

## **SALMAT LIMITED**

### **HALF-YEAR FINANCIAL REPORT**

**For the six months ended 31 December 2012**

#### **Contents**

Appendix 4D.....	2
Directors' Report.....	7
Auditor's Independence Declaration to the Directors of Salmat Limited.....	8
Income Statement.....	9
Statement of Comprehensive Income .....	10
Statement of Financial Position .....	11
Statement of Changes in Equity .....	12
Statement of Cash Flows .....	13
Notes to the Financial Statements .....	14
Directors' Declaration.....	23
Independent Auditor's Report to Members of Salmat Limited .....	24

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

**HALF-YEAR REPORT**  
**31 December 2012**

**Results for announcement to the market**

	Half year ended 31 December 2012 \$m	Half year ended 31 December 2011 \$m	% Change Increase / (decrease)
Revenue from continuing operations	243.4	263.9	(7.8%)
Net profit for the period attributable to members	41.5	13.5	207.4%
Underlying net profit after tax from continuing operations before significant items <sup>(1)</sup>	9.5	6.5	46.2%
<b>Dividends</b>		Amount per share	Franked amount per share at 30% tax
Interim dividend Record Date 18 March 2013 Payable 05 April 2013		4.0 c	4.0 c
Special dividend Record Date 18 March 2013 Payable 05 April 2013		21.0 c	21.0 c

**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 2012 Annual Report and any announcements to the market by Salmat Limited during the period.
- <sup>(1)</sup> Refer to note 3 of the Notes to the Half-Year Financial Report for the significant items included in the Net Profit for the period.

26 February 2013

## **Half year results for the six months ended 31 December 2012 Special dividend, fully franked, of 21 cents per share**

Salmat Limited (ASX:SLM) today announces its half year results for the six months ended 31 December 2012 together with a fully franked interim dividend of 4 cents per share and an additional special dividend of 21 cents per share. In addition, SLM announces the retirement of the Chairman, Mr Richard Lee, at the Annual General Meeting in November 2013 and the appointment of Mr Peter Mattick as Chairman Designate and plans for his transition to the Chairman's role.

### Highlights

- Completed transformational strategic divestment of BPO for gross consideration of \$375m to position the company and balance sheet ready for growth
- Statutory NPAT of \$41.5m, including significant items
- Fully franked special dividend of 21 cps, rewarding shareholders with profit from BPO divestment
- Net cash balance of \$111.8 million prior to dividend
- Simplified organisational structure to streamline the business
- Programme to extract \$10 million of annualised cost savings on track
- Underlying NPAT<sup>1</sup> of \$9.5m up 46%, from continuing operations
- Fully franked interim dividend of 4 cps

Salmat's Chief Executive Officer, Grant Harrod said:

"We have made strong progress in the half, totally reshaping our Balance Sheet, to enable us to focus on growth and development of our marketing services strategy. We are very pleased with the strong value that we drove for BPO of \$375m, leaving the company with \$111.8m in net cash at the end of the half and in a position to review a range of initiatives to drive shareholder value and further capital management initiatives.

"The special dividend of \$0.21 cents per share announced today is a reward for all shareholders from the proceeds of the initiatives undertaken. We have strong core businesses with options for growth.

"We have seen the resilient nature of the historical core of the business, with stable volumes of catalogues across Australia's major retailers. Our contact centres continue to gain momentum towards higher value business, and the technology led approach is generating some good opportunities as customer service adjusts to the new multi-channel world. We are sourcing platforms and technology from the US and Europe to create a technology services business unmatched in Australia.

"Salmat provides platforms to many of the largest brand names in the country, many of whom have been utilising our array of services for over 30 years, and now use a whole suite of our expanded channel solutions. This evolution provides the opportunity to concentrate on services that help our clients acquire and engage with consumers, driving our growth potential.

"Post the divestment of our BPO business, we are undertaking a significant project to eliminate complexity and right size the company to reflect a more focused and less complex business model. This process has identified annualised cost savings of a minimum of \$10 million.

"I would like to thank Mr Rick Lee, Non-executive Chairman of the Board since listing in 2002, who has advised that he will not be seeking re-election at the Annual General Meeting in November 2013. His knowledge, counsel and guidance over the years have been invaluable. I look forward to welcoming Mr Peter Mattick to the role of Chairman during the year with his deep knowledge of the Salmat business and the direct marketing and communications sector."

<sup>1</sup> Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

The sale of the Business Process Outsourcing division was completed on 10 October 2012. Consequently, these results are prepared on a continuing business basis, with the profit on sale and earnings contribution that BPO made for 3 months and 10 days being included in discontinued operations.

\$ million	H1 2013	H1 2012	Change \$m
Continuing operations			
Sales revenue	241.5	263.8	-22.3
Underlying <sup>1</sup> EBITA	15.0	16.4	-1.4
Underlying profit <sup>1</sup> (NPAT)	9.5	6.5	+3.0
Significant items after tax	-11.6	-0.6	-11.0
<i>Profit from discontinued operations (NPAT)</i>	43.6	7.6	+36.0
<b>Statutory profit (NPAT)</b>	<b>41.5</b>	<b>13.5</b>	<b>+28.0</b>
Underlying <sup>1</sup> earnings per share (cents)	6.0	4.1	+1.9
Earnings per share (cents)	26.2	8.5	+17.7
Interim Dividend (cents per share)	4.0	8.5	-4.5
Special Dividend (cents per share)	21.0	Nil	+21.0

<sup>1</sup>Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

**Reported sales revenue** of \$241.5 million (pcp \$263.8m) was down by 8.5% on the pcp. The reduction was primarily due to reduced revenue from the direct sales business, which is involved in servicing the discretionary retail sector and the closure of an unprofitable contact centre contract. There was some revenue reduction within the CMS business due to the closure of certain product lines that were deemed sub-scale and not core to our future strategy. There was also some revenue contraction within the CMS business, reflective of retail trading conditions impacting particularly the “Tier 2” clients, the smaller specialty retailers. Importantly, the company continues to hold, and in some sectors gain, market share.

**Underlying<sup>1</sup> EBITA** of \$15.0 million (pcp \$16.4m) was 8.5% lower than pcp. The reduction in group EBITA is attributable to the product mix in Targeted Media of lower volumes of higher margin sales to Tier 2 clients and a reduction in revenues in direct sales, which contributed \$1.5 million to EBITA reduction. The Contact Centre business did enjoy EBITA growth and margin expansion due to the changing nature of our work towards higher margin, value added contracts.

**Significant items after tax** from continuing operations had a negative impact of \$11.6 million (pcp \$0.6m), resulting from restructuring costs and an impairment charge related to discontinued products.

**Statutory profit (NPAT)** was \$41.5 million (pcp \$13.5m), including NPAT from discontinued operations of \$43.6m.

**Net cash** was \$111.8 million period end, compared to net debt of \$241.6m at 30 June 2012.

**Special Dividend** of 21 cents per share, fully franked, will be paid on 5 April 2013 to all shareholders on the register at close of business on 18 March 2013. The “ex-special dividend” date will be 12 March 2013.

**Interim Dividend** of 4 cents per share, fully franked, will be paid on 5 April 2013 to all shareholders on the register at close of business on 18 March 2013. The “ex-interim dividend” date will be 12 March 2013.

## Strategy review

The divestment of BPO was a strategic decision enabling Salmat to be a focused technology leader, delivering world class solutions and platforms that drive customer acquisition and engagement for large and small businesses.

Within our client base, we are seeing a convergence of off-line and on-line marketing activities, together with marketing budgets being spread across ever broader marketing channels. Since the disposal of BPO, a number of initiatives have been undertaken to streamline the business and to align operations with our clients, enabling the business to address their changing needs and to make it easier to do business with us.

<sup>1</sup>Note: Adjusted for significant items. Refer Note 3 of Half Year Financial report in Appendix 4D

To provide the best solutions, we are sourcing solutions and technology from the US, UK and Europe to create a marketing services business unmatched in Australia. We provide cloud-based, self service solutions, supported by commercial arrangements that liberate our clients' balance sheet and operational resources to concentrate on building stronger relationships with their customers.

Salmat has simplified its market delivery strategy and complementary services will be integrated into two main functions: Consumer Marketing Solutions and Customer Engagement Solutions, to streamline customer communication channels and to improve efficiencies.

Consumer Marketing Solutions will comprise consumer-facing solutions previously offered under the Digital and Targeted Media Solutions divisions, and will be headed up by Peter Anson, formerly Salmat's Chief Operating Officer.

The Customer Engagement Solutions division will predominately consist of outsourced contact centres, direct sales, speech solutions, together with Reach, the recently launched hosted cloud based telephony and contact centre management solution. Former Customer Contact Solutions CEO David Besson will continue to oversee this division under its new brand.

## **Chairman and Board succession**

Mr Richard Lee is in his final year as Non-executive Chairman and he has decided not to stand for re-election. Mr Peter Mattick, currently a non-executive director and co-founder of Salmat, is to be appointed Deputy Chairman and Chairman designate, effective immediately. Mr Mattick's transition into the Chairman's role is planned for mid 2013, at which point Mr Lee will undertake the role of Lead Independent Director. Board succession is being addressed, including the role of Lead Independent Director, when the strategy review currently being undertaken is complete.

## **Outlook**

Major clients continue to be resilient and we expect the contribution from mid tier retailers to improve in line with the retail sector. However we do see some potential for contraction amongst the smaller retailers.

With the disposal of the Business Process Outsourcing business completed, we expect the continuing businesses of Salmat to exhibit earnings seasonality that is broadly in line with the consumer market, being weighted 52% H1 vs. 48% H2.

With the on-going transition from Fuji Xerox and the complexity of separation, corporate costs for the FY13 year will be \$3-4m higher than is anticipated under the continuing business model. Accordingly, corporate costs in the FY13 year will be flat on FY12. It is expected that these additional costs will reduce in the FY14 year as the transition programme completes.

Taking into account the above factors, we expect FY13 underlying EBITA to be in the range of \$25-\$28 million.

An investor update is scheduled for mid May 2013, where we will update the market on our strategy, the potential for further capital management and investments.

## ABOUT SALMAT

Salmat is focussed on driving Return on Communication for our clients through applicable and effective media channels and on delivering outcomes that improve marketing effectiveness, are highly measurable, engaging and build loyalty and lasting relationships with consumers.

### Market Leaders

Salmat has two market leading divisions:

**Consumer Marketing Solutions** (CMS) division consists of the Salmat Digital, Targeted Media Solutions and Lasoo Businesses. CMS 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 interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Australia's premier online pre-shopping site, Lasoo.com.

**Customer Engagement Solutions** (CES) helps Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, field sales services and learning and development solutions. Salmat CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile, SMS and field sales. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and enterprise class contact centre technology solutions hosted in the cloud.

Salmat CES is focussed on the growth and sustainability of our clients by designing and delivering highly engaging relationships with their customers.

For more information on Salmat go to [www.salmat.com](http://www.salmat.com)

*For further information, please contact:*

*Grant Harrod  
Chief Executive Officer  
+612 9928 6500*

*Chad Barton  
Chief Financial Officer  
+612 9928 6500*

The Directors present their report on the consolidated entity consisting of Salmat Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

### **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  
John Thorn  
Ian Elliot  
Philip Salter  
Peter Mattick  
Fiona Balfour  
Grant Harrod

### **REVIEW OF OPERATIONS**

On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to Fuji Xerox Asia Pacific Pte Ltd for gross sale proceeds of \$375 million. The sale was completed on 10 October 2012 and the Business Process Outsourcing Segment is reported in these financial statements as a discontinued operation.

*Reported sales revenue from continuing operations* of \$241.5 million (2012: \$263.8m).

*Statutory profit (NPAT)* was \$41.5 million (2012: \$13.5m).

*Underlying EBITA from continuing operations* (adjusted for significant items) of \$15.0 million (2012: \$16.4m).

*Underlying net profit after tax from continuing operations* (adjusted for significant items after tax) of \$9.5 million (2012: \$6.5m).

*Significant items after tax relating to continuing operations* were \$11.7 million (2012: \$0.6m).

*Statutory profit (NPAT) from discontinued operations* is \$43.6 million (2012: \$7.6m).

### **EVENTS OCCURRING AFTER BALANCE DATE**

Since the December 2012 half year end the directors have recommended the payment of an interim ordinary dividend of \$6.4m (4.0 cents per fully paid share) and special dividend of \$33.6m (21.0 cents per fully paid share) to be paid on 05 April 2013 out of retained profits at 31 December 2012. The dividend is 100% franked at the corporate tax rate. A record date of 18 March 2013 has been set for the dividends due to be paid on 05 April 2013.

### **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 8.

### **ROUNDING OF AMOUNTS**

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

Signed this 26<sup>th</sup> day of February 2013 in accordance with a resolution of the Board of Directors.



**Grant Harrod**  
Chief Executive Officer



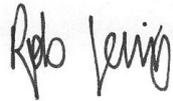
**Richard Lee**  
Chairman

## **Auditor's Independence Declaration to the Directors of Salmat Limited**

In relation to our review of the financial report of Salmat Limited for the half-year ended 31 December 2012, 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Rob Lewis'.

Rob Lewis  
Partner  
26 February 2013

**SALMAT LIMITED**  
**Income Statement**

For the half year ended 31 December 2012



**Consolidated**

**Half Year Ended 31 Dec 2012**      **Half Year Ended 31 Dec 2011**  
**\$000**                                      **\$000\***

\* The results of the BPO division have been disclosed as a discontinued operation and all comparative information has been reclassified accordingly.

**Note**

Sales revenues		241,488	263,778
Revenues from other activities		1,919	108
<b>Revenue from continuing operations</b>		<b>243,407</b>	<b>263,886</b>
Employee benefits expenses		(125,762)	(140,972)
Depreciation and amortisation expense		(7,185)	(6,719)
Freight, distribution and communication expenses		(75,462)	(77,951)
Materials usage		(234)	(1,002)
Property related expenses		(9,875)	(8,825)
Equipment related expenses		(4,805)	(4,375)
Other expenses from ordinary activities		(8,299)	(9,251)
Impairment loss	7	(8,820)	-
Finance costs		(2,908)	(5,603)
Share of net (losses)/profits of associates accounted for using the equity method		(639)	(547)
<b>(Loss) / Profit before income tax</b>		<b>(582)</b>	<b>8,641</b>
Income tax expense		(1,594)	(2,747)
<b>(Loss) / Profit from continuing operations</b>		<b>(2,176)</b>	<b>5,894</b>
<b>Profit from discontinued operation</b>	8	<b>43,626</b>	<b>7,615</b>
<b>Profit attributable to members of Salmat Limited</b>		<b>41,450</b>	<b>13,509</b>

**Earnings per share**

Basic earnings per share (cents per share)	5	<b>26.19</b>	<b>8.53</b>
Diluted earnings per share (cents per share)	5	25.85	8.45
<b>Earnings per share for profit from continuing operations</b>			
Basic (loss) / earnings per share (cents per share)	5	<b>(1.37)</b>	<b>3.72</b>
Diluted (loss) / earnings per share (cents per share)	5	(1.36)	3.69

**SALMAT LIMITED**  
**Statement of Comprehensive Income**  
For the half year ended 31 December 2012



**Consolidated**

	<b>Half Year Ended 31 Dec 2012 \$000</b>	<b>Half Year Ended 31 Dec 2011 \$000</b>
<b>Net profit for the period</b>	<b>41,450</b>	<b>13,509</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit and loss		
<i>Continuing operations</i>		
Changes in the fair value of cash flow hedges	1,071	(2,624)
Income tax relating to changes in fair value of cash flow hedges	(321)	787
Exchange differences on translation of foreign operations	650	(765)
<b>Other comprehensive income/(loss) for the period from continuing operations</b>	<b>1,400</b>	<b>(2,602)</b>
<i>Discontinued operations</i>		
Changes in the fair value of cash flow hedges	1,201	-
Income tax relating to changes in fair value of cash flow hedges	(361)	-
Exchange differences on translation of foreign operations	(1,598)	645
<b>Other comprehensive (loss) / income for the period from discontinued operations</b>	<b>(758)</b>	<b>645</b>
<b>Other comprehensive (loss) / income for the period</b>	<b>642</b>	<b>(1,957)</b>
<b>Total comprehensive income for the period attributable to members of Salmat Limited</b>	<b>42,092</b>	<b>11,552</b>
Total comprehensive income for the period attributable to members of Salmat Limited arises from:		
Continuing operations	<b>(776)</b>	<b>3,912</b>
Discontinued operations	<b>42,868</b>	<b>7,640</b>
	<b>42,092</b>	<b>11,552</b>

**SALMAT LIMITED**  
**Statement of Financial Position**  
As at 31 December 2012



		<b>As at 31 Dec 2012 \$000</b>	<b>As at 30 Jun 2012 \$000</b>
<b>Current Assets</b>	<b>Note</b>		
Cash and cash equivalents		210,948	37,382
Trade and other receivables		67,760	112,575
Inventories		1,506	6,953
Other current assets		4,426	6,030
<b>Total Current Assets</b>		<b>284,640</b>	<b>162,940</b>
<b>Non-Current Assets</b>			
Receivables		3,137	2,681
Investments accounted for using the equity method		2,808	3,698
Property, plant and equipment		18,274	59,786
Deferred tax assets		12,592	18,608
Intangible assets	7	152,131	448,404
Other non-current assets		72	238
<b>Total Non-Current Assets</b>		<b>189,014</b>	<b>533,415</b>
<b>Total Assets</b>		<b>473,654</b>	<b>696,355</b>
<b>Current Liabilities</b>			
Trade and other payables		52,259	92,162
Borrowings		142	4,749
Derivative financial instrument		1,070	2,258
Current tax liabilities		1,072	4,800
Provisions		16,229	28,107
<b>Total Current Liabilities</b>		<b>70,772</b>	<b>132,076</b>
<b>Non-Current Liabilities</b>			
Borrowings		99,003	274,274
Deferred tax liabilities		1,433	5,619
Provisions		4,449	7,358
Retirement benefit obligations		88	3,434
Derivative financial instrument		484	1,568
Payables		-	407
Other non-current liabilities		698	698
<b>Total Non-Current Liabilities</b>		<b>106,155</b>	<b>293,358</b>
<b>Total Liabilities</b>		<b>176,927</b>	<b>425,434</b>
<b>Net Assets</b>		<b>296,727</b>	<b>270,921</b>
<b>Equity</b>			
Contributed equity		205,494	205,026
Reserves		(446)	(1,113)
Retained profits		91,679	67,008
<b>Total Equity</b>		<b>296,727</b>	<b>270,921</b>

**SALMAT LIMITED**  
**Statement of Changes in Equity**  
As at 31 December 2012



	<b>Contributed Equity \$000</b>	<b>Consolidated Retained Profits \$000</b>	<b>Consolidated Reserves \$000</b>	<b>Total \$000</b>
<b>Balance at 1 July 2011</b>	<b>205,761</b>	<b>72,084</b>	<b>267</b>	<b>278,112</b>
Profit for the period	-	13,509	-	13,509
Other comprehensive income/(loss)	-	10	(1,967)	(1,957)
Total comprehensive income for the period attributable to members of Salmat Limited	-	13,519	(1,967)	11,552
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	-	464	464
Dividends paid	-	(19,975)	-	(19,975)
<b>Balance at 31 December 2011</b>	<b>205,761</b>	<b>65,628</b>	<b>(1,236)</b>	<b>270,153</b>
<b>Balance at 1 July 2012</b>	<b>205,026</b>	<b>67,008</b>	<b>(1,113)</b>	<b>270,921</b>
Profit for the period	-	41,450	-	41,450
Other comprehensive income/(loss)	-	-	642	642
Total comprehensive income for the period attributable to members of Salmat Limited	-	41,450	642	42,092
Transactions with owners in their capacity as owners:				
Treasury shares	468	-	(149)	319
Cost of share-based payments	-	-	174	174
Dividends paid	-	(16,779)	-	(16,779)
	468	(16,779)	25	(16,286)
<b>Balance at 31 December 2012</b>	<b>205,494</b>	<b>91,679</b>	<b>(446)</b>	<b>296,727</b>

**Consolidated**

**Half Year Ended**      **Half Year Ended**  
**31 Dec 2012**      **31 Dec 2011**  
**\$000**                      **\$000<sup>#</sup>**

<sup>#</sup> Cash flows of the discontinued operation and all comparative information have not been reclassified.

	Note		
<b>Cash Flows from Operating Activities</b>			
Receipts from customers *		405,241	523,065
Payments to suppliers and employees *		(381,143)	(463,006)
Transaction costs on disposal of subsidiary		(6,643)	-
Interest received		1,919	108
Interest paid		(7,030)	(10,867)
Income tax paid		(7,859)	(6,792)
<b>Net cash (used in) / provided by operating activities</b>		<b>4,485</b>	<b>42,508</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		23	94
Proceeds from disposal of subsidiaries	8	355,690	157
Cash inflow/(outflow) from acquisition of subsidiary/business		-	(98)
Investment in associate		(400)	(3,157)
Payments for plant and equipment		(7,400)	(10,351)
<b>Net cash provided by / (used) in investing activities</b>		<b>347,913</b>	<b>(13,355)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(160,509)	-
Proceeds from borrowings		-	6,000
Finance lease payments		(1,544)	(1,952)
Dividends paid to company's shareholders		(16,779)	(19,975)
<b>Net cash used in financing activities</b>		<b>(178,832)</b>	<b>(15,927)</b>
<b>Net increase in cash held</b>		<b>173,566</b>	<b>13,226</b>
Cash and cash equivalents at the beginning of the period		37,382	20,627
<b>Cash and cash equivalents at the end of the period</b>		<b>210,948</b>	<b>33,853</b>

\* Includes amounts relating to postage disbursements and is inclusive of goods and services tax.

## **1. BASIS OF PREPARATION OF HALF-YEAR REPORT**

This general purpose financial report for the interim half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Salmat Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity are consistent with those applied by the consolidated entity in its full year financial report for the year ended 30 June 2012 except for the adoption of new standards and interpretations as of 1 January 2013, noted below:

### *AASB 10 Consolidated financial statements*

AASB 10 Consolidated financial statements establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group.

### *AASB 11 Joint Arrangements*

AASB 11 Joint Arrangements replaces AASB 131 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The adoption of AASB 11 had no effect on the financial position or performance of the Group.

### *AASB 12 Disclosure of Interests in Other Entities*

AASB 12 Disclosure of Interests in Other Entities includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The adoption of AASB 12 had no effect on the financial position or performance of the Group.

### *AASB 13 Fair Value Measurement*

AASB 13 Fair Value Measurement establishes a single source of guidance under AIFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AIFRS when fair value is required or permitted by AIFRS. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 Fair Value Measurement also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The adoption of AASB 12 had no effect on the financial position or performance of the Group.

The consolidated entity has not elected to early adopt any other new standards or amendments.

### *Change to presentation*

The results of the BPO division have been disclosed as a discontinued operation and all comparative information has been reclassified accordingly.

## **2. SEGMENT INFORMATION**

### **(a) Business Segments**

The group has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. In the prior year the Group had three reportable segments. On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to Fuji Xerox Asia Pacific Pte Ltd for gross sale proceeds of \$375 million. The sale was completed on 10 October 2012 and the Business Process Outsourcing Segment is reported in these financial statements as a discontinued operation.

The chief executive officer has identified two reportable segments which are as follows:

#### *CMS*

Salmat's Consumer Marketing Solutions (CMS) division, previously known as Targeted Media Solutions (TMS), consists of the Salmat Digital, Targeted Media Solutions and Lasoo Businesses. CMS 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 interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Australia's premier online pre-shopping site Lasoo.com.

Salmat is focussed on driving ROI for our customers through applicable and effective media channels, and on delivering outcomes that improve marketing effectiveness, are highly measurable, engaging and build loyalty and lasting relationships with consumers.

#### *CES*

Salmat Customer Engagement Solutions (CES), previously known as Customer Contact Solutions (CCS), helps Australia and New Zealand's most trusted brands generate revenue, exit cost, and improve their customer experience. Salmat designs and delivers multi-channel contact centre services and technology solutions, field sales services and learning and development solutions. Salmat CES specialises in maximising customer lifetime value using inbound and outbound voice, email, web chat, social media, mobile, SMS, fax and field sales. Salmat provides sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and enterprise class contact centre technology solutions hosted in the cloud.

#### *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.

#### *Accounting Policies*

Segment revenues and expenses are those directly attributable to the segments and include any joint venture revenue and expenses where a reasonable basis of allocation exists.

#### *Intersegment Transfers*

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arm's length. These transfers are eliminated on consolidation. As intersegment revenues are considered immaterial no disclosure of these is made in 2(b) Segment Information provided to the chief operating decision maker.

**2. SEGMENT INFORMATION (Continued)**

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

Six months to 31 Dec 2012	CMS	CES	Corporate Costs	Total
	\$000	\$000	\$000	\$000
<b>Segment Revenue</b>				
Sales to external customers – continuing operations	136,102	105,386		241,488
Interest revenue				1,919
<b>Total revenue from continuing operations</b>				<b>243,407</b>
Segment EBITA from continuing operations before significant items and corporate costs	17,455	5,799		23,254
<b>Reconciliation of segment EBITA to income statement</b>				
Corporate costs			(8,254)	(8,254)
<b>EBITA from continuing operations before significant items</b>				<b>15,000</b>
Amortisation expense – continuing operations				(1,291)
Net finance costs – continuing operations				(994)
<b>Underlying profit before income tax from continuing operations</b>				<b>12,715</b>
Significant items – continuing operations (Refer note 3)				(13,297)
<b>Loss before income tax</b>				<b>(582)</b>
Income tax				(1,594)
<b>Loss from continuing operations</b>				<b>(2,176)</b>
Profit from discontinued operations (Refer note 8)				43,626
<b>Profit attributable to members of Salmat Limited</b>				<b>41,450</b>

**2. SEGMENT INFORMATION (Continued)**

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

<b>Six months to 31 Dec 2011</b>	<b>CMS</b>	<b>CES</b>	<b>Corporate Costs</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Segment Revenue</b>				
Sales to external customers – continuing operations	142,476	121,302		263,778
Interest revenue				108
<b>Total revenue from continuing operations</b>				<b>263,886</b>
Segment EBITA from continuing operations before significant items and corporate costs	18,662	5,712		24,374
<b>Reconciliation of segment EBITA to income statement</b>				
Corporate costs			(7,934)	(7,934)
<b>EBITA from continuing operations before significant items</b>				<b>16,440</b>
Amortisation expense – continuing operations				(1,473)
Net finance costs – continuing operations				(5,493)
<b>Underlying profit before income tax from continuing operations</b>				<b>9,474</b>
Significant items – continuing operations (Refer note 3)				(833)
<b>Profit before income tax</b>				<b>8,641</b>
Income tax				(2,747)
Profit from continuing operations				5,894
Profit from discontinued operations (Refer note 8)				7,615
<b>Profit attributable to members of Salmat Limited</b>				<b>13,509</b>

### 3. PROFIT BEFORE INCOME TAX

*Underlying EBITA & Net profit after tax*

The chief operating decision maker assesses the performance of the operating segments based on a measure of underlying EBITA. This measurement basis excludes the effects of one-off income/expenditure such as the profit on sale of the BPO division (including the associated transaction and separation costs) and the share of equity accounted losses after tax in start up digital joint ventures.

<b>Significant items included in total expenses</b>	<b>Six Months to 31 Dec 2012 Pre Tax \$000</b>	<b>Six Months to 31 Dec 2012 Post Tax \$000</b>	<b>Six Months to 31 Dec 2011 Pre Tax \$000</b>	<b>Six Months to 31 Dec 2011 Post Tax \$000</b>
<i>Continuing operations</i>				
Restructuring costs	-	-	(833)	(628)
Digital Joint Ventures	(1,009)	(963)	-	-
Impairment loss (note 7)	(8,820)	(8,270)	-	-
Separation costs	(3,468)	(2,427)	-	-
<b>Significant items from continuing operations</b>	<b>(13,297)</b>	<b>(11,660)</b>	<b>(833)</b>	<b>(628)</b>
<i>Discontinued operations</i>				
Restructuring costs	-	-	(288)	(202)
Gain on sale of BPO Division before transaction and separation costs (note 8)	42,120	43,271	-	-
Transaction costs (note 8)	(6,643)	(5,982)	-	-
Separation costs (note 8)	(5,894)	(4,126)	-	-
Digital Joint Ventures	(189)	(189)	-	-
<b>Significant items from discontinued operations</b>	<b>29,394</b>	<b>32,974</b>	<b>(288)</b>	<b>(202)</b>
<b>Total significant items</b>	<b>16,097</b>	<b>21,314</b>	<b>(1,121)</b>	<b>(830)</b>

	<b>Six Months to 31 Dec 2012 \$000</b>	<b>Six Months to 31 Dec 2011 \$000</b>
<i>Reconciliation to net profit after tax from continuing operations</i>		
Net (loss) / profit after tax from continuing operations	(2,176)	5,894
Significant items after tax	11,660	628
<b>Underlying net profit after tax (excluding significant items)</b>	<b>9,484</b>	<b>6,522</b>
<i>Reconciliation to net profit after tax from discontinued operations</i>		
Net Profit after tax from discontinued operations	43,626	7,615
Significant items after tax	(32,974)	202
<b>Underlying net profit after tax (excluding significant items)</b>	<b>10,652</b>	<b>7,817</b>

**4. DIVIDENDS**

	Six Months to 31 Dec 2012 \$000	Six Months to 31 Dec 2011 \$000
<b>(a) Dividends paid during the half-year <sup>(1)</sup></b>		
Final fully franked ordinary dividend of 10.5 cents (2011: 12.5 cents) per share	16,779	19,975
<b>Dividends paid as per Statement of Cash Flows</b>	<b>16,779</b>	<b>19,975</b>

**Dividends proposed but not recognised as a liability 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 4.0 cents per share (2012: 8.5 cents per share) and special dividend of 21.0 cents per share (2012: nil cents per share). A record date of 18 March 2013 has been set.

The aggregate amount of the proposed interim dividend which is expected to be paid on 05 April 2013 is:<sup>(1)</sup>

The aggregate amount of the proposed special dividend which is expected to be paid on 05 April 2013 is:<sup>(1)</sup>

The total aggregate amount of the proposed dividends which are expected to be paid on 05 April 2013 is:<sup>(1)</sup>

<b>6,393</b>	<b>13,583</b>
<b>33,561</b>	<b>-</b>
<b>39,954</b>	<b>13,583</b>

<sup>(1)</sup> All dividends franked to 100% at 30% corporate tax rate.

**5. EARNINGS PER SHARE**

	Six Months to 31 Dec 2012 \$000	Six Months to 31 Dec 2011 \$000
<b>(a) Reconciliation of Earnings to Net Profit</b>		
<b>Earnings from continuing operations used in the calculation of diluted EPS</b>	<b>(2,176)</b>	<b>5,894</b>
<b>Earnings from operations used in the calculation of diluted EPS</b>	<b>41,450</b>	<b>13,509</b>
<b>(b) Weighted average number of ordinary shares used in the calculation of basic EPS</b>	<b>Quantity '000</b>	<b>Quantity '000</b>
<b>Weighted average number of shares on issue (excluding treasury shares) used to calculate basic EPS</b>	<b>158,261</b>	<b>158,443</b>
Effect of dilutive securities	2,088	1,364
<b>Weighted average number of ordinary shares (excluding treasury shares) used in the calculation of dilutive EPS</b>	<b>160,349</b>	<b>159,807</b>

**6. NET TANGIBLE ASSET BACKING**

	Six Months to 31 Dec 2012 \$000	Six Months to 31 Dec 2011 \$000
<b>Net tangible asset backing per ordinary share from continuing operations</b>	<b>0.90c</b>	<b>(1.15)c</b>

**7. INTANGIBLES**

	<b>Consolidated</b>			<b>Total \$000</b>
	<b>Goodwill \$000</b>	<b>Other Intangible Assets \$000</b>	<b>Customer Intangible \$000</b>	
<b>Balance at 1 July 2011</b>	429,869	3,656	26,992	460,517
Additions	-	-	-	-
Acquisition of controlled entity	896	(701)	-	195
Amortisation charge	-	(1,782)	(10,526)	(12,308)
<b>Balance at 30 June 2012</b>	<b>430,765</b>	<b>1,173</b>	<b>16,466</b>	<b>448,404</b>
<b>Balance at 1 July 2012</b>	430,765	1,173	16,466	448,404
Sale of BPO Division	(274,704)	(204)	(11,784)	(286,692)
Additions	30	-	-	30
Impairment	(6,987)	(43)	(1,290)	(8,320)
Amortisation charge	-	(365)	(926)	(1,291)
<b>Balance at 31 December 2012</b>	<b>149,104</b>	<b>561</b>	<b>2,466</b>	<b>152,131</b>

The impairment loss of \$8,320,000 in intangibles is the result of the decision to discontinue non-core businesses within the CMS segment. There is an additional \$500,000 impairment in plant and equipment related to the discontinued non-core businesses which has also been written down.

The impairment loss has been recognised as a separate line item in the income statement.

No other circumstances have arisen that indicate that the carrying value of the Group's non-current assets may be impaired. Goodwill is tested for impairment annually. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different segments were disclosed in the annual financial statements for the year ended 30 June 2012.

## 8. DISCONTINUED OPERATION

### (a) Description

On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to Fuji Xerox Asia Pacific Pte Ltd for gross sale proceeds of \$375 million. The sale was completed on 10 October 2012 and the Business Process Outsourcing segment is reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

### (b) Financial performance and cash flow

The financial performance and cash flow information presented are for the period 1 July 2012 to 10 October 2012 and the half year ended 31 December 2011.

	<b>Consolidated</b>	
	<b>Period to 10 Oct 2012 \$'000</b>	<b>Half year ended 31 Dec 2011 \$'000</b>
Revenue	92,733	158,564
Expenses	(78,388)	(147,403)
Profit before income tax	14,345	11,161
Income tax expense	(3,882)	(3,546)
<b>Profit after income tax of discontinued operations</b>	<b>10,463</b>	<b>7,615</b>
Gain on sale of the division before income tax (c)	29,583	-
Income tax benefit	3,580	-
<b>Gain on sale of the division after income tax</b>	<b>33,163</b>	<b>-</b>
<b>Profit from discontinued operation</b>	<b>43,626</b>	<b>7,615</b>
Net cash (outflow) / inflow from operating activities	(1,966)	30,155
Net cash outflow from financing activities	(1,266)	(1,507)
Net cash outflow from investing activities	(2,376)	(4,654)
<b>Net cash (used in) / generated by discontinued operations</b>	<b>(5,608)</b>	<b>23,994</b>

### (c) Details of the sale of the division

Consideration received or receivable:	
Gross sale proceeds	375,000
Working capital adjustment receivable	8,159
<b>Total gross sales proceeds</b>	<b>383,159</b>
Less finance lease and other liabilities transferred	(19,302)
Less cash disposed	(8)
<b>Net disposal consideration</b>	<b>363,849</b>
Less working capital adjustment receivable	(8,159)
<b>Cash proceeds recognised in the cash flow statement</b>	<b>355,690</b>
<b>Net disposal consideration</b>	<b>363,849</b>
Carrying amount of net assets sold	(321,729)
Gain on sale before transaction and separation costs	42,120
Transaction costs	(6,643)
Separation costs	(5,894)
<b>Net gain on sale of division before income tax</b>	<b>29,583</b>
Income tax benefit	3,580
<b>Net gain on sale of division after income tax</b>	<b>33,163</b>

**(d) Carrying amounts of assets and liabilities**

The carrying amounts of assets and liabilities as at 10 October 2012 and 30 June 2012 are:

	<b>At 10 October 2012</b> \$'000	At 30 June 2012 \$'000
Property, plant and equipment	<b>46,566</b>	38,786
Intangible assets	<b>286,692</b>	286,692
Trade and other receivables	<b>48,737</b>	49,513
Other assets	<b>2,326</b>	2,158
Inventories	<b>4,962</b>	5,205
Net deferred tax asset	<b>3,281</b>	3,861
Investments accounted using the equity method	<b>451</b>	240
<b>Total assets</b>	<b>393,015</b>	386,455
Trade and other payables	<b>(31,203)</b>	(44,463)
Deferred payments	<b>(382)</b>	(407)
Retirement benefit obligations	<b>(3,383)</b>	(3,383)
Lease liabilities	<b>(17,655)</b>	(18,920)
Provisions	<b>(18,663)</b>	(17,804)
<b>Total liabilities</b>	<b>(71,286)</b>	(84,977)
<b>Net assets</b>	<b>321,729</b>	301,478

**9. CONTINGENCIES**

The Salmat Group has been involved from time to time in various claims and legal proceedings arising from the conduct of its business. The Company does not consider the outcome of any proceedings, either individually or in aggregate, are likely to have a material effect on its financial position. The Company maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

**10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Since the December 2012 half year end the directors have recommended the payment of an interim ordinary dividend of \$6.4m (4.0 cents per fully paid share) and special dividend of \$33.6m (21.0 cents per fully paid share) to be paid on 05 April 2013 out of retained profits at 31 December 2012.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 22:
  - (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed this 26<sup>th</sup> day of February 2013 on behalf of the Board.



**Grant Harrod**  
Chief Executive Officer



**Richard Lee**  
Chairman

To the members of Salmat Limited

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Salmat Limited, which comprises the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 period.

### **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 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Salmat Limited 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.

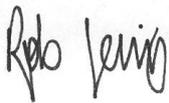
## Conclusion

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 Salmat Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Ernst & Young

A handwritten signature in black ink that reads 'Rob Lewis'.

Rob Lewis  
Partner  
Sydney

26 February 2013