SALMAT LIMITED

HALF-YEAR FINANCIAL REPORT
For the six months ended 31 December 2011

Contents

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

HALF-YEAR REPORT
31 December 2011

Results for announcement to the market

	Half year ended 31 December 2011 $m	Half year ended 31 December 2010 $m	% Change 31 December 2010 to 31 December 2011 Increase/(decrease)	Half year to 30 June 2011 $m[1]	% Change 30 June 2011 to 31 December 2011 Increase/(decrease)
Sales Revenue	422.3	447.6	(5.7%)	415.4	1.7%
Revenue from continuing operations	422.5	448.3	(5.8%)	415.6	1.7%
Earnings before amortisation, depreciation, borrowing costs and income tax (EBITDA)	48.0	55.0	(12.7%)	45.4	5.7%
Underlying earnings before amortisation, borrowing costs, significant items and income tax (Underlying EBITA)[2]	38.0	48.8	(22.1%)	39.8	(4.5%)
Net profit for the period attributable to members	13.5	22.7	(40.5%)	13.3	1.5%

Dividends	Amount per share	Franked amount per share at 30% tax
Interim dividend Record Date 13 March 2012 Payable 3 April 2012	8.5 c	8.5 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 2011 Annual Report and any announcements to the market by Salmat Limited during the period.
- [1] The result for the six month period to 30 June 2011 has been included to provide additional information as to the performance of the Group subsequent to the loss of a significant contract.
- [2] 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.

16 February 2012

Interim FY12 results:
Resilient performance in challenging conditions

Salmat Limited (ASX:SLM) - Australia's leading marketing and communication company - today announced EBITDA of $48.0 million, up 5.7% on the previous half and down 12.7% on the prior corresponding period ("pcp"). Underlying EBITA* of $38.0 million for the first half of FY12 was in line with December 2011 guidance of $36-38 million. Revenue for the period was $422.3 million, up 1.7% on the previous half and down 5.7% on the pcp.

The Board is pleased to declare an interim dividend of 8.5 cents per share, fully franked. This represents a 100% payout ratio, reflecting the Board's confidence in the business.

Volumes remained stable in the traditional business areas, highlighting the inherent resilience of these channels. Some key new business wins helped to offset the challenging trading conditions and closure of the Telstra Customer Contact Solutions (CCS) contract. The provision of digital services throughout the group continues to expand, with revenues from these services up 49% on the pcp.

Underlying EBITA* was down 22.1% on the back of the Telstra contract closure and additional investments totalling $2.3 million expensed in deploying the company's growth strategy.

Cash conversion and working capital management was strong during the half, with net operating cash flow up $20.8 million on the pcp to $42.5 million.

$ million	H1 2012	H2 2011	% change previous period	H1 2011	% change pcp
Sales revenue	422.3	415.4	+ 1.7%	447.6	- 5.7%
EBITDA	**48.0**	**45.4**	**+ 5.7%**	**55.0**	**- 12.7%**
Underlying EBITA*[1]	**38.0**	**39.8**	**- 4.5%**	**48.8**	**- 22.1%**
Significant items after tax	(0.8)	(3.0)	NMF	(3.4)	NMF
Statutory profit (NPAT)	**13.5**	**13.3**	**+ 1.5%**	**22.7**	**- 40.5%**
Earnings per share (cents)	8.5	8.3	+ 2.4%	14.4	- 41.0%
Dividend (cents per share)	8.5	12.5	- 32.0%	11.5	- 26.1%

"This year we are experiencing the double impact of subdued trading conditions and continued investment in transformational change," said Chief Executive Officer, Grant Harrod.

"Considering these factors, I'm pleased to report that our traditional businesses have continued to post resilient underlying results and that our journey to a stronger digital presence is well underway," said Mr Harrod.

"We've made positive progress with our strategy to build an integrated digital offer, expanding our capability and investing in key JV initiatives and growing digital revenue on the prior period. While work to build the leadership and team structure and deploy scalable systems has pushed out the timing of the acquisition synergies, we are otherwise on track with our digital strategy and achieving continued growth from this fast-expanding market.

"I'm also pleased that we've been able to grow new business to the extent we have in such challenging market conditions as well as drive solid cash flow increases," he said.

*[1] *Underlying EBITA is before significant negative items of $1.1m ($0.8 million after tax) for H1 FY12 and $4.9 million ($3.4 million after tax) in pcp. These figures are as set out in Salmat's reviewed financial statements for period ending 31 December 2011.*

Sales revenue was $422.3 million, up 1.7% on the previous half and down 5.7% on the pcp. The decline in group revenue over the pcp reflects the closure of the Telstra CCS contract in the second half of FY11 (with a $61 million reduction in revenue over the past 12 months), and slightly lower Business Process Outsourcing (BPO) revenues (down $4.3m), offset in part by the contribution of new digital services revenues and good sales momentum that created net new business wins across the group.

EBITDA was down $7 million over the pcp to $48 million. The $7 million reduction includes $5.5 million of EBITA attributable to the Telstra CCS contract in the pcp, as well as approximately $2.3 million in digital business investments and a negative $2.0 million bond rate impact on long service leave liabilities, which was expensed.

Significant items after tax of -$0.8 million were $2.6 million lower than the prior corresponding period and related to restructuring costs.

Reported profit (NPAT) was down $9.2 million on the prior corresponding period at $13.5 million. This was a 1.5% increase on the 2H11 result of $13.3 million. While tax expense was lower than the pcp, amortisation and net interest expenses were higher. Interest increased due to the higher net debt for the digital acquisition and lease interest on the additional finance leases.

Capital expenditure for the period was $14.5 million and related mainly to investments in assets for digital growth; $3 million (plus $4.2 million finance leased) in production technology for further colour upgrades and efficiency in BPO; and $7.3 million in technology hardware and software upgrades and refreshes across the group.

Net debt was $253.5 million as at 31 December 2011 ($4.8 million lower than at 30 June 2011). Tranche B of Salmat's senior debt ($105 million expiring December 2012) was extended 12 months to December 2013 under the same conditions. The remaining tranches of $105 million and $99 million - maturing in December 2013 and December 2014 respectively - remain unchanged.

Net operating cash flow is a strong feature of the current half, up $20.8 million on the pcp to $42.5 million, reflecting tight working capital management, lower tax payments and restructuring costs.

Earnings per share at 8.5 cents has been impacted by the softer earnings and higher interest costs. The Board and management remain committed to driving improved EPS.

The fully franked **interim dividend** of 8.5 cents per share has a record date of 13 March 2012 and is payable on 3 April 2012.

Operational review

Business Process Outsourcing

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	158.6	155.6	+ 1.9%	162.9	- 2.6%
Underlying EBITA	21.5	19.9	+ 8.0%	21.9	- 1.8%

Business Process Outsourcing revenue was down 2.6% on the pcp to $158.6 million. Volumes declined over the pcp at a lower rate than expected, aided by new business wins. Mail pack volumes increased from 508 million in the half ending June 2011 to 539 million in the current half. Impression volumes increased both on the pcp and 2H11. E-document volumes also grew across two consecutive periods.

Underlying EBITA was down $0.4 million on the pcp and up $1.6 million on the previous half to $21.5 million, largely due to improved efficiencies flowing from site consolidations and a colour technology refresh in FY11, as well as new business wins.

Continued solid growth in the e-solutions and scanning areas combined with further cost efficiencies will continue to underpin earnings performance in BPO.

Targeted Media Solutions

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	142.5	129.1	+ 10.4%	121.8	+ 17.0%
Underlying EBITA	18.7	20.1	- 7.0%	22.5	- 16.9%

Targeted Media Solutions (TMS) revenue was up 17.0% on the pcp, largely due to the contribution from the new digital businesses, which has grown revenue over two consecutive periods.

Underlying EBITA at $18.7 million was down 7.0% on the previous half and down 16.9% on the prior corresponding period. A combination of digital investment costs and reduced catalogue margins during the period impacted this result.

Catalogue volumes remained solid at the top end of the market, while tier two and three retailers reduced activity. Gross margins were impacted by weaker trading conditions, which led to a shift in the mix of major retail and smaller clients and a reduction in some higher-margin activities. The SME market continued to perform well, with volume, revenue and earnings growth.

A key focus during the period in digital has been the consolidation of the acquired businesses, investments and existing Salmat digital services into one integrated digital service centre, with common product platforms and scalability. As a consequence, we are actively investing in people and systems which will defer anticipated acquisition synergies into FY13. The recently appointed head of digital services, Nick Spooner, commenced his role in late August 2011.

$3.8 million was invested during the period in Lasoo ($2.5 million), e-commerce ($0.5 million) and Roamz and other digital ventures ($0.8 million).

Lasoo traffic numbers have continued to grow period on period, especially in emerging areas such as mobile device visits, which were up 90% on the previous half and 111% on the pcp. Management is now shifting the strategic focus from technological development to accelerated commercialisation, in order to better capture growing consumer and retailer demand in online advertising. The marketing investment supporting this growth means that we anticipate Lasoo to post a loss of $3.6 million for the full year.

Roamz launched in late October 2011 and has already achieved 50,000 downloads worldwide. The new e-commerce service has secured three new retail online sites and volumes across services such as email and SMS continue to grow each period.

Customer Contact Solutions

$ million	H1 2012	H2 2011	% change previous	H1 2011	% change pcp
Sales revenue	121.3	130.8	- 7.3%	162.9	- 25.5%
Underlying EBITA	5.7	5.9	- 3.4%	10.0	- 43.0%

Customer Contact Solutions revenue was down 7.3% on the previous half and 25.5% on the pcp to $121.3 million, all on the back of the Telstra CCS contract closure. New wins are starting to make up this shortfall.

Underlying EBITA was down 3.4% on the previous half and 43.0% on the pcp at $5.7 million, flowing on from the reduced revenue as well as start up costs associated with the new business wins. Performance in direct sales – which serves clients in more discretionary markets – was affected by the softer trading conditions, which impacted earnings.

The focus on full service opportunities will continue to improve CCS results over time. The speech solutions business - with new leadership and being integrated more closely into the contact centre business to provide a ‘whole solution’ approach – is seeing improved performance.

CCS has also recently invested in the latest technology – incorporating telephony, web and social - to greatly expand Salmat's contact centre multi-channel capabilities. This investment will clearly position Salmat as the leader in the outsourced contact centre market in terms of technology and scale and expand revenue streams in this division.

Outlook

"Following December and January trading, clients have highlighted growing uncertainty around trading conditions as most sectors experience reduced demand. In light of the deterioration in sentiment, we are adjusting our forecast for underlying EBITA for the full year of $78-83 million," said Mr Harrod.

"We are confident that our traditional businesses remain resilient and continue to generate good cash returns and we are also confident that our long-term transformational strategy remains on track, if somewhat slowed by the prevailing market conditions.

"Earnings for the full year will be supported by our growth investments and by efficiencies flowing from several productivity and cost control initiatives undertaken in the previous periods.

"We are ready to face the challenging conditions with sound financials, acceptable gearing, strong cash flows and a clear strategy to deliver sustainable earnings. The Board and management also remain confident about our ability to deliver continuing strong dividends," he said.

About Salmat

Salmat is Australia's leading marketing and communications company.

Salmat helps businesses find, acquire, grow and retain customers by delivering innovative multi-channel communication solutions across an unmatched range of channel options including online, mobile, voice and mail.

Salmat has three divisions, all of which are market leaders:

- Targeted Media Solutions (TMS) brings together our media channels of letterbox and digital. Salmat delivers more than five billion unaddressed items to homes across Australia every year. The division uses up to date lifestyle and geo-demographic data to maximise the effectiveness of each campaign, and employs the latest technology to provide clients with real time campaign reporting and auditing. Salmat Digital brings together all of Salmat's digital capabilities into a digital centre of excellence. It has extensive capability across nearly every aspect of digital marketing communication including, web development, data analytics, e-commerce, social media, email, SMS, search, mobile, e-solutions and Lasoo.com.au.

- Customer Contact Solutions (CCS) engages in millions of conversations each year for its clients through its contact centres. This division applies world-class technology and a highly trained staff to handle inbound and outbound phone, fax, email and online communication. Sophisticated speech solutions, including voice biometric technology, and highly effective field sales teams, also form part of this division.

- Business Process Outsourcing (BPO) manages outsourced business services for large corporate clients, using high end technology to engage consumers through bulk 'essential' and direct marketing communication, via mail, email or online. BPO streamlines and improves the delivery of these regular services and uses its data management capability to record, store and cross reference large amounts of archive information for clients in Australia, Hong Kong, Taiwan and the Philippines.

For more information on Salmat go to www.salmat.com

For further information, please contact:

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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 2011.

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
Revenue from continuing operations for the half-year was $422.5m, a decrease of $25.9m over the previous corresponding period. Profit before tax for the half year of $19.8m was $12.1m less than the previous corresponding period.

Included in the half-year profit was $0.8m of significant expenses after tax representing restructuring activities.

EVENTS OCCURRING AFTER BALANCE DATE
Since the December 2011 half year end the directors have recommended the payment of an interim ordinary dividend of $13.6m (8.5 cents per fully paid share) to be paid on 3 April 2012 out of retained profits at 31 December 2011. The dividend is 100% franked at the corporate tax rate. A record date of 13 March 2012 has been set for the dividends due to be paid on 3 April 2012.

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 16th day of February 2012 in accordance with a resolution of the Board of Directors.

Grant Harrod
Chief Executive Officer

Richard Lee
Chairman

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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 2011, 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.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
16 February 2012

SALMAT LIMITED
Income Statement
For the half year ended 31 December 2011

	Note	Consolidated Half Year Ended 31 Dec 2011 $000	Consolidated Half Year Ended 31 Dec 2010 $000
Sales revenues		422,342	447,594
Revenues from other activities		108	720
Revenue from continuing operations		**422,450**	**448,314**
Employee benefits expenses		(206,484)	(225,221)
Depreciation and amortisation expense		(17,371)	(16,318)
Freight, distribution and communication expenses		(79,107)	(64,795)
Materials usage		(26,419)	(30,808)
Property related expenses		(16,991)	(20,190)
Equipment related expenses		(22,862)	(27,086)
Other expenses from ordinary activities		(21,851)	(25,653)
Finance costs		(10,867)	(7,481)
Profit on disposal of land and buildings		-	725
Share of net (losses)/profits of associates accounted for using the equity method		(697)	43
Other income		-	400
Profit before income tax		**19,801**	**31,930**
Income tax expense		(6,292)	(9,224)
Profit attributable to members of Salmat Limited		**13,509**	**22,706**
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share (cents per share)	5	**8.53**	**14.38**
Diluted earnings per share (cents per share)	5	8.45	14.25

SALMAT LIMITED
Statement of Comprehensive Income
For the half year ended 31 December 2011

	Consolidated	
	Half Year Ended 31 Dec 2011 $000	**Half Year Ended 31 Dec 2010 $000**
Net profit for the period	**13,509**	**22,706**
Other comprehensive income		
Changes in the fair value of cash flow hedges	(2,624)	1,376
Income tax relating to changes in fair value of cash flow hedges	787	(413)
Exchange differences on translation of foreign operations	(120)	(2,430)
Other comprehensive income/(loss) for the period	**(1,957)**	**(1,467)**
Total comprehensive income for the period attributable to members of Salmat Limited	**11,552**	**21,239**

SALMAT LIMITED
Statement of Financial Position
As at 31 December 2011

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	Note	As at 31 Dec 2011 $000	As at 30 Jun 2011 $000
Current Assets			
Cash and cash equivalents		33,853	20,627
Trade and other receivables		109,668	114,268
Inventories		8,737	7,833
Other current assets		8,147	6,574
Total Current Assets		**160,405**	**149,302**
Non-Current Assets			
Receivables		2,613	2,613
Investments accounted for using the equity method		4,184	1,724
Property, plant and equipment		64,870	61,425
Deferred tax assets		17,759	16,823
Intangible assets	8	454,422	460,517
Other non-current assets		234	590
Total Non-Current Assets		**544,082**	**543,692**
Total Assets		**704,487**	**692,994**
Current Liabilities			
Trade and other payables		92,972	86,043
Borrowings		4,587	3,876
Derivative financial instrument		1,994	1,094
Current tax liabilities		3,538	2,238
Provisions		28,046	26,742
Total Current Liabilities		**131,137**	**119,993**
Non-Current Liabilities			
Borrowings	9	282,726	275,063
Deferred tax liabilities		7,416	9,067
Provisions		7,890	7,366
Retirement benefit obligations		1,572	1,524
Derivative financial instrument		1,831	107
Payables		1,064	1,064
Other non-current liabilities		698	698
Total Non-Current Liabilities		**303,197**	**294,889**
Total Liabilities		**434,334**	**414,882**
Net Assets		**270,153**	**278,112**
Equity			
Contributed equity		205,761	205,761
Reserves		(1,236)	267
Retained profits		65,628	72,084
Total Equity		**270,153**	**278,112**

SALMAT LIMITED
Statement of Changes in Equity
As at 31 December 2011

	Consolidated			
	Contributed Equity $000	Retained Profits $000	Reserves $000	Total $000
Balance at 1 July 2010	**205,616**	**90,215**	**570**	**296,401**
Profit for the year	-	22,706	-	22,706
Other comprehensive income/(loss)	-	-	(1,467)	(1,467)
Total comprehensive income for the period attributable to members of Salmat Limited	-	22,706	(1,467)	21,239
Transactions with owners in their capacity as owners:				
Exercise of options under the Salmat Executive Performance Option Plan	144	-	-	144
Cost of share-based payments	-	-	(85)	(85)
Dividends paid	-	(35,806)	-	(35,806)
	144	(35,806)	(85)	(35,747)
Balance at 31 December 2010	**205,760**	**77,115**	**(982)**	**281,893**

Balance at 1 July 2011	**205,761**	**72,084**	**267**	**278,112**
Profit for the year	-	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)
	-	(19,975)	464	(19,511)
Balance at 31 December 2011	**205,761**	**65,628**	**(1,236)**	**270,153**

SALMAT LIMITED
Statement of Cash Flows
For the half year ended 31 December 2011

	Consolidated	
	Half Year Ended 31 Dec 2011 $000	**Half Year Ended 31 Dec 2010 $000**
Cash Flows from Operating Activities		
Receipts from customers *	523,065	561,049
Payments to suppliers and employees *	(463,006)	(512,888)
Interest received	108	720
Interest paid	(10,867)	(8,149)
Income tax paid	(6,792)	(19,078)
Net cash provided by operating activities	**42,508**	**21,654**
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	94	71
Loans repaid by associated entity	-	261
Cash inflow/(outflow) from acquisition of subsidiary/business	(98)	1,920
Proceeds from disposal of subsidiary	157	382
Investment in associate	(3,157)	(271)
Payments for plant and equipment	(10,351)	(10,621)
Dividends received from associate	-	28
Net cash used in investing activities	**(13,355)**	**(8,230)**
Cash Flows from Financing Activities		
Proceeds from issue of shares and other securities	-	144
Proceeds from borrowings	6,000	-
Finance lease payments	(1,952)	(890)
Dividends paid to company's shareholders	(19,975)	(35,806)
Net cash used in financing activities	**(15,927)**	**(36,552)**
Net increase /(decrease) in cash held	**13,226**	**(23,128)**
Cash and cash equivalents at the beginning of the period	20,627	59,333
Cash and cash equivalents at the end of the period	**33,853**	**36,205**

* 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 ending 31 December 2011 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 2011 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 2011.

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

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

Targeted Media Solutions

Targeted Media Solutions (TMS) brings together our media channels of letterbox and digital. Salmat delivers more than 5 billion unaddressed items to homes across Australia every year. The division uses up to date lifestyle and geo-demographic data to maximise the effectiveness of each campaign, and employs the latest technology to provide clients with real time campaign reporting and auditing. Salmat Digital brings together all of Salmat's digital capabilities into a digital centre of excellence. It has extensive capability across nearly every aspect of digital marketing communication including, web development, data analytics, e-commerce, social media, email, SMS, search, mobile, e-solutions and Lasoo.com.au.

Business Process Outsourcing

Business Process Outsourcing (BPO) manages outsourced business services for large corporate clients, using high end technology to engage consumers through bulk 'essential' and direct marketing communication, via mail, email or online. BPO streamlines and improves the delivery of these regular services and uses its data management capability to record, store and cross reference large amounts of archive information for clients in Australia, Hong Kong, Taiwan and the Philippines.

Customer Contact Solutions

Customer Contact Solutions (CCS) engages in millions of conversations each year for its clients through its contact centres. This division applies world-class technology and a highly trained staff to handle inbound and outbound phone, fax, email and online communication. Sophisticated speech solutions, including voice biometric technology, and highly effective field sales teams, also form part of this division.

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 2011	Targeted Media Solutions $000	Customer Contact Solutions $000	Business Process Outsourcing $000	Corporate Costs $000	Total $000
Segment Revenue					
Sales to external customers	142,476	121,302	158,564		422,342
Interest revenue					108
Total revenue					422,450
Segment EBITA before significant items and corporate costs	18,662	5,712	21,531		45,905
Reconciliation of segment EBITA to income statement					
Corporate costs				(7,934)	(7,934)
EBITA before significant items					**37,971**
Amortisation expense					(6,289)
Net finance costs					(10,760)
Significant items – refer note 3					(1,121)
Profit before income tax					19,801
Income tax expense					(6,292)
Profit attributable to members of Salmat Limited					**13,509**

Six months to 31 Dec 2010	Targeted Media Solutions $000	Customer Contact Solutions $000	Business Process Outsourcing $000	Corporate Costs $000	Total $000
Segment Revenue					
Sales to external customers	121,785	162,946	162,863		447,594
Interest revenue					720
Total revenue					448,314
Segment EBITA before significant items and corporate costs	22,472	10,041	21,930		54,443
Reconciliation of segment EBITA to income statement					
Corporate costs				(5,640)	(5,640)
EBITA before significant items					**48,803**
Amortisation expense					(5,251)
Net finance costs					(6,761)
Significant items – refer note 3					(4,861)
Profit before income tax					31,930
Income tax expense					(9,224)
Profit attributable to members of Salmat Limited					**22,706**

3. PROFIT BEFORE INCOME TAX

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

Significant items included in total expenses	**Six Months to 31 Dec 2011 $000**	**Six Months to 31 Dec 2010 $000**
Sale of land and buildings	-	(725)
Restructuring costs[1]	1,121	4,000
Acquisition transaction costs	-	1,586
Significant items before tax	1,121	4,861
Income tax	(291)	(1,458)
Significant items after tax	**830**	**3,403**

[1] Costs incurred in restructuring the business. In the prior year the costs related to relocation and restructuring costs for the consolidation of Victorian operations in Business Process Outsourcing

4. DIVIDENDS

(a) Dividends paid during the half-year [1]

Final fully franked ordinary dividend of 12.5 cents (2011: 12.5 cents) per share	19,975	19,892
Special dividend fully franked of nil cents (2011: 10.0 cents) per share	-	15,914
Dividends paid as per Statement of Cash Flows	**19,975**	**35,806**

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 8.5 cents per share (2011: 11.5 cents per share). A record date of 13 March 2012 has been set. The aggregate amount of the proposed interim dividend which is expected to be paid on 3 April 2012 is:[1]	**13,583**	**18,371**

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

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5. EARNINGS PER SHARE

	Six Months to 31 Dec 2011 $000	Six Months to 31 Dec 2010 $000
(a) Reconciliation of Earnings to Net Profit		
Net profit after tax attributable to members of Salmat Limited	13,509	22,706
Earnings used in the calculation of diluted EPS	**13,509**	**22,706**
(b) Weighted average number of ordinary shares used in the calculation of basic EPS	**Quantity ’000**	**Quantity ’000**
Weighted average number of shares on issue (excluding treasury shares) used to calculate basic EPS	**158,443**	**157,916**
Effect of dilutive securities	1,364	1,427
Weighted average number of ordinary shares (excluding treasury shares) used in the calculation of dilutive EPS	**159,807**	**159,343**
(c) Basic earnings per share	**8.53c**	**14.38c**
(d) Diluted earnings per share	**8.45c**	**14.25c**

6. NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share	**(1.15)c**	**(1.22)c**

7. EQUITY SECURITIES ISSUED

	Quantity			
	31 Dec 2011 ’000	**31 Dec 2010 ’000**	**31 Dec 2011 $000**	**31 Dec 2010 $000**
Issue of ordinary shares during the half-year				
Exercise of options issued under the Salmat Executive Performance Option Plan	22	119	-	144
Issued for no consideration:				
Issue of shares as part of long term incentive scheme	-	498	-	2,006
	22	617	-	2,150
Movements in treasury shares during the half-year				
Acquisition of shares by Salmat Deferred Employee Share Plan	-	(498)	-	(2,006)
	-	(498)	-	(2,006)

8. INTANGIBLES

	Consolidated			
	Goodwill $000	**Other Intangible Assets $000**	**Customer Intangible $000**	**Total $000**
Balance at 1 July 2010	365,066	3,012	28,544	396,622
Additions	-	174	-	174
Acquisition of controlled entity	64,803	3,272	7,681	75,756
Amortisation charge	-	(2,802)	(9,233)	(12,035)
Balance at 30 June 2011	**429,869**	**3,656**	**26,992**	**460,517**
Balance at 1 July 2011	429,869	3,656	26,992	460,517
Acquisition of controlled entities	896	(702)	-	194
Amortisation charge	-	(1,333)	(4,956)	(6,289)
Balance at 31 December 2011	**430,765**	**1,621**	**22,036**	**454,422**

9. NON-CURRENT BORROWINGS

Since 30 June 2011, the group has extended Tranche B ($105m) of the Senior Debt Facility by 12 months to December 2013. The terms and conditions of the extended facility are consistent with those of the original facility. There was no change to the Tranche A ($105m) Senior Debt Facility maturing December 2013. There was no change to the Tranche C ($99m) Senior Debt Facility maturing December 2014.

10. 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.

11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the December 2011 half year end the directors have recommended the payment of an interim ordinary dividend of $13.6m (8.5 cents per fully paid share) to be paid on 3 April 2012 out of retained profits at 31 December 2011.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 19:

   (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 2011 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 16th day of February 2012 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 (the company), which comprises the statement of financial position as at 31 December 2011, 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 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 2011 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 2011 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.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney

16 February 2012