

SAI GLOBAL LIMITED

Financial Report

Half-Year Ended 31 December 2010

SAI Global Limited and controlled entities

Directors' report

The Directors present their report on the consolidated entity (the Group or SAI) consisting of SAI Global Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

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

Robert Wright	(Chairman)
Tony Scotton	(Chief Executive Officer)
Anna Buduls	
John Murray AM	
Peter Day	
Andrew Dutton	

Review of operations

The Group has continued to grow during the period, achieving robust growth in revenue and profitability despite the adverse impacts of the stronger Australian dollar and reduced activity in the property business. The growth was driven by a strong result from the Compliance Services business which saw excellent organic growth overlaid with a contribution from the recent acquisition of Integrity Interactive.

The operating result of the Group attributable to shareholders was \$16,778k. This represents an increase of 22.9% over the result for the corresponding period of \$13,653k. This result includes the adverse after tax impact of \$2,864k of significant non-recurring charges relating primarily to the acquisition of Integrity Interactive. The operating result of the Group attributable to shareholders before the impact of the significant, non-recurring charges was \$19,642k. This represents an increase of 43.9% over the result for the corresponding period.

Earnings per share remained unchanged from the corresponding period at 8.8 cents despite the impact of the significant non-recurring charges and the new shares issued during the period in relation to the Integrity Interactive transaction. Earnings per share before the impact of the significant, non-recurring charges increased by 18.2% to 10.4 cents.

First-half segment revenue of \$208,852k represents growth of 7.6% over the corresponding period. This increase includes the favourable impact of recent acquisitions together with the adverse impact of the stronger Australian dollar. Net revenue, which eliminates the distorting impact of the revenue which relates to the recharging of property services disbursements grew by 11.8% to \$164,977k compared with the corresponding period.

Reported earnings before interest, tax, depreciation and amortization (EBITDA) were \$39,680k, representing an increase of 12.1% over the corresponding period. Segment EBITDA, before the impact of the significant, non-recurring charges increased by 24.2% to \$43,949k.

The Directors have increased the interim dividend to 6.3 cents per share, up from 5.8 cents in the corresponding period. This dividend will be fully franked.

Operating cash inflows were \$17,901k. Operating cash inflows before the impact of the significant non-recurring charges were \$21,484k, up 20.1% from the \$17,881k achieved in the corresponding period last year.

A summary of the consolidated revenues and results for the half-year is set out below.

Revenue

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09	Change
Statutory revenue and other income	209,938	194,340	8.0%
Less: interest income	<u>1,086</u>	<u>280</u>	
Segment Revenue	<u>208,852</u>	<u>194,060</u>	<u>7.6%</u>

Statutory revenue and segment revenue increased by 8.0% and 7.6% respectively over the corresponding period, driven by the combination of organic growth and contributions from recent acquisitions, offset by the impact of the stronger Australian dollar which has appreciated significantly relative to the US dollar, the euro and sterling. Compliance Services and Assurance Services both achieved organic growth, the former performing ahead of expectations and the latter returning to trend growth rates. Information Services was adversely impacted by declining property transaction volumes which saw the Property Services revenue decline by 6.7% compared to the corresponding period. The non-property related businesses achieved above trend organic revenue growth of 9.3%, driven by improved conditions in Australia and sales of the Pressure Vessel Code in the UK and North America. These factors, together with the impact of the stronger Australian dollar, collectively resulted in a 3.4% decline in the Information Services revenue compared to the corresponding period.

A high proportion of the property services related revenue relates to the recovery of the charges levied by the various authorities involved in providing property searches and related certificates. The table below shows the amount of the reported revenue that relates to these recharges. Excluding the impact of the recharges, revenue grew by 11.8% compared with the corresponding period.

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09	Change
Segment revenue	208,852	194,060	7.6%
Less: revenue relating to the recharging of disbursements	<u>43,875</u>	<u>46,432</u>	
Net revenue	<u>164,977</u>	<u>147,628</u>	<u>11.8%</u>

Earnings before interest, tax, depreciation and amortization (EBITDA)

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09	Change
Reported EBITDA	39,680	35,384	12.1%
Add back: significant, non-recurring charges	4,269	-	
Segment EBITDA	43,949	35,384	24.2%

Reported EBITDA increased by 12.1%. Segment EBITDA before the impact of the significant, non-recurring charges grew strongly compared to the corresponding period, up 24.2%, reflecting both robust organic growth and the contribution from recent acquisitions, offset by the adverse impact of the stronger Australian dollar.

The significant, non-recurring charges relate predominantly to the Integrity Interactive acquisition. These are summarised below:

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09
Transaction charges relating to the acquisition of Integrity Interactive	(1,825)	-
Integration and restructuring charges relating to the acquisition of Integrity Interactive	(1,369)	-
Other significant, non-recurring charges	(1,075)	-
Significant, non-recurring charges before tax	(4,269)	-
Income tax credit applicable to significant, non-recurring charges	1,405	-
Significant, non-recurring charges after income tax	(2,864)	-

Measuring the EBITDA margin relative to net revenue provides a more appropriate indication of the Company's underlying profitability trend. Measured on this basis the EBITDA margin, using segment EBITDA, expanded to 26.6% up from 24.0% achieved in the corresponding period. When measured against segment revenue the EBITDA margin, before the impact of significant, non-recurring charges expanded to 21.1%, up from 18.3% achieved in the corresponding period due to the favourable impact of the Integrity Interactive acquisition and expanding margins in the Assurance division.

Earnings before interest and tax (EBIT)

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09	Change
Segment EBITDA	43,949	35,384	24.2%
Less: depreciation	(5,851)	(5,783)	1.2%
Less: amortization of identifiable intangible assets	(6,626)	(3,872)	71.1%
Segment EBIT	31,472	25,729	22.3%
Significant, non-recurring charges	(4,269)	-	
Reported EBIT	27,203	25,729	5.7%

The increase in the charge for depreciation reflects the continued investment in new product development and the impact of the recent acquisitions, offset by the favourable impact of the stronger Australian dollar on expense items.

The amortization charge relating to identifiable intangible assets has increased by 71.1% reflecting the impact of the Integrity Interactive acquisition, offset by reducing amortization charge relating to acquisitions undertaken in prior periods, and the favourable impact of the stronger Australian dollar. The intangible assets consist of the assessed values of customer relationships and contracts, product delivery platforms and intellectual property acquired. The valuation of the intangible assets acquired as part of the Integrity Interactive transaction is still in progress and thus the amortisation charge recognised in relation to these assets is preliminary at this stage.

Reported EBIT increased 5.7%. Segment EBIT before the impact of significant, non-recurring charges increased by 22.3% compared to the corresponding period. The EBIT margin before the impact of significant, non-recurring charges relative to net revenue expanded to 19.1%, up from 17.4% in the corresponding period.

Net profit after tax (NPAT)

\$'000s	6 months ending 31 Dec 10	6 months ending 31 Dec 09	Change
Segment EBIT	31,472	25,729	22.3%
Less: net financing costs	(4,986)	(4,256)	17.2%
Less: share of profits / (losses) of associates	34	21	
Net profit before income tax, and before significant, non-recurring charges	26,520	21,494	23.4%
Less: Income tax expense relating to net profit before significant, non- recurring charges	(6,722)	(6,358)	5.7%

Less: Non-controlling interests share of net profit (156) (1,483)

NPAT attributable to members of SAI Global Limited, before significant, non-recurring charges	19,642	13,653	43.9%
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Significant, non-recurring charges after tax (2,864) -

Reported NPAT attributable to members of SAI Global Limited	16,778	13,653	22.9%
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The net financing charge of \$4,986k consists of interest paid of \$6,072k net of interest received of \$1,086k. The majority of the interest income arose from the placing on deposit the proceeds from the capital raising ahead of the settlement of the Integrity Interactive acquisition.

Reported net profit after tax increased 22.9%. Net profit after tax, before significant, non-recurring charges, increased by 43.9% compared with the result for the corresponding period.

Business combinations

During the period SAI acquired 100% of Integrity Interactive (Integrity), a leading US based compliance and ethics solutions provider.

Obtaining a leading position in at least one compliance services solution set has been a major strategic focus for SAI for some time, and bringing together two of the foremost players in the training and awareness space goes a long way to achieving this.

This acquisition enhances SAI's value proposition in a number of ways, including by:

- Providing scale to the compliance services business and positioning SAI as a leading provider of compliance and ethics learning solutions
- Providing access to a broader and deeper multilingual course library
- Adding a significant annuity book of revenue
- Expanding relationships with multinational clients

Integrity has a strong presence in North America and an established presence in Europe. Its operations are complementary to SAI's strong presence in the Asia Pacific region and existing UK and North American compliance businesses. Integrity is headquartered in Waltham, Massachusetts and maintains offices in London, Brussels and Hartford, Connecticut.

Integrity helps global corporations measure, manage and mitigate the risks of ethics and compliance failures. It has partnered with global companies to develop, design and implement best practice ethics and compliance programs with the aim of improving employee performance, protecting brand image, and reducing legal risks. Integrity's solutions include advisory services, training and communications, certification and disclosure and workflow management tools which collectively inform, encourage and monitor ethical behaviour by employees and business partners.

Integrity's content library includes courses covering hundreds of compliance topics which are available in a wide variety of formats. Integrity has modified its courses and communications to account for regionalised legal content, cultural norms and local languages. The Integrity Interactive Advisory Panel comprises some 27 ethics and compliance experts around the world. The company currently provides its services in over 40 languages.

Business operations

A summary of segment revenue and earnings before non-recurring items and related commentary is set out below:

\$'000	Segment revenue		Segment EBITDA	
	6 months ending 31 Dec 10	6 months ending 31 Dec 09	6 months ending 31 Dec 10	6 months ending 31 Dec 09
Information Services	97,444	100,827	22,979	25,360
Compliance Services	35,249	20,314	12,860	4,057
Assurance Services	77,308	73,502	12,582	10,369
	210,001	194,643	48,421	39,786
Unallocated expenses less unallocated revenue			(4,472)	(4,402)
Segment EBITDA before significant, non-recurring charges			43,949	35,384
Depreciation and amortization			(12,477)	(9,655)
Share of profits/(losses) of associates			34	21
Segment result before tax, before significant, non-recurring charges			31,506	25,750
Net financing charges			(4,986)	(4,256)
Income tax on profit on ordinary activities before non-recurring items			(6,722)	(6,358)
Segment result after related income tax, before non-recurring charges			19,798	15,136
Minority interests			(156)	(1,483)
Net profit after tax, before significant, non- recurring charges			19,642	13,653
Significant, non-recurring charges			(2,864)	-
Statutory net profit after tax			16,778	13,653

Information Services

Despite an improved performance by the non-property related Information Services businesses, which achieved organic revenue growth of 9.3%, the results of the division were adversely impacted by a reduced revenue and EBITDA contribution from the property services business, which saw revenue and EBITDA reduce by 6.7% (9.0% on a net revenue basis) and 30% respectively. The fall in the property services results reflects the significant drop in the number of properties changing hands compared with the economic stimulus fuelled levels experienced in the corresponding period. The non-property businesses benefitted from sales of the Pressure Vessel Code, albeit at low margins. Overall the division's revenue was down 3.4% (1.5% on a net revenue basis) and EBITDA down 9.4%, both reductions also including the adverse impact of the stronger Australian dollar. The EBITDA margin reduced from 25.2% to 23.6%. The margins in the non-property businesses remained strong at 50.0% (50.1% in the corresponding period) despite the impact of the lower margin sales of the Pressure Vessel Code.

As noted above, a high proportion of the property services revenue relates to the recovery of the charges levied by the various authorities involved in providing property searches and related certificates. Measuring the EBITDA margin relative to net revenue provides a more appropriate indication of the division's underlying profitability trend. Measured on this basis the property services' EBITDA margin contracted to 32.4%, down from 42.1% achieved in the corresponding period. The division as a whole achieved an EBITDA margin of 42.9% on net revenue, down from 46.6% in the corresponding period.

The general environment for the sale of standards has been steadily improving in line with improvements in economic conditions. The operating focus over the past six months has been on advancing business development through establishing relationships with trade associations, government agencies and other standards organizations to broaden our distribution reach, focusing on larger accounts, particularly in the oil, gas and energy verticals.

Compliance Services

The Compliance Services division achieved strong growth in the first half reflecting both above trend organic growth and a contribution from Integrity Interactive since the acquisition date of 10 September 2010 (approximately three and a half months). Despite the adverse impact of the stronger Australian dollar, revenue grew by 73.5% over the corresponding period to \$35.2 million and EBITDA, before significant, non-recurring charges grew by 217.0% to \$12.9 million. EBITDA margins before significant, non-recurring charges expanded to 36.5%, up from the 20.0% achieved in the corresponding period, reflecting the operating leverage of the expanded business.

Operating focus has been on the integration of Integrity Interactive with the Compliance Americas and Compliance EMEA groups. Synergy costs specified in the Integrity acquisition are on track to be achieved as a result of strong oversight by the Compliance leadership team. The new learning management system was completed and customer implementations are commencing in

January. The new LMS has proven to be instrumental in retaining and winning customer commitments.

The new UK Bribery Law is providing the demand for advisory services and risk assessments. A risk assessment methodology targeted at bribery and corruption (B&C) has been developed and is being deployed. This methodology as well as our new gift and entertainment registry solution are being well received by clients and are working successfully as a door opener for greater training, awareness, GRC and B&C opportunities. The value proposition associated with a new, envisioned product for bribery and corruption using the new LMS and Cintellate technologies has solidified and a business case has been developed. These products set the stage for continued intermediate term growth for the compliance business.

Assurance Services

The Assurance Services division saw growth rates increase back to trend through a strong recovery in standards training, solid performances across our Asia businesses, expansion of our Product Services capability and ongoing growth in our food, medical, safety and environmental products. Revenue grew by 5.2% to \$77.3 million despite the adverse impact of the stronger Australian dollar, which translated into EBITDA growth of 21.3% to \$12.6 million. The EBITDA margin expanded to 16.3%, up from 14.1% in the corresponding period through improved operational efficiencies at the gross margin line and better leveraging of the overhead base on higher revenues, most significantly in the standards training business.

We continue to grow our share of the global food safety market, most significantly in the Americas, whilst expanding our capabilities in the key retail sector via the acquisition of Foodcheck in the UK. Expanding our geographic reach, whilst harmonising our global operational approach and business systems platform continues; with good success in the critical large multinational client segment.

Capital Management

The consideration for the acquisition of Integrity Interactive was satisfied through a combination of approximately A\$130 million of new equity and new borrowing facilities of approximately US\$60 million.

The new equity was raised at an issue price of \$3.60 per new share through a 1 for 7.2 accelerated non-renounceable pro-rata entitlement offer of approximately A\$80 million and a placement of approximately A\$50 million.

The institutional component of the equity raising was completed on 23 July 2010 and successfully raised approximately A\$117 million. New Shares issued under the Institutional Offer were allotted on 6 August 2010 and commenced trading on a normal settlement basis on the ASX on the same day. The new shares ranked pari passu with existing shares.

The retail component of the entitlement offer closed on 13 August 2010 and raised approximately A\$13 million.

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

The Group finished the period with cash reserves of \$34.0 million, interest-bearing debt of \$227 million and shareholders' funds of \$310 million.

The Group's current internal gearing guideline is to target net gearing, measured as interest-bearing debt less cash as a percentage of capital resources (net debt plus equity), at between 40% and 50%. The gearing ratio as at 31 December 2010 was 38.4%, down from 40.7% at 30 June 2010.

The Group has no core corporate debt maturing until November 2011, when facilities totalling A\$11.7 million and A\$8.0 million mature. The remaining debt matures between March 2012 and September 2013.

Matters subsequent to the end of the financial year

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

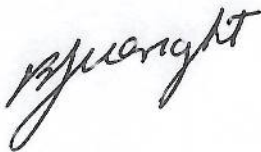
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Rounding of amounts to nearest thousand dollars

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

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



Robert Wright
Chairman



Tony Scotton
Chief Executive Officer

15 February 2011



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

In relation to our review of the financial report of SAI Global Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Christopher George'.

Christopher George
Partner
15 February 2011

SAI Global Limited

Consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Note	Half-Year Consolidated 2010 \$'000	2009 \$'000
Revenue			
Other income		208,554	193,148
		<u>1,384</u>	<u>1,192</u>
	2	<u>209,938</u>	<u>194,340</u>
Share of net gains of investments accounted for using the equity method		<u>34</u>	<u>21</u>
Expenses			
Employee benefits expense		65,604	57,826
Depreciation and amortisation expense	3	12,477	9,655
Finance costs	3	6,072	4,536
Other expenses	3	<u>103,568</u>	<u>100,850</u>
		<u>187,721</u>	<u>172,867</u>
Profit for the half-year before income tax expense		22,251	21,494
Income tax expense	4	5,317	6,358
Profit for the half-year		<u>16,934</u>	<u>15,136</u>
Other comprehensive income			
Changes in the fair value of cash flow hedges, net of tax		668	(141)
Exchange differences on translation of foreign operations		<u>(39,767)</u>	<u>(11,665)</u>
Other comprehensive income for the half-year, net of tax		<u>(39,099)</u>	<u>(11,805)</u>
Total comprehensive income for the half-year		<u>(22,165)</u>	<u>3,330</u>
Profit is attributable to:			
Owners of SAI Global Limited		16,778	13,653
Non-controlling interests		<u>156</u>	<u>1,483</u>
		<u>16,934</u>	<u>15,136</u>
Total comprehensive income for the half-year is attributable to:			
Owners of SAI Global Limited		(22,321)	1,847
Non-controlling interests		<u>156</u>	<u>1,483</u>
		<u>(22,165)</u>	<u>3,330</u>
Earnings per share attributable to the ordinary owners of the Company:			
Basic (cents per share)		8.8	8.8
Diluted (cents per share)		8.7	8.8

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

SAI Global Limited

Consolidated statement of financial position as at 31 December 2010

	Note	Consolidated	
		31-Dec-10 \$'000	30-Jun-10 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		33,954	33,493
Trade and other receivables		79,679	85,855
Inventories		817	805
Total current assets		114,450	120,153
Non-current assets			
Investments accounted for using the equity method		710	675
Plant and equipment		19,875	20,405
Capitalised product development expenditure		9,426	6,481
Deferred tax assets		15,767	17,672
Intangible assets	8	516,786	366,445
Total non-current assets		562,564	411,678
Total assets		677,014	531,831
LIABILITIES			
Current liabilities			
Trade and other payables	5	102,247	106,736
Borrowings ¹		22,260	941
Current tax liabilities		(154)	5,704
Provisions		5,802	6,142
Total current liabilities		130,155	119,523
Non-current liabilities			
Borrowings ²		204,176	178,437
Deferred tax liabilities		24,202	9,891
Provisions		2,705	3,595
Derivative financial instruments		2,570	4,281
Retirement benefit obligations		3,010	3,444
Total non-current liabilities		236,663	199,648
Total liabilities		366,818	319,171
Net assets		310,196	212,660
EQUITY			
Contributed equity	9	353,655	220,702
Reserves	6	(87,721)	(49,121)
Retained profits		43,338	40,311
Capital and reserves attributable to the ordinary owners of SAI Global Limited		309,272	211,892
Non-controlling interests		924	768
Total equity		310,196	212,660

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

¹ Current borrowings is net of \$471k of facility establishment costs

² Non-current borrowings is net of \$444k of facility establishment costs

SAI Global Limited

Statement of changes in equity for the half-year ended 31 December 2010

	Half-Year Consolidated				Total
	Attributable to owners of SAI Global Limited			Non-controlling interests	
	Contributed Equity	Reserves	Retained earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	220,702	(49,121)	40,311	768	212,660
Profit for the half-year	-		16,778	156	16,934
Changes in the fair value of cash flow hedges, net of tax	-	668	-	-	668
Exchange differences on translation of foreign operations	-	(39,767)	-	-	(39,767)
Total comprehensive income for the half-year	-	(39,099)	16,778	156	(22,165)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	132,953	-	-	-	132,953
Dividends paid	-	-	(13,751)	-	(13,751)
Movement in share based payments reserve	-	499	-	-	499
Balance at 31 December 2010	353,655	(87,721)	43,338	924	310,196
Balance at 1 July 2009	201,339	(18,591)	25,190	4,164	212,102
Total comprehensive income for the half-year	-	(11,806)	13,653	1,483	3,330
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	16,757	-	-	-	16,757
Dividends paid	-	-	(9,645)	-	(9,645)
Movement in share based payments reserve	-	470	-	-	470
Transactions with non-controlling interests in subsidiary	-	(18,670)	-	(4,442)	(23,112)
Balance at 31 December 2009	218,096	(48,597)	29,198	1,205	199,902

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

SAI Global Limited

Consolidated statement of cash flows for the half-year ended 31 December 2010

	Half-Year Consolidated	
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	230,550	215,834
Payments to suppliers and employees	(196,231)	(184,197)
Interest received	1,086	280
Interest paid	(6,072)	(4,536)
Income taxes paid	(7,821)	(9,393)
Other acquisition related costs	(28)	(107)
	<u>21,484</u>	<u>17,881</u>
Net cash inflow from operating activities before significant, non-recurring charges	21,484	17,881
Cash outflow impact of significant, non-recurring charges ¹	(3,583)	-
Net cash inflow from operating activities	17,901	17,881
Cash flows from investing activities		
Payments for purchase of controlled entities (net of cash acquired)	(196,908)	(28,631)
Earn-out payments for acquisitions	(1,868)	-
Payments for product development	(2,162)	(1,648)
Payments for plant and equipment	(4,809)	(3,566)
Proceeds from sale of plant and equipment	1	-
Net cash outflow from investing activities	(205,746)	(33,845)
Cash flows from financing activities		
Proceeds from borrowings	72,368	24,741
Proceeds from issue of shares	130,000	-
Share issue costs paid	(4,927)	-
Dividends paid	(6,631)	(6,341)
Net cash inflow from financing activities	190,810	18,400
Net increase/(decrease) in cash and cash equivalents	2,965	2,436
Cash and cash equivalents at the beginning of the financial period	33,493	20,114
Effects of exchange rate changes on cash and cash equivalents	(2,504)	(1,077)
Cash and cash equivalents at the end of the half-year	33,954	21,473

¹ Cash outflow impact of significant, non-recurring charges is comprised of:

Acquisition related transaction charges	(1,825)	-
Integration and restructuring charges	(1,369)	-
Other significant non-recurring charges	(1,075)	-
	<u>(4,269)</u>	<u>-</u>
Less amounts accrued for not yet paid	(686)	-
Cash outflow impact of significant, non-recurring charges	(3,583)	-

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

31 December 2010
(continued)

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31 December 2010

Note 1. Basis of preparation of half-year report

This general purpose condensed financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by SAI Global Limited during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

Changes in accounting policy

The following amending Standards have been adopted from 1 January 2011. Adoption of these Standards will not have any material effect on the financial position or performance of the Group:

AASB 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in *AASB 5*. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.

AASB 107 Statement of Cash Flows: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of non-recurring investing charges and the contingent consideration on the business combination completed in 2010 upon cash settlement.

AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in *AASB 8* before aggregation for reporting purposes. The amendment has no impact on the Group.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or the performance of the Group.

31 December 2010

Note 2. Operating Segments

Operating segments

Half-year ended 31 December 2010	Information Services \$'000s	Compliance Services \$'000s	Assurance Services \$'000s	Corporate Services \$'000s	Eliminations \$'000s	Consolidated \$'000s
Sales revenue	97,226	35,228	77,219	-	(1,119)	208,554
Other income	218	21	89	(30)	-	298
Segment revenue	97,444	35,249	77,308	(30)	(1,119)	208,852
Less: direct costs	(54,610)	(6,793)	(35,487)	(86)	1,119	(95,857)
Gross margin	42,834	28,456	41,821	(116)	-	112,995
Less: overheads	(17,960)	(14,631)	(25,284)	(11,171)	-	(69,046)
Less: corporate allocations	(1,895)	(965)	(3,955)	6,815	-	-
Segment earnings before interest, tax, depreciation and amortisation (EBITDA) before significant non-recurring charges	22,979	12,860	12,582	(4,472)	-	43,949
Less: depreciation	(1,317)	(2,692)	(794)	(1,048)	-	(5,851)
Less: amortisation of intangible assets	(2,167)	(3,931)	(528)	-	-	(6,626)
	19,495	6,237	11,260	(5,520)	-	31,472
Share of net profits of associates and joint venture partnership accounted for using the equity method	-	-	34	-	-	34
Segment result before significant non- recurring charges	19,495	6,237	11,294	(5,520)	-	31,506

a) Reconciliation of segment revenue

Note

Segment revenue	208,852
Interest income	1,086
Total revenue	209,938

b) Reconciliation of segment result

Segment result before significant non-recurring charges	31,506
Significant non-recurring charges	
Acquisition related transaction charges	3 (1,825)
Integration and restructuring charges	3 (1,369)
Other significant non-recurring charge	3 (1,075)
Total significant non-recurring charges	(4,269)
Interest income	1,086
Interest expense	(6,072)
Profit for the half-year before income tax expense	22,251

31 December 2009

Note 2. Operating segments

Operating segments

Half-year ended 31 December 2009	Information Services \$'000s	Compliance Services \$'000s	Assurance Services \$'000s	Corporate Services \$'000s	Eliminations \$'000s	Consolidated \$'000s
Sales revenue	100,318	20,235	73,456	-	(861)	193,148
Other income	509	79	46	278	-	912
Segment revenue	100,827	20,314	73,502	278	(861)	194,060
Less: direct costs	(55,914)	(4,926)	(34,758)	(42)	861	(94,779)
Gross margin	44,913	15,388	38,744	236	-	99,281
Less: overheads	(17,983)	(10,571)	(24,327)	(11,016)	-	(63,897)
Less: corporate allocations	(1,570)	(760)	(4,048)	6,378	-	-
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	25,360	4,057	10,369	(4,402)	-	35,384
Less: depreciation	(1,165)	(2,550)	(822)	(1,246)	-	(5,783)
Less: amortisation of intangible assets	(2,549)	(769)	(554)	-	-	(3,872)
	21,646	738	8,993	(5,648)	-	25,729
Share of net profits of associates and joint venture partnership accounted for using the equity method	-	-	21	-	-	21
Segment result	21,646	738	9,014	(5,648)	-	25,750

a) Reconciliation of segment revenue

Segment revenue	194,060
Interest income	280
Total revenue	194,340

b) Reconciliation of segment result

Segment result	25,750
Interest income	280
Interest expense	(4,536)
Profit for the half-year before income tax expense	21,494

31 December 2010

Note 3. Expenses

	Half-Year Consolidated	
	2010	2009
	\$'000	\$'000
Profit for the half-year before income tax expense includes the following expenses:		
Expenses		
Cost of providing services	30,881	34,174
Property service disbursements	44,857	46,432
Administration costs	6,868	6,462
Promotional costs	1,961	1,387
Lease costs	7,580	6,269
Other expenses from ordinary activities	7,152	6,126
Total other expenses before significant, non-recurring charges	99,299	100,850
Significant, non-recurring charges ¹	4,269	-
Total other expenses	103,568	100,850
 Employee benefits expense	 65,604	 57,826
 Depreciation of plant and equipment	 2,837	 2,151
Depreciation of capitalised product development expenditure	3,014	3,632
Total depreciation	5,851	5,783
 Amortisation:		
Publishing licence agreement	802	799
Customer relationships and contracts	4,770	1,899
Product delivery platforms	236	716
Intellectual property	818	458
Total amortisation	6,626	3,872
 Total depreciation and amortisation	 12,477	 9,655
 Other expenses:		
Accounts receivable impairment expense	424	480
	424	480
 Finance costs:		
Interest and finance charges paid/payable	6,072	4,536
	6,072	4,536
 ¹ Significant, non-recurring charges is comprised of:		
Integrity Interactive acquisition related transaction charges	(1,825)	-
Integration and restructuring charges	(1,369)	-
Other significant non-recurring charges	(1,075)	-
	(4,269)	-

31 December 2010

Note 4. Income tax expense

	Half-Year Consolidated	
	2010	2009
	\$'000	\$'000
(a) Income tax expense		
Current tax	6,401	6,610
Deferred tax	(1,033)	(342)
Under/(over)provision from prior year	(51)	90
	5,317	6,358
Deferred income tax expense/(income) included in income		
Decrease/(increase) in deferred tax assets	664	384
(Decrease)/increase in deferred tax liabilities	(1,697)	(726)
	(1,033)	(342)
(b) Numerical reconciliation of income tax expense to prima facie tax payable.		
Profit before income tax expense	22,251	21,494
Tax at the Australian income tax rate of 30%	6,675	6,448
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	(929)	(106)
	5,746	6,342
Under/(over)provision from prior year	(51)	90
Tax effect of different foreign tax rates and other adjustments	(378)	(74)
Income tax expense	5,317	6,358
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - (credited) directly to equity	334	(1,624)
	334	(1,624)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	8,377	5,471
Potential benefit at US tax rate of 39%	3,267	2,134

(d) Tax consolidation legislation

SAI Global Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2005. The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, SAI Global Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate SAI Global Limited for any current tax payable assumed and are compensated by SAI Global Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SAI Global Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts 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 the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

31 December 2010

Note 5. Current liabilities - trade and other payables

	Half-Year Consolidated	
	31-Dec-10 \$'000	30-Jun-10 \$'000
Trade payables	9,342	13,582
Accrued expenses	29,904	40,427
Deferred revenue	63,001	52,727
	102,247	106,736

Note 6. Reserves

(a) Reserves

Share-based payments reserve	3,322	2,823
Foreign currency translation reserve	(68,062)	(28,295)
Hedging reserve - cash flow hedges	(3,765)	(4,433)
Transactions with non-controlling interests	(19,216)	(19,216)
	(87,721)	(49,121)

(b) Nature and purpose of reserves:

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance share rights and options issued.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in the foreign currency translation reserve.

Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in the statement of comprehensive income when the associated hedged transaction affects profit or loss.

Transactions with non-controlling interests

Accounting Standard AASB127, *Consolidated and Separate Financial Statements*, was revised with effect from 1 July 2009.

Under the revised Standard transactions with non-controlling interests are treated as equity transactions. This reserve has arisen on the acquisition of non-controlling interests (previously referred to as minority interests) in Espreon Limited which occurred in December 2009 and represents the difference between the consideration paid and the balance of non-controlling interests that relate to the shares acquired.

Note 7. Dividends

	Half Year Consolidated	
	2010 \$'000	2009 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year	13,718	9,394

Dividends not recognised at the end of the half-year

Since the end of the half-year the Directors have declared the payment of an interim dividend of 6.3 cents (2009 - 5.8 cents) per fully paid ordinary share, 100% franked (2009-100%) based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 28 March 2011 out of retained profits at the end of the half-year, but not recognised as a liability, is

	12,468	9,208
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31 December 2010

8. Non-current assets - Intangible assets

	31-Dec-10 \$'000	30-Jun-10 \$'000
Goodwill		
At cost	<u>429,758</u>	<u>299,892</u>
Identifiable intangible assets		
Trademark	<u>16,100</u>	<u>16,100</u>
Publishing Licence Agreement	31,955	31,956
Less: Accumulated amortisation	<u>11,184</u>	<u>10,390</u>
	<u>20,771</u>	<u>21,566</u>
Customer relationships and contracts	51,432	35,259
Less: Accumulated amortisation	<u>18,086</u>	<u>14,722</u>
	<u>33,346</u>	<u>20,537</u>
Product delivery platforms	8,425	8,946
Less: Accumulated amortisation	<u>7,995</u>	<u>8,257</u>
	<u>430</u>	<u>689</u>
Intellectual property	20,828	11,942
Less: Accumulated amortisation	<u>4,447</u>	<u>4,281</u>
	<u>16,381</u>	<u>7,661</u>
Total identifiable intangible assets	<u>87,028</u>	<u>66,553</u>
Total Intangible assets	<u>516,786</u>	<u>366,445</u>

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

	31-Dec-10 \$'000	30-Jun-10 \$'000
Goodwill		
Opening net book amount at 1 July 2010	299,892	291,384
Additions		
- Acquisition of Integrity Interactive	185,810	-
- Acquisition of Cintellate Pty Limited	-	14,666
- Acquisition of Foodcheck Limited	-	5,715
- Acquisition of Enertech Australia Pty Limited	-	3,866
- Other business combinations	-	4,359
Adjustments to goodwill arising on prior year acquisitions ¹	(1,242)	(19)
Re-translation of goodwill denominated in foreign currencies	<u>(54,702)</u>	<u>(20,079)</u>
Closing net book amount at 31 December 2010	<u>429,758</u>	<u>299,892</u>

¹ Predominantly relates to Cintellate Pty Ltd earn out payment

31 December 2010

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

	31-Dec-10 \$'000	30-Jun-10 \$'000
Trademark - Assurance Services Division		
Opening net book amount at 1 July and closing	<u>16,100</u>	<u>16,100</u>
The Directors have determined that the trademark has an indefinite life as there is no finite or contractual term and is therefore not amortised.		
Publishing licence agreement		
Opening net book amount at 1 July 2010	21,573	23,164
Amortisation charge	(802)	(1,591)
Closing net book amount at 31 December 2010	<u>20,771</u>	<u>21,573</u>
Customer relationships and contracts		
Opening net book amount at 1 July 2010	20,537	23,520
- Acquisition of Integrity Interactive	19,352	-
- Acquisition of Cintellate Pty Limited	-	2,031
- Other business combinations	350	-
Revaluation of assets denominated in foreign currency	(2,123)	(1,154)
Amortisation charge	(4,770)	(3,860)
Closing net book amount at 31 December 2010	<u>33,346</u>	<u>20,537</u>
Product delivery platforms		
Opening net book amount at 1 July 2010	689	2,102
Revaluation of assets denominated in foreign currency	(23)	(87)
Amortisation charge	(236)	(1,326)
Closing net book amount at 31 December 2010	<u>430</u>	<u>689</u>
Intellectual property		
Opening net book amount at 1 July 2010	7,661	9,670
- Acquisition of Integrity Interactive	10,889	-
- Other business combinations	-	7
Revaluation of assets denominated in foreign currency	(1,351)	(1,123)
Amortisation charge	(818)	(893)
Closing net book amount at 31 December 2010	<u>16,381</u>	<u>7,661</u>
Total identifiable intangible assets	<u>87,028</u>	<u>66,553</u>
Total intangible assets	<u>516,786</u>	<u>366,445</u>

31 December 2010

Note 9. Contributed equity

	Note	Consolidated	
		31-Dec-10 \$'000	30-Jun-10 \$'000
Share capital			
Ordinary shares	(a)	<u>353,655</u>	<u>220,702</u>
Movements in ordinary share capital			
Details		shares	Issue price
			\$'000
Opening balance at 1 July 2010		159,581,559	220,702
Shares issued under the exercise of Performance Share Rights		281,551	Nil
Shares issued following the exercise of vested options		61,960	\$2.99
Shares issued following the exercise of vested options		59,704	\$2.29
Shares issued following the exercise of vested options		79,535	\$4.04
Shares issued under the Entitlement Offer and the Placement		36,111,140	\$3.60
Shares issued under dividend reinvestment plan		1,732,231	\$4.09
Share issuance costs			(4,775)
Closing balance at 31 December 2010		<u>197,907,680</u>	<u>353,655</u>
Opening balance at 1 July 2009		153,794,246	201,467
Shares issued under the exercise of Performance Share Rights		274,233	Nil
Exercise of options over shares		8,520	\$2.49
Shares issued under dividend reinvestment plan		919,695	\$3.32
Shares issued for the acquisition of Cintellate Pty Ltd on 22 October 2009		416,120	\$3.40
Shares issued for the acquisition of Espreon Limited on 18 December 2009		3,316,754	\$3.54
Shares issued under the Employee Share Plan and UK Share Incentive Plan		105,823	\$3.76
Shares issued under dividend reinvestment plan		647,389	\$3.63
Exercise of options over shares		42,661	\$2.99
Exercise of options over shares		56,118	\$2.29
Closing balance at 30 June 2010		<u>159,581,559</u>	<u>220,702</u>

(a) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of SAI Global Limited in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 31 December 2010 all shares were fully paid.

(b) Information relating to long-term incentive plans, are set out in the remuneration report section of the Directors' Report attached to the June 2010 Annual Report.

31 December 2010

Note 10. Earnings per share

	Half year	
	31-Dec-10	31-Dec-09
Basic earnings per share (cents)	8.8	8.8
Diluted earnings per share (cents)	<u>8.7</u>	<u>8.8</u>
Profit attributable to the ordinary owners of SAI Global Limited used in calculating earnings per share (\$'000)	<u>16,778</u>	<u>13,653</u>
Weighted average number of shares used as the denominator in calculating basic earnings per share	<u>189,584,261</u>	<u>154,879,102</u>
Weighted average number of shares used as the denominator in calculating diluted earnings per share	<u>192,537,607</u>	<u>154,879,102</u>

Note 11. Business combinations

Integrity Interactive Corporation

On the 10th of September 2010, Compliance and Ethics Learning Solutions Corporation, a subsidiary of SAI Global Limited acquired the share capital of Integrity Interactive Corporation for USD170M plus adjustments for net assets including cash, which brought the total cash outlay to USD180.1M (AUD \$203.6M).

The business is a US based Compliance and Ethics solutions provider.

The consolidated statement of comprehensive income includes sales revenue and net profit for the half-year ended 31 December 2010 of \$10.5M and \$1.95M (before the impact of significant non-recurring items) respectively, as a result of the acquisition of Integrity Interactive Corporation. Had the acquisition of Integrity Interactive Corporation occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of \$18.1M and \$3.4M respectively.

Details of the provisional fair value of assets and liabilities acquired are as follows:

	\$'000
Purchase consideration:	
Cash paid	203,600
Less: Provisional fair value of net identifiable assets acquired	<u>17,790</u>
Goodwill	<u>185,810</u>

The goodwill is attributable to market penetration, potential for growth, and the business synergies expected to arise after the acquisition.

Provisional assets identified include customer relationships, order backlog and course library which have been provisionally valued, (net of tax) at 17.3M. These provisional values and acquisition accounting expect to be finalised prior to 30 June 2011.

	\$'000
Cash consideration	203,600
Less: cash acquired	<u>6,692</u>
Cash consideration net of cash acquired	<u>196,908</u>

Note 12. Events occurring after the balance sheet date

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

31 December 2010

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 26 are in accordance with the Corporations Act 2001, including:

- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

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



Robert Wright
Chairman



Tony Scotton
Chief Executive Officer

Sydney

15 February 2011



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Independent Auditor's Review Report

To the members of SAI Global Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SAI Global Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

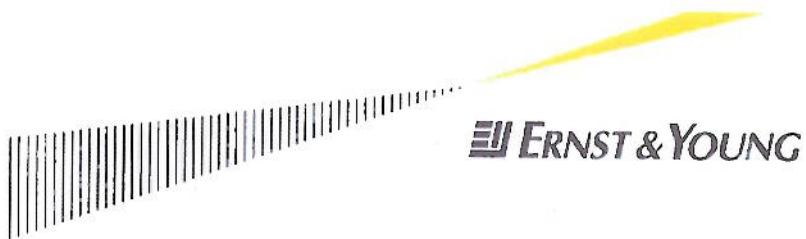
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SAI Global Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script, appearing to read 'EY', written in black ink.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Christopher George', written in black ink.

Christopher George
Partner
Sydney
15 February 2011