
Net book amount	<u>13,441</u>

11. Non-current assets - Intangible assets

	Goodwill \$'000	Software Assets \$'000	Customer Intangible \$'000	Total \$'000
At 30 June 2015				
Cost	166,134	9,957	13,730	189,821
Accumulated amortisation and impairment	(93,547)	(1,329)	(3,559)	(98,435)
Foreign currency translation impact	685	-	2,174	2,859
Net book amount	<u>73,272</u>	<u>8,628</u>	<u>12,345</u>	<u>94,245</u>
Year ended 30 June 2015				
Opening net book amount	166,134	9,480	13,730	189,344
Additions	-	477	-	477
Amortisation charge	-	(1,329)	(2,227)	(3,556)
Impairment	(93,547)	-	(1,332)	(94,879)
Foreign currency translation impact	685	-	2,174	2,859
Closing net book amount	<u>73,272</u>	<u>8,628</u>	<u>12,345</u>	<u>94,245</u>
Year ended 30 June 2016				
Opening net book amount	73,272	8,628	12,345	94,245
Amortisation charge	-	(2,052)	(1,471)	(3,523)
Foreign currency translation impact	110	-	338	448
Closing net book amount	<u>73,382</u>	<u>6,576</u>	<u>11,212</u>	<u>91,170</u>
At 30 June 2016				
Cost	166,134	9,957	13,730	189,821
Accumulated amortisation and impairment	(93,547)	(3,381)	(5,030)	(101,958)
Foreign currency translation impact	795	-	2,512	3,307
Net book amount	<u>73,382</u>	<u>6,576</u>	<u>11,212</u>	<u>91,170</u>

a) Impairment tests for goodwill

The Group performs impairment testing of goodwill annually, or at other times if there is an indicator of impairment.

As part of the products and services review during the second half of FY15, the Group reassessed its Cash Generating Units (CGUs). The impact of this reassessment was to divide the Consumer Marketing Solutions CGU into two CGUs - Media + Digital. These separate CGUs continue to form part of and be presented as the Media + Digital reportable segment as Digital is not significant.

During the year the Group did not recognise any impairment charges relating to intangibles. The following was recognised in the prior year:

Contact – goodwill impairment charge of \$64,613,000 recognised in 1H15 in order to bring the carrying value of Contact in line with its recoverable amount. This impairment related to a number of items relating to the flow-on effect of delays in the Reach platform.

Digital - impairment charge of \$12,445,000 relating to goodwill and \$1,305,000 of customer intangibles for a recent acquisition that has not performed in accordance with expectations.

11. Non-current assets - Intangible assets (continued)

a) Impairment tests for goodwill (continued)

There was also an impairment charge of \$16,516,000 in order to bring the carrying value of Digital goodwill and intangible assets in line with their recoverable amount. This impairment relates to a reassessment of the cashflow to be generated by the Digital business following completion of the product and services review. As a result of these charges, the goodwill and intangible assets in the Digital CGU were impaired to a net book value of NIL.

A segment-level summary of the goodwill allocation is presented below.

	Media \$'000	Contact \$'000	Total \$'000
2016 Goodwill	54,034	19,348	73,382
2015 Goodwill	54,034	19,238	73,272

The recoverable amount of a CGU is determined based on value in use using discounted cash-flow calculations

b) Key assumptions

In performing the value-in-use calculations for each CGU, the Group has applied the following key assumptions:

- Revenue forecasts for a five-year forecast period based on the detailed Board approved FY17 budget, business forecasts and projections for FY18-FY21. Average five-year growth rates are 2.67% for Contact and 1.15% for Media.
- Growth rates to extrapolate cash flows beyond the five-year period of 2.5% for Contact and 1% for Media.
- A discount rate applied to forecast pre-tax cash flows for both Contact of 14.1% (2015:14.0%) and Media of 14.8% (2015: 13.8%). The equivalent post-tax discount rate is 10.3% for both CGUs (2015: 10.3%).

Discount rates reflect the Group's estimate of the time value of money and the risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital of the Group and business risk specific to that segment. Risk related to operating in different geographic locations has been reflected in the underlying cash flows prior to applying the discount rate.

c) Critical accounting estimate

The value in use calculation requires management to exercise its judgement in the process of applying the key assumptions noted above.

d) Impact of possible changes in key assumptions

The Contact CGU's recoverable amount exceeds its carrying amount by \$1.8 million. All other things being equal, if the following reasonably possible changes occurred in the Contact cash flow model's key assumptions, the CGU's recoverable amount would equal its carrying amount:

- a reduction in average annual revenue growth rates from 2.67% to 2.64%;
- a reduction in the terminal growth rate by 0.3%; or
- an increase in the post-tax discount by 0.2%.

12. Current liabilities - Trade and other payables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade payables	7,194	5,775
Accrued expenses	33,499	45,856
Other payables	2,793	3,636
	43,486	55,267

13. Provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Current		
Employee benefits - long service leave (note i)	3,869	4,825
Provision for surplus lease space	-	375
Employee benefits - annual leave	6,827	8,447
	10,696	13,647
Non-current		
Employee benefits – long service leave	863	1,186
Other provisions – lease make good (note ii)	2,747	2,760
	3,610	3,946
Total provisions	14,306	17,593

(i) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Salmat Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Salmat Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2016	2015
	\$'000	\$'000
Current leave obligations to be settled after 12 months.	760	936

13. Provisions (continued)

(ii) Lease make good provision

The Group has leased properties in various locations across Australia, Asia and New Zealand. In most instances, Salmat is required to make good the premises to the original state they were in when Salmat signed the lease. Salmat is required to record a provision if it can be reliably estimated and measured.

Movements in the lease make good provision is set out below:

	Consolidated	
	2016	2015
	\$'000	\$'000
Carrying amount at start of year	2,760	2,690
Additional provision recognised	10	152
Provision utilised	-	(72)
Foreign currency translation impact	(23)	(10)
Carrying amount at end of year	2,747	2,760

14. Borrowings

	Consolidated	
	2016	2015
	\$'000	\$'000
Current		
Bank loans	7,526	-
Lease liabilities	-	-
Total current borrowings	7,526	-
Non-current		
Bank loans	20,671	25,508
Lease liabilities	60	17
Total non-current borrowings	20,731	25,525
Total borrowings	28,257	25,525

a) Bank loans and bank overdraft

Credit support is provided through negative pledge contained in the facility agreement and guarantee over the assets of certain Group companies. On 28 June 2016, the Group signed a revised term sheet for the bank loan facility. This included extending the repayment terms for the AUD Tranche (to be repaid by March 2018), as well as the USD Tranche, which will have amortisation payments due every 6 months, with full payment by March 2018. A number of assets will also now be pledged as security. The loans have been classified between current and non-current based on the expiry date of the loan facility agreements.

Subsequent to year end the Group has entered into an insurance funding arrangement for \$1.4m, to be repaid by 30 March 2017.

14. Borrowings (continued)

b) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2016 \$'000	2015 \$'000
Floating rate		
Bank overdraft	1,478	1,447
Loan facilities	35,773	35,063
Guarantee facility	8,000	8,000
	45,251	44,510
Used at balance date		
Loan facilities	28,197	25,595
Guarantee facility	5,164	5,304
	33,361	30,899
Unused at balance date		
Bank overdrafts	1,478	1,447
Loan facilities	7,576	9,468
Guarantee facility	2,836	2,696
	11,890	13,611

The bank overdraft facilities may be drawn at any time. Interest-bearing liabilities recorded in the statement of financial position includes deferred borrowing costs. The current interest rates on loan facilities are 3.1% to 4.59% (2015: 2.6% to 4.55%) and on bank overdraft the interest is up to 10.4% (2015: up to 11.4%).

c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

Consolidated	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair Value \$'000
Bank loans	28,197	27,591	25,508	25,040
Lease liabilities	60	60	17	17
	28,257	27,651	25,525	25,057

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

15. Other financial liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
Financial liabilities at fair value through profit or loss		
Contingent consideration	5,967	5,216
Put/call option	32,357	30,264
Purchase commitment	-	3,216
	38,324	38,696
Total other financial liabilities	38,234	38,696
Current	36,832	37,051
Non-current	1,492	1,645
Total other financial liabilities	38,324	38,696

All of the above financial liabilities at fair value through profit and loss arose as part of the purchase agreements of companies acquired during FY14.

Movements other financial liabilities is set out below:

	Consolidated	
	2016	2015
	\$'000	\$'000
Carrying amount at start of year	38,696	40,011
Increase/(decrease) in fair value	5,497	(5,318)
Unwinding of discount rate	1,684	1,793
Payment of contingent consideration and purchase commitment	(7,553)	(958)
Commitment to purchase remaining shareholding of subsidiary	-	3,168
Carrying amount at end of year	38,324	38,696

(i) Critical accounting estimate

In the process of calculating the fair value of these level 3 instruments (refer note 21), management has exercised its judgement due to unobservable market inputs. The fair value is estimated by calculating the present value of the future expected cash flows, and is based on probability-adjusted EBITDA forecasts of the relevant subsidiary, and discounted accordingly. The forecast EBITDA and application of an appropriate discount rate require a degree of judgement.

16. Non-current liabilities - Other non-current liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
Deferred profit	698	698

The deferred profit relates to profit on sale of a subsidiary's business to an associated entity Reach Media NZ Limited. This profit will be recognised on disposal or impairment of the investment in Reach Media NZ Limited.

17. Contributed equity

	Notes	Consolidated		Consolidated	
		2016 Shares '000	2015 Shares '000	2016 \$'000	2015 \$'000
a) Share capital					
Ordinary shares					
Fully paid	(b)	159,813	159,813	210,152	210,152
Treasury shares	(c)	(324)	-	(176)	-
		159,489	159,813	209,976	210,152

b) Ordinary share capital

There has been no movement in ordinary share capital in 2015 or 2016, apart from the purchase of treasury shares (see note c).

The company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

c) Treasury shares

Treasury shares are shares in Salmat Limited that are held by the Salmat Limited employee share trust for the employee deferred share and option plan and are deducted from equity (see note 30 for further information).

Date	Details	Notes	Number of shares '000	\$'000
1 July 2014	Opening balance		625	1,651
	Employee deferred share scheme and option plan issue	(d)	(253)	(596)
	Employee exempt share plan		(75)	(177)
	Other		(297)	(878)
30 June 2015	Balance		-	-
1 July 2015	Opening balance		-	-
	Purchase of shares through share trust		324	176
30 June 2016	Balance		324	176

d) Employee deferred share and option plan

Information relating to the employee deferred share and option plan, including details of deferred shares and options issued, and exercised under the schemes, are set out in note 30.

17. Contributed equity (continued)

e) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

As a company is in a net cash position, the monitoring and forecasting of the net cash position is a key measure that capital management targets are assessed against. At 30 June 2016 the Company had a net cash position of \$14,654,000 (2015: \$23,115,000).

18. Other reserves and retained earnings

	Consolidated	
	2016	2015
	\$'000	\$'000
a) Other reserves		
Share-based payments reserve	2,337	2,105
Foreign currency translation reserve	2,009	1,337
Transaction with NCI reserve	(33,402)	(33,907)
	(29,056)	(30,465)

	Consolidated	
	2016	2015
	\$'000	\$'000
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	2,105	2,751
Shares and options expense	232	11
Treasury shares purchased	-	(657)
Balance 30 June	2,337	2,105

18. Other reserves and retained earnings (continued)

	Consolidated	
2016	2015	
\$'000	\$'000	

a) Other reserves (continued)

Movements:

Foreign currency translation reserve

Balance 1 July	1,337	569
Exchange differences on translation of foreign operations	673	768
Balance 30 June	2,009	1,337

Movements:

Transaction with NCI reserve

Balance 1 July	(33,907)	(30,739)
Transaction with non-controlling interest	505	-
Commitment to purchase remaining shareholding of subsidiary	-	(3,168)
Balance 30 June	(33,402)	(33,907)

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

	Consolidated	
2016	2015	
\$'000	\$'000	

b) Retained earnings

Balance 1 July	(85,792)	26,609
Net profit for the year attributable to owners of the Company	(8,029)	(100,550)
Remeasurement of retirement benefit obligation recognised directly in retained earnings	223	135
Dividends	-	(11,986)
Balance 30 June	(93,598)	(85,792)

c) Nature and purpose of other reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued but not exercised, the grant date fair value of deferred shares granted to employees but not yet vested and the issue of shares held by the Salmat Limited employee share trust to employees.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e). The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Transaction with NCI reserve

The transaction with NCI reserve arises from transactions with non-controlling interests, where commitments are made or there are obligations to purchase the remaining shares of subsidiaries that are not wholly owned. Initial recognition is through this reserve, any subsequent changes in the fair value of the liability are recognised through the income statement. On purchase of remaining shares of subsidiaries where a commitment had been made, the non controlling interest of the subsidiary is de-recognised through this reserve.

19. Dividends

Consolidated	
2016	2015
\$'000	\$'000

a) Ordinary shares

Final ordinary dividend for the year ended 30 June 2014 of 7.5 cents (2013 - 7.5 cents) per fully paid share paid on 18 September 2014.

	-	11,986
	-	11,986
Paid in cash	-	11,986

b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the Directors have recommended no dividend payment per fully paid ordinary share (2015: \$nil).

	-	-
	-	-

c) Franked dividends

The franked portions of any dividends recommended after 30 June 2016 will be franked out of existing franking credits.

Franking credits available for the Australian Group subsequent financial years based on a tax rate of 30% (2015- 30%)

	33,052	33,052
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- a) franking credits that will arise from the payment of the amount of the provision for income tax;
- b) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

20. Group interests, and related parties

a) Parent entity

The ultimate parent entity within the group is Salmat Limited.

b) Subsidiaries

The Group's material subsidiaries and interests in these at the end of the reporting period are as follows:

			Equity Holding	
			2016	2015
			%	%
Local Direct Network Pty Limited *	Australia	Ordinary	100	100
Salmat MediaForce Pty Limited *	Australia	Ordinary	100	100
Salmat Contact Solutions Australia Pty Limited *	Australia	Ordinary	100	100
Salmat Contact Solutions New Zealand Limited	New Zealand	Ordinary	100	100
Salmat Digital Pty Limited*	Australia	Ordinary	100	100
SalesForce Direct Sales Pty Limited *	Australia	Ordinary	100	100
Fuse Pty Limited ***	Australia	Ordinary	100	50
Netstarter Pty Limited	Australia	Ordinary	100	100
MicroSourcing Philippines Inc**	Philippines	Ordinary	50	50
MicroSourcing International Ltd**	Hong Kong	Ordinary	50	50

*These subsidiaries have been granted relief from the necessity to prepare financial report in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 29.

**The Group owns 50% of the issued capital. The Directors have control over these entities as they are able to control the Board and direct the day to day running of these entities through key clauses in the shareholder agreement. It is considered appropriate to consolidate these entities. Share of income related to non-controlling interest has been disclosed as minority interest. Subsequent to the year end these entities have been fully acquired. See note 27.

*** During the year the remaining 50% was purchased of this subsidiary (see note 18a).

c) Non-controlling interests

Set out below is summarised information for each subsidiary that has non-controlling interests that in the opinion of the Directors are material to the Group. The amounts disclosed are before inter-company eliminations.

		MicroSourcing International Limited - consolidated	
		2016	2015
		\$'000	\$'000
Summarised balance sheet			
Current assets		18,755	14,926
Current liabilities		6,475	5,107
Current net assets		12,280	9,819
Non-current assets		5,190	5,713
Non-current liabilities		315	601
Non- current net assets		4,875	5,112
Net assets		17,155	14,931
Accumulated NCI		10,598	11,688
Summarised statement of comprehensive income			
Revenue		64,103	48,711
Profit for the period		8,001	5,297
Other comprehensive income		448	270
Total comprehensive income		8,449	5,567
Profit allocated to NCI		1,949	2,128

20. Group interests, and related parties (continued)

c) Non-controlling interests (continued)

Summarised cash flows	2016 \$'000	2015 \$'000
Cash flows from operating activities	14,112	7,424
Cash flows from investing activities	(1,064)	(3,243)
Cash flows from financing activities	(8,259)	(600)
Net increase in cash and cash equivalents	4,789	3,581

d) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group at 30 June 2016. These are both accounted for using the equity method.

Name of Company	Principal activity	Ownership interest		Carrying amount	
		2016	2015	2016	2015
		%	%	\$'000	\$'000
Unlisted – no quoted prices available					
Reach Media NZ Limited, New Zealand (Joint Venture)	Unaddressed mail distribution	50	50	3,107	2,585
Online Media Holdings Pty Ltd (Associate)	Online location based services	23	29	-	-
				3,107	2,585
				Consolidated	
				2016	2015
				\$'000	\$'000
Carrying amount at the beginning of the financial year				2,585	2,058
Foreign exchange profit/(loss)				251	(24)
Share of profits recognised, after income tax				271	551
Carrying amount at the end of the financial year				3,107	2,585

21. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market (including foreign currency and, interest rate risk), credit and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks; aging analysis for credit risk and rolling cash flow forecasts for liquidity risk.

Risk management is carried out in accordance with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
	2016	2015
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	42,911	48,640
Trade and other receivables	56,185	63,514
	99,096	112,154
Financial liabilities		
Trade and other payable	43,486	55,267
Borrowings	28,257	25,525
Other financial liabilities	38,324	38,696
	110,067	119,488

a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than in the respective functional currencies of the Salmat entities. The Group's income and operating cash flows are not materially exposed to any particular foreign currency.

The US dollar denominated bank loans are expected to be repaid with receipts from US denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's treasury policy requires interest rate swaps to be entered into to manage cash flow risks associated with borrowings with variable interest rates.

During 2015 and 2016, the Group's borrowings at variable rate were mainly denominated in Australian dollars and US dollars. As at 30 June 2016 the Group is in a net cash position, and so the Group's exposure to interest rate risk considered minimal, as the variable interest paid is offset by the variable interest received.

21. Financial Risk Management (continued)

b) Credit risk

Credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations.

Salmat has a Credit Policy which provides the guidelines for the management of credit risk. The guidelines provide for the manner in which the credit risk of clients is assessed and the use of credit ratings and other information in order to set appropriate account limits. Clients that do not meet minimum credit criteria are required to pay up front. Clients who fail to meet their account terms are reviewed for continuing credit worthiness.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 63. As at 30 June 2016, the Group's exposure to clients with a balance greater than \$1 million totalled \$10.7 million (2015: \$6.8 million). The Group does not consider that there is any significant concentration of credit risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled non-derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Trade payables	43,486	-	-	-	-	43,486	43,486
Borrowings including interest	4,067	4,485	21,342	-	-	29,894	28,197
Finance lease liabilities	-	-	-	60	-	60	60
Other financial liabilities	32,357*	5,026	1,675	-	-	39,058	38,324
Total non-derivatives	79,910	9,511	23,017	60	-	112,498	110,067
At 30 June 2015							
Non-derivatives							
Trade payables	55,267	-	-	-	-	55,267	55,267
Borrowings including interest	477	477	26,224	-	-	27,178	25,508
Finance lease liabilities	17	-	-	-	-	17	17
Other financial liabilities	1,480	37,039	1,908	-	-	40,427	38,696
Total non-derivatives	57,241	37,516	28,132	-	-	122,889	119,488

* On 10 August 2016, the Group completed the remaining 50% acquisition of MicroSourcing International, for \$32.3m (included in current liabilities at 30 June 2016). \$22.3m of this liability was settled on 10 August 2016, through a \$20m cash payment and \$2.3m share issue. Subsequent to the year end, payment terms for the remaining \$10.1m were re-negotiated to defer cash settlement dates.

21. Financial Risk Management (continued)

d) Fair value measurements

(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, put/call option and purchase commitment associated with business combinations completed in 2014 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.

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

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

Description	Fair value at 30 June 2016 \$'000	Unobservable inputs	Inputs	Relationships of unobservable inputs to fair value
Put/call option - MicroSourcing	32,357	The fair value is based on actual results of MicroSourcing for the year ended 31 March 2016. At balance date this amount was due on 10 August 2016 and so no discounting was applied. For further information on this liability and the subsequent renegotiation and payment, see note 27, subsequent events.		
Contingent consideration – Other acquisitions	5,967	Expected future earnings growth Discount rate	27% 4.59%	A decrease of the discount rate by 100bps and expected future earnings growth increase by 10%, would on 6 months forecast would result in a fair value increase of \$380,010

(iii) Valuation process

The finance team of the Group performs the valuations required for financial reporting purposes, including level 3 fair values. 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.

22. (Loss) / Earnings per share

	Consolidated	
	2016	2015
a) Basic (loss) / earnings per share		
Earnings per share attributable to owners of Salmat Limited	(5.0)	(61.3)
Earnings per share for (loss) / profit	(3.8)	(62.9)
b) Diluted (loss) / earnings per share*		
Diluted earnings per share attributable to owners of Salmat Limited	(5.0)	(61.3)
Diluted earnings per share for (loss) / profit	(3.8)	(62.9)

*Due to the group reporting a loss and a loss attributable to owners of Salmat for the years ended 30 June 2016, and 30 June 2015, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2016	2015
	\$'000	\$'000
(Loss) / profit for the year attributable to owners of Salmat	(8,029)	(100,550)
(Loss) / profit for the year	(6,044)	(98,036)

d) Weighted average number of ordinary shares used in the calculation of basic and diluted EPS

	Consolidated	
	2016	2015
	Quantity	Quantity
	'000	'000
Weighted average number of shares on issue used to calculate basic and diluted EPS	159,768	159,813

23. Key management personnel

Key management personnel compensation

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	3,048,446	3,135,142
Long-term benefits	3,210	2,245
Post-employment benefits - Defined contribution fund contributions	126,359	166,494
Share-based payments	226,013	224,237
Termination payments	-	1,050,460
	3,404,028	4,578,578

Detailed remuneration disclosures are provided in the remuneration report on pages 12-22. There are no transactions with key management personnel or entities related to them, other than remuneration detailed.

24. Remuneration of auditors

PricewaterhouseCoopers (PwC) was appointed at the 2014 Salmat AGM. During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices:

	Consolidated	
	2016	2015
	\$	\$
<i>Amounts received, or due and receivable by auditors of the company:</i>		
<i>PricewaterhouseCoopers:</i>		
Audit and half year review of the financial reports	384,360	345,700
Other services		
• assurance related	56,000	9,800
	440,360	355,500
Member firms of PricewaterhouseCoopers in relation to subsidiaries of Salmat for:		
Audit of the financial reports	82,543	62,848
	82,543	62,848

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group is compelling.

25. Contingent liabilities

(i) Legal and regulatory proceedings

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.

(ii) Guarantees

	2016	2015
	\$	\$
Guarantees in respect of performance under contracts and premise leases	5,164	5,304
	5,164	5,304

These guarantees may give rise to liabilities in the Salmat Group if the subsidiaries do not meet their obligations under the terms of the leases or overdraft subject to the guarantees.

26. Commitments

a) Lease commitments

(i) Non-cancellable operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2016	2015
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	18,631	20,743
Later than one year but not later than five years	51,776	52,362
Later than five years	3,801	4,646
	74,208	77,751

(ii) Finance leases

The Group leases various plant and equipment under finance lease expiring within five years. This totals \$60,000 (2015: \$17,000)

27. Events occurring after the reporting period

On 10 August 2016, the Group completed the remaining 50% acquisition of MicroSourcing International, for \$32.3 million (included in current liabilities at 30 June 2016). \$22.3m of this liability was settled on 10 August 2016, through a \$20m cash payment and \$2.3m share issue. Subsequent to the year end, payment terms for the remaining \$10.1m were re-negotiated to defer cash settlement dates. The Group has retained the option to settle \$7.4m in shares. Alternatives to fund this \$10m are being considered and if it is paid in cash the amounts are due in April 2017 (\$5m) and August 2017 (\$5m).

Except for the matter discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

28. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2016	2015
	\$'000	\$'000
Loss for the year	(6,044)	(98,036)
Depreciation and amortisation	13,624	14,648
Impairment loss	-	94,879
Non-cash financing costs	1,559	1,702
Non-cash financing income	(133)	-
Non-cash employee benefits	319	270
Non-cash retirement benefits expense	579	381
Fair value adjustment – other financial liabilities	5,497	(5,318)
Net loss on sale of non-current assets	38	62
Net gain on sale of share in associate	(840)	(2,273)
Sale of business	(330)	-
Share of net profit of joint venture	(271)	(551)
Interest revenue	(836)	(2,001)
Finance costs	1,070	3,820
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/ (increase) in trade and other receivables	7,329	(4,412)
(Increase)/ decrease in inventories	(34)	624
(Increase)/ decrease in other assets	(2,287)	745
Decrease in deferred tax assets	1,372	2,624
Decrease in trade and other payables	(11,877)	(11,524)
(Decrease)/increase in provision for income taxes payable	(18)	395
Decrease in provision for deferred income tax	(108)	(1,400)
Decrease in other provisions	(3,184)	(382)
Net cash inflow/ (outflow) from operating activities	5,425	(5,747)

29 Deed of cross guarantee

Salmat Limited and the following controlled entities are parties to a deed of cross guarantee under which each Company guarantees the debts of the others.

- Salmat MediaForce Pty Limited
- Salmat SalesForce Pty Limited
- Salmat Contact Solutions Australia Pty Limited
- Salmat Digital Pty Limited
- Salmat MSI Pty Limited
- Salmat International Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

29 Deed of cross guarantee (continued)

a) Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order. Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2016 of the Closed Group.

	2016 \$'000	2015 \$'000
<i>Consolidated income statement</i>		
(Loss) / profit before income tax	(20,185)	(68,632)
Income tax (expense) / benefit	(1,646)	47,792
Loss after tax	(21,831)	(20,840)
Loss for the year	(21,831)	(20,840)
<i>Consolidated statement of comprehensive income</i>		
(Loss)/profit for the year	(21,831)	(20,840)
Other comprehensive income		
Exchange differences on translation of foreign operations	202	(368)
Other comprehensive income for the year, net of tax	202	(368)
Total comprehensive income for the year	(21,629)	(21,208)
<i>Summary of movements in consolidated retained earnings</i>		
Retained earnings at the beginning of the financial year	(8,361)	24,465
(Loss) / Profit for the year	(21,831)	(20,840)
Change of entities within the Closed Group	-	-
Dividends provided for or paid	-	(11,986)
Retained earnings at the end of the financial year	(30,192)	(8,361)

29 Deed of cross guarantee (continued)

b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2016 of the Closed Group.

	2016 \$'000	2015 \$'000
Current assets		
Cash and cash equivalents	24,165	36,387
Trade and other receivables	35,347	37,371
Inventories	34	-
Other current assets	4,105	4,059
Total current assets	63,651	77,817
Non-current assets		
Receivables	3,454	2,754
Investments	217,877	217,328
Property, plant and equipment	9,193	13,522
Deferred tax assets	12,333	13,730
Intangible assets	19,086	21,138
Total non-current assets	261,943	268,472
Total assets	325,594	346,289
Current liabilities		
Trade and other payables	31,164	45,216
Net intercompany payables	80,608	58,100
Borrowings	7,526	-
Other financial liabilities (current)	29,951	37,051
Provisions	9,055	11,007
Total current liabilities	158,304	151,374
Non-current liabilities		
Payables	1,492	1,645
Borrowings	20,671	25,508
Provisions	3,182	3,357
Total non-current liabilities	25,345	30,510
Total liabilities	183,649	181,884
Net assets	141,945	164,405
Equity		
Contributed equity	209,977	210,151
Reserves	(37,840)	(33,350)
Retained earnings	(30,192)	(12,396)
Total equity	141,945	164,405

30. Share-based payments

a) Employee option plan

The Salmat Executive Performance Option Plan allows the Company to grant performance rights in the form of zero price options over shares to key executives. The plan is designed to provide long-term incentives for senior managers and above to deliver long term shareholder returns. Under the plan participants are offered rights to purchase shares if certain performance standards are met. The consideration for the right is zero. The amount of rights that vest depends on Salmat's Total Shareholder Return (TSR), EPS and non-financial measures. There is also a service condition attached to each tranche of performance rights in that the executive must also be employed by the Company at the date of assessment of the right.

Participation in the plan is at the Board's discretion. Rights generally may not be transferred and do not carry any voting rights or the right to dividends. Quotation of rights on the ASX will not be sought. However, the Company will apply for official quotation of shares issued on the exercise of rights. Shares issued on the exercise of rights will rank equally with other shares of the Company.

A right may only be exercised by a date to be determined by the Board from time to time but not exceeding 5 years after the date the right is granted, subject to the applicable performance hurdles detailed above and other exercise restrictions.

Once vested, the right remains exercisable for a period of 2 years (or such earlier date as determined by the Board) from the date of its issue to the eligible executive, or the date six months after the eligible executive dies, retires, is made redundant or becomes disabled, or the date one month after the eligible executive ceases to be employed by Salmat for any other reason.

Set out below are summaries of rights granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated – 2016								
Dec 15	Sept 18	-	-	2,930,482	(490,701)	-	2,439,781	-
Aug 13	Sept 16	-	164,593	-	(164,593)	-	-	-
Aug 12	Sept 15	-	90,335	-	(90,335)	-	-	-
Dec 12	Sept 15	-	17,027	-	(17,027)	-	-	-
Total			271,955	2,930,482	(762,656)	-	2,43,781	-
Weighted average exercise price			-	-	-	-	-	-
Consolidated – 2015								
Apr 14	Apr 15	-	257,643	-	-	(257,643)	-	-
Aug 13	Sep 16	-	481,416	-	(316,823)	-	164,593	-
Aug 12	Sept 15	-	333,781	-	(243,446)	-	90,335	-
Dec 12	Sept 15	-	17,027	-	-	-	17,027	-
Total			1,089,867	-	(560,269)	(257,643)	271,955	-
Weighted average exercise price			-	-	-	-	-	-

30. Share-based payments (continued)

a) Employee option plan (continued)

Fair value of rights granted

The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for the rights issued during the year ended 30 June 2014 included:

August 13 Grant

- a) Share price at date of grant: \$2.06 on 24 July 2013
- b) Rights issued have no exercise price
- c) Risk free interest rate: 2.63% on 24 July 2014
- d) Expected price volatility of the Company's shares: 31%
- e) Expected dividend yield: 6.1%
- f) Expiry and vesting date: 1 September 2016

April 14 Grant

The rights issued were based on the weighted average market price during the five day trading up to including the grant.

There were no rights issued during the year ended 30 June 2015.

December 15 Grant

- a) Share price at date of grant: \$0.65 on 14 December 2015
- b) Rights issued have no exercise price
- c) Risk free interest rate: 2.11% on 14 December 2015
- d) Expected price volatility of the Company's shares: 40%
- e) Expected dividend yield: 0%
- f) Expiry and vesting date: 1 September 2018

b) Employee Share Plan

Exempt Employee Share Plan

The Salmat Exempt Employee Share Plan is open to all full-time or permanent part-time Australian employees with more than three months service and allows for the purchase of up to \$1,000 worth of shares per annum per eligible employee. Participants will not be permitted to dispose of their shares until three years after the date of acquisition unless they leave the Company. Ordinary shares carry one vote per share and carry the right to dividends.

30. Share-based payments (continued)

b) Employee share plan (continued)

Details of shares in the Company provided as remuneration to key management personnel of the parent entity and the Group are set out below.

	2016	2015
	Number of	Number of
	shares	shares
	'000	'000
<i>Exempt Employee Share Plan</i>		
Opening balance	-	148
Transfers/disposals	(116)	(148)
Acquisitions	116	-
Closing balance	-	-

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Rights issued under employee option plan	232	13
Rights issued under deferred employee share scheme	-	(2)
	232	11

31. Parent entity financial information

a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Parent Entity	
	2016	2015
	\$'000	\$'000
Statement of financial position		
Current assets	46,093	38,021
Non-current assets	32,205	104,339
Total assets	78,298	142,360
Current liabilities	10,938	24,378
Non-current liabilities	15,524	18,735
Total liabilities	26,462	43,113
Shareholders' equity		
Contributed equity	209,975	210,151
Reserves	(2,259)	(2,471)
Retained earnings	(155,880)	(108,433)
	51,836	99,247
Loss profit for the year	(47,447)	(56,527)
Total comprehensive (loss) income	(47,447)	(56,527)

b) Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the deed of cross guarantee and the subsidiaries subject to the deed are disclosed in note 29.

c) Contingencies and commitments

For information about contingent liabilities and commitments contracted by the parent entity please see note 25 and 26.

In the Directors' opinion:

- a) the financial statements and notes set out on pages 25 to 75 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 30 June 2016 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

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



Peter Mattick
Chairman



John Thorn
Director

Sydney
29 August 2016



Independent auditor's report to the members of Salmat Limited

Report on the financial report

We have audited the accompanying financial report of Salmat Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Salmat Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of Salmat Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 22 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Salmat Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
29 August 2016