

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

HALF YEAR REPORT
For the six months ended 31 December 2003

Results for announcement to the market

| | |
|--|-----------------------------|
| Revenues from ordinary activities | up 17.8% to \$167.8m |
| Profit from ordinary activities after tax attributable to members | up 15.1% to \$11.0m |
| Net profit for the period attributable to members | up 15.1% to \$11.0m |

| Dividends (distributions) | Amount per security | Franked amount per security |
|---|----------------------------|------------------------------------|
| Interim Dividend | 5.0c | 5.0c |
| Previous corresponding period – interim dividend | 3.0c | 3.0c |
| Record Date for determining entitlements to dividends | | 1 April 2004 |
| Dividend payment date | | 30 April 2004 |

Explanation of results

Refer to the attached media release for commentary on the results.

The information contained in this report is to be read in conjunction with the 2003 Annual Report and any announcements to the market by Salmat Limited during the period.

SALMAT LIMITED

HALF YEAR FINANCIAL REPORT for the six months ended 31 December 2003

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SALMAT LIMITED**DIRECTORS' REPORT**

For the half year ended 31 December 2003

The Directors present their report for the half year ended 31 December 2003.

DIRECTORS

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

Richard Lee
Peter Mattick
Philip Salter
Robert Sutton
John Thorn

REVIEW OF OPERATIONS

The consolidated profit of the group for the half year after providing for income tax amounted to \$11.0 million (2002: \$9.5 million), which represents a 15.1% increase on the prior half year result. Earnings before interest, tax and amortisation for the half year period increased 7.1% to \$18.5 million (2002: \$17.3 million). Consolidated profit before tax for the half year period was \$16.1 million (2002: \$15.7 million).

The contribution of each segment to group earnings before interest, tax and amortisation (EBITA) for the half year period was as follows:

- The Targeted Media segment improved half year EBITA by 18.4% to \$18.0 million (2002: \$15.2 million).
- The Voice segment (excluding Contact World) reduced its half year EBITA loss by 68.2% to \$0.7 million (2002 loss: \$2.2 million).
- EBITA in the Business Process Outsourcing segment declined by 5.5% to \$8.0 million (2002: \$8.4 million).

During the half year period, the group provided additional funding of \$2.5 million (2002: \$1.5 million) to the Philippine call centre joint venture (Contact World) in which Salmat owns a 49% interest. This amount was fully provided for in the current period.

The half year result includes a significant item relating to the group's Philippines operations. Following a re-assessment of the expected future benefits to be generated by this business, certain goodwill amounts relating to this business have been written down by \$1.1 million during the period.

CORPORATE GOVERNANCE

As advised in the 2003 Annual Report, an independent review of Salmat's risk exposures and current risk management practices has been undertaken during the period. The results of this review are currently being incorporated into Salmat's enterprise wide risk management process. This process is expected to be completed by 30 June 2004. Full details will be included in the company's 2004 Annual Report.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class order 98/100 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Signed this 26th day of February 2004 in accordance with a resolution of the Board of Directors.

Peter Mattick
Director

Philip Salter
Director

Richard Lee
Chairman

SALMAT LIMITED**Consolidated Statement of Financial Performance**

For the half year ended 31 December 2003

| | Note | Six months to 31 Dec 2003 \$'000 | Six months to 31 Dec 2002 \$'000 |
|---|------|--|--|
| Revenues from operating activities | | 167,048 | 141,553 |
| Revenues from other activities | | 745 | 932 |
| Revenue from ordinary activities | | 167,793 | 142,485 |
| Employee-related expenses | | (57,876) | (45,269) |
| Borrowing costs | | (9) | (1,171) |
| Depreciation and amortisation expenses | | (8,001) | (7,354) |
| Other expenses from ordinary activities | | (85,834) | (73,026) |
| Profit from ordinary activities before income tax | 2 | 16,073 | 15,665 |
| Income tax (expense) relating to ordinary activities | | (5,090) | (6,119) |
| Net profit attributable to members of Salmat limited | | 10,983 | 9,546 |
| Net exchange difference on translation of financial statements of self-sustaining foreign operations | | (537) | (573) |
| Decrease in retained profits on adoption of new Accounting Standard | | - | (164) |
| Total expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity | | (537) | (737) |
| Total changes in equity from non-owner related transactions attributable to members of Salmat limited | | 10,446 | 8,809 |
| Basic earnings per share (cents per share) | 7 | 9.5c | 9.4c |
| Diluted earnings per share (cents per share) | 7 | 9.2c | 9.4c |
| Notional (undiluted) earnings per share (cents per share) | 7 | n/a | 8.2c |

The consolidated statement of financial performance should be read in conjunction with the accompanying notes

SALMAT LIMITED**Consolidated Statement of Financial Position**

As at 31 December 2003

| | As at 31 Dec 2003 \$'000 | As at 30 Jun 2003 \$'000 | As at 31 Dec 2002 \$'000 |
|--------------------------------------|---|--------------------------------|--------------------------------|
| Current Assets | | | |
| Cash assets | 12,288 | 17,825 | 13,468 |
| Receivables | 37,792 | 31,928 | 36,990 |
| Inventories | 2,324 | 3,295 | 2,593 |
| Other | 3,349 | 2,163 | 2,868 |
| Total Current Assets | 55,753 | 55,211 | 55,919 |
| Non-Current Assets | | | |
| Receivables | 274 | 207 | 299 |
| Other financial assets | 14 | 18 | - |
| Property, plant and equipment | 35,489 | 36,592 | 36,410 |
| Deferred tax assets | 4,903 | 5,083 | 3,630 |
| Intangible assets | 28,204 | 28,146 | 28,603 |
| Total Non-Current Assets | 68,884 | 70,046 | 68,942 |
| Total Assets | 124,637 | 125,257 | 124,861 |
| Current Liabilities | | | |
| Payables | 31,758 | 34,718 | 30,798 |
| Interest bearing liabilities | - | - | 7,993 |
| Current tax liabilities | 3,237 | 6,208 | 3,381 |
| Provisions | 5,236 | 5,002 | 4,354 |
| Total Current Liabilities | 40,231 | 45,928 | 46,526 |
| Non-Current Liabilities | | | |
| Payables | 1,205 | - | - |
| Interest bearing liabilities | 1,546 | 1,730 | 4,742 |
| Deferred tax liabilities | 84 | 428 | 573 |
| Provisions | 4,454 | 3,950 | 2,601 |
| Total Non-Current Liabilities | 7,289 | 6,108 | 7,916 |
| Total Liabilities | 47,520 | 52,036 | 54,442 |
| Net Assets | 77,117 | 73,221 | 70,419 |
| Equity | | | |
| Contributed equity | 30,478 | 30,637 | 30,637 |
| Reserves | 2,358 | 2,895 | 3,555 |
| Retained profits | 44,281 | 39,689 | 36,227 |
| Total Equity | 77,117 | 73,221 | 70,419 |

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

SALMAT LIMITED**Consolidated Statement of Cash Flows**

For the half year ended 31 December 2003

| | Six months to 31 Dec 2003 \$'000 | Six months to 31 Dec 2003 \$'000 |
|--|---|--|
| Cash Flows from Operating Activities | | |
| Receipts from customers * | 234,702 | 211,764 |
| Payments to suppliers and employees * | (216,078) | (196,148) |
| Interest received | 242 | 255 |
| Borrowing costs paid | (8) | (411) |
| Income tax paid | (9,190) | (4,433) |
| Net cash provided by operating activities | 9,668 | 11,027 |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of plant and equipment | 291 | 664 |
| Loans (to) related entity | (2,380) | (2,019) |
| Acquisition of businesses | (1,729) | - |
| Payment for plant and equipment | (4,503) | (4,463) |
| Net cash (used in) investing activities | (8,321) | (5,818) |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares | - | 25,000 |
| Float costs | - | (4,363) |
| Principal and residual payments under finance leases | - | (4,089) |
| Repayment of borrowings | - | (24,603) |
| Dividends paid | (6,389) | (2,000) |
| Net cash (used in) financing activities | (6,389) | (10,055) |
| Net (decrease) in cash held | (5,042) | (4,846) |
| Cash at beginning of the financial year | 17,825 | 14,355 |
| Cash acquired with purchase of associate company | - | 3,959 |
| Effects of exchange rate changes on cash | (495) | - |
| Cash at end of the half year | 12,288 | 13,468 |

* Includes amounts relating to postage disbursements.

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

Notes to the Financial StatementsFor the half year ended 31 December 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Financial Report Preparation**

The half year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

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.

The half year financial report should be read in conjunction with the annual financial report of Salmat Limited as at 30 June 2003. It is also recommended that the half year financial report be considered together with any public announcements made by Salmat Limited during the half year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounts of controlled entities are prepared for the same reporting period as Salmat Limited using consistent accounting policies. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

Salmat Limited intends to form a consolidated group for income tax purposes with each of its wholly owned Australian controlled entities, effective on and from 1 July 2003. The entities within the group will enter a tax sharing agreement whereby Salmat Limited will agree to compensate each of the wholly owned Australian controlled entities for the carrying value of their deferred tax balances as at 1 July 2003, and each controlled entity will compensate Salmat Limited for the amount of tax payable that would be calculated as if the controlled entity was a tax paying entity.

On formation of a consolidated group for tax purposes, the recoupment of certain tax losses, which have not previously been recognized as a future income tax benefit, is now regarded as virtually certain. Accordingly, a benefit relating to these losses, amounting to \$916,000, has been brought to account in the current period.

Salmat Limited will formally notify the Australian Taxation Office of its adoption of the tax consolidation regime at the time of lodgment of the 2004 tax return.

Notes to the Financial Statements

For the half year ended 31 December 2003

| 2003 | 2002 |
|---------------|--------|
| \$'000 | \$'000 |

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Impact of Adopting AASB Equivalents to IASB Standards**

For the year ended 30 June 2006, the consolidated entity must comply with the new International Financial Reporting Standards (IFRS). The differences between current Australian financial reporting requirements (Australian GAAP) and IFRS requirements identified to date as potentially having an effect on the consolidated entities reported financial performance are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below. The actual impact of these changes will depend on the particular circumstances prevailing at the time of enactment of the changes to Australian GAAP to bring this in to line with IFRS, which is expected to be prior to 1 July 2005. As such, no attempt has been made in this report to quantify the impact of these changes, or identify all disclosure, presentation and classification differences that would affect the manner in which transactions or events are presented.

The key potential effects of the conversion to IFRS on the consolidated entity are as follows:

- Certain amounts currently included in disclosed "revenues from other activities" are not included in the definition of revenue under IFRS. These amounts will be excluded from "Revenues from ordinary activities".
- Income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities being recognised and, as tax effects follow the underlying transaction, some tax effects may be recognised in equity.
- Goodwill and intangible assets will be tested annually for impairment and will not be amortised.
- The expensing of employee share and options issues.

2. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities after related income tax expense includes the following items of expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half year:

(a) Significant items included in total expenses

| | | |
|--------------------------------------|-------|---|
| Write-off of goodwill ^[1] | 1,124 | - |
|--------------------------------------|-------|---|

^[1] In accordance with AASB1013 "Accounting for Goodwill", a re-assessment of the carrying value and expected period of future benefit attached to certain goodwill amounts was made at 31 December 2003. As a result, the carrying value of goodwill on Salmat's Philippine business has been reduced by \$1,124,000. The future amortisation period on this business has been reduced from five years to three years.

SALMAT LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2003

| | 2003 | 2002 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| 3. DIVIDENDS | | |
| (a) Dividends paid during the half year ^[1] | | |
| Pre-IPO dividends paid to founding shareholders | | |
| Prior year interim dividend paid | - | 2,000 |
| Post-IPO dividends | | |
| 2003 final dividend of 5.5c per share | 6,389 | - |
| | <hr/> | <hr/> |
| Dividends paid as per Statement of Cash Flows | 6,389 | 2,000 |

(b) Dividends not recognised at the end of the half year

Since the end of the half year, the Directors' have recommended the payment of an interim dividend of 5.0 cents per share (2003: 3.0 cents per share). A record date of 1 April 2004 has been set. The aggregate amount of proposed interim dividend which is expected to be paid on 30 April 2004 is ^[1]

| | |
|--------------|-------|
| 5,808 | 3,485 |
|--------------|-------|

^[1] All dividends franked to 100% at 30% corporate tax rate.

4. NET TANGIBLE ASSET BACKING

| | | |
|--|--------------|-------|
| Net tangible asset backing per ordinary share | 42.1c | 36.0c |
|--|--------------|-------|

5. LEGAL PROCEEDINGS

Salmat Document Management Solutions Pty Ltd (SDMS) was charged in March 2003 in the Western Australia court of Petty Sessions with fraud under section 83(1) of the Proceeds of Crime Act (Cth) 1987 against the Australian Postal Commission with respect to lodgements of mail of an SDMS customer in Western Australia between January 1995 and September 1998. It is alleged that the financial loss to the Australian Postal Commission was \$281,107. SDMS denies any wrongdoing and will defend the charges vigorously.

There have been no material developments in this case during the half year period.

6. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the half year, no matter or circumstance has arisen which significantly affected or may significantly affect the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Notes to the Financial Statements

For the half year ended 31 December 2003

| 7. EARNINGS PER SHARE | 2003 Actual | 2002 Actual | 2002 Notional ^[1] |
|---|--------------------------|------------------|---------------------------------|
| (a) Reconciliation of Earnings to Net Profit | | | |
| Net profit after tax attributable to members of Salmat Limited | 10,983 | 9,546 | 9,546 |
| Adjustments to net profit for the purpose of calculating EPS | - | - | - |
| Earnings used in the calculation of diluted EPS | 10,983 | 9,546 | 9,546 |
| (b) Weighted average number of ordinary shares used in the calculation of basic EPS | | | |
| | Quantity '000 | Quantity '000 | Quantity '000 |
| Weighted average number of shares on issue used to calculate basic EPS | 116,158 | 101,790 | 116,158 |
| Effect of dilutive securities - weighted average number of options outstanding | 2,805 | - | |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS | 118,963 | 101,790 | 116,158 |

^[1] To provide meaningful EPS values, the EPS calculation uses the level of average number of ordinary shares on issue subsequent to the IPO process (November 2003) as the denominator of the EPS calculation. The numerator includes earnings for the six months to 31 December 2002.

8. SEGMENT INFORMATION

(a) Business Segments

The economic entity delivers its customer communications services to its clients through its Business Process Outsourcing, Targeted Media and Voice segments as set out in the following table.

| | |
|------------------------------|--|
| Business Process Outsourcing | Document Management and Data Solutions <ul style="list-style-type: none"> • Electronic digital printing • Mail processing and inserting • Data formatting and analysis • Archiving and retrieval of data • Data management and segmentation |
| Targeted Media | Media Targeting and Delivery <ul style="list-style-type: none"> • Distribution of leaflets, brochures and catalogues • Demographic/socio-economic profiling and customer targeting • Database analysis |
| Voice | Call Centre Operations <ul style="list-style-type: none"> • Inbound and outbound teleservices • Outsourced call centre operation |

SALMAT LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2003

8. SEGMENT INFORMATION (continued)**(b) Financial Performance by Business Segment**

| | Business Process Outsourcing | Targeted Media | Voice^[1] | Admin | Eliminations | Economic Entity Total |
|---|---|---------------------------|----------------------------|----------------|--------------|--------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2003 | | | | | | |
| REVENUE | | | | | | |
| External sales | 66,908 | 80,606 | 19,534 | - | - | 167,048 |
| Other segments | 1,004 | 1,502 | - | - | (2,506) | - |
| Total Sales Revenue | 67,912 | 82,108 | 19,534 | - | (2,506) | 167,048 |
| Other revenue | - | - | 212 | 242 | - | 454 |
| Gross proceeds – sale of fixed assets | - | - | - | 291 | - | 291 |
| Total Revenue from Ordinary Activities | 67,912 | 82,108 | 19,746 | 533 | (2,506) | 167,793 |
| RESULTS | | | | | | |
| Earnings before interest, tax and amortisation | | | | | | |
| Controlled entities | 7,957 | 18,008 | (691) | (4,197) | - | 21,077 |
| Contact World ^[2] | - | - | (2,537) | - | - | (2,537) |
| | 7,957 | 18,008 | (3,228) | (4,197) | - | 18,540 |
| Amortisation expense | | | | | | (2,695) |
| Net interest income | | | | | | 228 |
| Tax | | | | | | (5,090) |
| Profit after tax | | | | | | 10,983 |

^[1] In accordance with AASB 1005 "Segment Reporting", the Salmat Voice business is now regarded as a reportable segment due to its size. This represents a change in disclosure from prior periods, in which the Targeted Media and Voice businesses were included in the Customer Contact Solutions segment.

^[2] The segment result for Contact World represents provisions brought to account in respect of funding provided by Salmat Limited to the joint venture during the current period.

SALMAT LIMITED**Notes to the Financial Statements**

For the half year ended 31 December 2003

8. SEGMENT INFORMATION (continued)

| | Business Process Outsourcing | Targeted Media | Voice | Admin | Eliminations | Economic Entity Total |
|---|---|---------------------------|----------------|----------------|--------------|--------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2002 | | | | | | |
| REVENUE | | | | | | |
| External sales | 65,213 | 68,368 | 7,972 | - | - | 141,553 |
| Other segments | 622 | 1,152 | - | - | (1,774) | - |
| Total Sales Revenue | 65,835 | 69,520 | 7,972 | | (1,774) | 141,553 |
| Other revenue | 44 | 226 | - | 612 | (613) | 269 |
| Gross proceeds – sale of fixed assets | 69 | 120 | - | 474 | - | 663 |
| Total Revenue from Ordinary Activities | 65,948 | 69,866 | 7,972 | 1,086 | (2,387) | 142,485 |
| RESULTS | | | | | | |
| Earnings before interest, tax and amortisation | | | | | | |
| Controlled entities | 8,419 | 15,210 | (2,175) | (2,655) | - | 18,799 |
| Contact World | - | - | (1,485) | - | - | (1,485) |
| | 8,419 | 15,210 | (3,660) | (2,655) | - | 17,314 |
| Amortisation expense | | | | | | (884) |
| Net interest income | | | | | | (765) |
| Tax | | | | | | (6,119) |
| Profit after tax | | | | | | 9,546 |

SALMAT LIMITED**DIRECTORS' DECLARATION**

The Directors declare that the attached financial statements and notes, set out on pages 4 to 13:

- (a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

Signed this 26th day of February 2004 of behalf of the Board.

Peter Mattick
Director

Philip Salter
Director

Richard Lee
Chairman



INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SALMAT LIMITED

SCOPE

We have reviewed the financial report of Salmat Limited for the half-year ended 31 December 2003, as set out on pages 5 to 14. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission and the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

STATEMENT

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) other mandatory professional reporting requirements in Australia
- Signed at Sydney this 25th day of February 2004.

WHK Audit & Assurance

WHK Audit & Assurance

Chartered Accountants
Level 15, 309 Kent Street
Sydney, Australia

David Sinclair