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

FULL-YEAR REPORT
For the year ended 30 June 2012

Results for announcement to the market

	Half year ended 30 June 2012 $m[1]	Half year ended 30 June 2011 $m[1]	% Change Increase / (decrease)	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	% Change Increase / (decrease)
Reported sales revenue	401.1	415.4	(3.4%)	823.4	863.0	(4.6%)
Revenue from continuing operations	401.4	415.6	(3.4%)	823.9	863.9	(4.6%)
Underlying earnings before amortisation, borrowing costs, significant items and income tax (Underlying EBITA)[2]	42.6	39.8	7.0%	80.6	88.6	(9.0%)
Underlying Net Profit for the period attributable to members[2]	20.4	16.3	25.2%	34.7	42.4	(18.2%)
Statutory Net profit for the period attributable to members	16.8	13.3	26.3%	30.3	36.0	(15.8%)

Dividends (Fully franked)	Franked amount per share at 30% tax
Final Dividend - Record Date 07 September 2012 Payable 28 September 2012	10.5c
Interim Dividend	8.5c
Previous corresponding period – final dividend	12.5c

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.
- [1] The results for the six month period ended 30 June 2012 and 30 June 2011 have 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 2 of the notes to the financial statements for the significant items included in the Underlying Net Profit for the period. Non-IFRS information is unaudited.

27 August 2012

Salmat – Focused for the future
Annual results for year ended 30 June 2012
Divestment of BPO for $375 million

Salmat Limited (ASX:SLM), Australia's leading omni-channel communications partner, today announces its annual results for the year ended 30 June 2012 and the sale of its Business Process Outsourcing ("BPO") division to FUJIFILM Holdings Corporation ("Fujifilm Holdings"), for $375 million. The sale of the BPO division is discussed in a separate ASX release made today.

- Underlying EBITA of $80.6 million, within guidance
- BPO acquired by Fujifilm Holdings for $375 million
- Strong H2 achieved despite soft consumer economy
- Continued strong cash generation – cash conversion of 114%
- Underlying EBITA growth of 7% in H2 compared to prior year
- Significant H2 margin expansion from 9.6% in prior year to 10.6%
- Strong catalogue volumes in major retailers
- Steady progress made on digital strategy
- Building momentum in contact centres
- Final dividend of 10.5 cps, amounting to a full year dividend of 19 cps, fully franked

Revenue was $823.4 million for the year ended 30 June 2012, down by 4.6% on the prior year. Underlying EBITA was $80.6 million (2011: $88.6m), within guidance provided of $78 million to $83 million. The underlying EBITA margin was 9.8% (2011: 10.3%).

EBITDA was $98.1 million (2011: $100.4m) and Statutory Net Profit After Tax (NPAT) was $30.3 million (2011: $36.0m), which included net significant items after tax of $4.4 million, resulting in underlying net profit after tax of $34.7 million (2011: $42.4m). The significant items primarily comprised restructuring costs and equity accounting for investments in start up joint-ventures.

The Board declared a final dividend of 10.5 cents per share (2011: 12.5cps), bringing the full year dividend total to 19 cents per share (2011: 24.0cps), fully franked. This represents a payout ratio of 100%.

"It's been a year where Salmat has made further inroads on our journey to re-position the business to better capture opportunities in higher growth markets and reduce our dependence on mature activities and markets" said Chief Executive Officer Grant Harrod.

We have seen the resilient nature of the historical core of the business, with the solid growth of catalogues across Australia's major retailers. We have made good progress in the execution of our digital strategy, with the launch of the Salmat Digital brand reflecting continued development of our digital capabilities. The Contact Centre business is improving and the disposal of non-performing assets in the UK and USA in the Speech division has reset this business for growth.

The sale of BPO that we have announced today follows a review process that commenced at the Board's request after the company received an unsolicited approach. The divestment simplifies and focuses Salmat's group strategy around our goal of assisting clients to maximise their Return on Communication. The Board will now consider options to further drive shareholder value, accelerate the growth strategy by building our scale and capability in the digital services and communications market, review the appropriate business and cost structure and deleverage the balance sheet.

The divestment to Fujifilm Holdings has also created exciting growth opportunities for Salmat, as our two companies are now seeking to establish a broader working relationship that will leverage our respective geographies and services. For Salmat, this is a potential opportunity to drive growth by bringing our customer communication services and solutions into the Asian market with a highly credible partner.

"This is a great result for Salmat and the BPO division which would not have been possible without the strong profit growth recorded as a result of the successful implementation of strategic initiatives and cost disciplines put in place by our team. Successful strategy execution, coupled with targeted investment in recent years, has paid dividends and underpins the excellent outcome for shareholders that today's sale represents. I commend the excellent work of everyone at BPO." said Chief Executive Officer Grant Harrod. "

"We have taken the business a long way in recent years, but we also recognise that the next stage of BPO's development is better suited to an owner with global reach and broader outsourcing ambition. I am very confident that we received good value for the business, but also that BPO will be a valuable asset to Fujifilm Holdings. This is a good result for both parties and the strategic partnership that will form as a result of this transaction will lead to greater value creation for all shareholders." said Mr Harrod.

$ million	H2 2012	H2 2011	% Change (pcp)	Year ended 30 June 2012	Year ended 30 June 2011	% change
Reported sales revenue	401.1	415.4	-3.4%	823.4	863.0	-4.6%
Underlying EBITDA[(1)]	54.4	49.7	9.5%	103.5	109.6	-5.6%
Underlying EBITA[(1)]	42.6	39.8	7.0%	80.6	88.6	-9.0%
Underlying net profit after tax[(2)]	20.4	16.3	25.2%	34.7	42.4	-18.2%
Significant items after tax	-3.6	-3.0	-20.0%	-4.4	-6.4	31.3%
Statutory profit (NPAT)	16.8	13.3	26.3%	30.3	36.0	-15.8%
Underlying earnings per share (cents)[(2)]	12.9	10.3	25.2%	22.0	26.8	-17.9%
Earnings per share (cents)	10.7	8.3	28.9%	19.2	22.7	-15.4%
Final dividend per share (cents) – fully franked				10.5	12.5	-16.0%
Total full year dividend per share (cents) – fully franked				19.0	24.0	-20.8%

Reported sales revenue of $823.4 million (2011: $863.0m) was down by 4.6% on the prior year. The reduction was primarily due to reduced revenue in the CCS division, but was partially offset by a full years revenue contribution from the digital assets acquired in 2011.

Underlying EBITA of $80.6 million (2011: $88.6m) was 9% lower than for the previous period, but is within market guidance. The reduction in group EBITA is attributable to the loss of the Telstra contract within CCS, lower margin catalogue sales within TMS and additional expenditure on our digital strategy. However, this was offset by a better contribution from the BPO division.

Significant items after tax had a net impact of $4.4 million (2011: $6.4m) in costs for the year, predominantly resulting from restructuring costs and losses incurred in start-up digital joint ventures.

Statutory profit (NPAT) was $30.3 million (2011: $36.0m), as a result of one-off restructuring and investments, higher amortisation and higher net interest expense.

Net debt was $241.6 million (2011: $258.3m) at year end, with the reduction a result of strong working capital management and cash generation (cash conversion of 114%), which continues to be a focus of the group.

Total capital expenditure of $22.4 million (2011: $35.5m) was incurred on major investments in colour capability, production enhancements and IT expansion and refreshments.

(1) Adjusted for significant items
(2) Adjusted for significant items, after tax

Operational review

Targeted Media Solutions

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	132.7	129.0	2.9%	275.2	250.8	9.7%
Underlying EBITA	17.5	20.0	-12.5%	36.2	42.5	-14.8%

Targeted Media Solutions revenue grew $24.4 million (+9.7%) for the year reflecting revenue growth from the digital acquisition and catalogue business. However, underlying EBITA fell $6.3m (-14.8%), reflecting the growth in lower margin sales and investments in new sales strategies and the digital business.

Catalogue volumes were up 4.0% during the year, driven by increasing volumes across major retailers, and revenue growth was in line with this. The catalogue volumes from Small and Medium Enterprises ("SME") also grew strongly (+4.4%). The EBITA margin achieved in the catalogue business was impacted in H1 2012 by increasing lower margin sales to large retailers, which has now stabilised. There has been additional investment in driving new markets for catalogues, particularly SME, which also has had an impact on EBITA margin.

The focus of the Salmat Digital business during 2012 has been to complete the integration of the acquired businesses. The leadership team is now in place and a number of diverse businesses have been integrated into a cohesive customer facing unit. The Salmat Digital brand has been launched as specialists in omni-channel brand management and e-commerce. In addition, Lasoo and Roamz operate under the Salmat Digital banner, but due to their B2C focus, retain their own branding.

Salmat has invested $3.6 million in Lasoo this year, primarily marketing directed towards brand building and expanding functionality. The continued expansion of functionality and audience traffic is the next step in the full commercialisation of this product. Interactions, or "clicks" are the key revenue driver for this business, and they have increased 8.3% in 2012. Consumers are increasingly accessing Lasoo through mobile devices, up 105% for the year, demonstrating the need for the new "everywhere commerce" enabled platform.

We invested cash of $2.2 million in the Roamz joint venture during in 2012, to build a location-based app aggregating content via social media, to provide users with information of events and activities going on around them. Roamz presents an ideal platform for retailers to advertise and promote their brands, and has worked closely with key brands such as Dymocks and The Voice during the year, generating significant traffic and interest to these brands.

Customer Contact Solutions

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	111.0	130.8	-15.1%	232.2	293.7	-20.9%
Underlying EBITA	5.3	6.0	-11.7%	11.0	16.0	-31.3%

Customer Contact Solutions revenue was $232.2 million (2011: $293.7m), a reduction of 20.9%. Underlying EBITA was $11 million (2011: $16.0m), a fall of 31.3% as we cycle out the Telstra contact centre contract.

The division has seen a strong performance from the Contact Centres and Speech businesses, but negatively impacted by a weak performance from the Direct Sales business, which continues to be influenced by the weak discretionary spend environment.

The strategy to move the Contact Centre to more premium services is progressing well. There is a strong pipeline underpinning growth prospects and margins are expanding towards levels seen in 2010. The New Zealand "near shore" contact centre strategy is providing excellent value for our clients and is expected to continue growing strongly.

The Speech Solutions business has had a very strong year since the closure of underperforming assets in the UK and USA. A refocused leadership team and product offering are delivering significant EBITA and margin growth. A number of new products, including biometric identification, call routing and automated surveys are being rolled out to major clients. At the same time, a productised technology platform approach is being implemented, eliminating as far as possible the need for bespoke client systems.

CCS has also recently invested in the latest technology – the "Agent of the Future", incorporating telephony, internet and social - to greatly expand Salmat's contact centre multi-channel capabilities. Our clients expect instant global, multi-lingual support 24/7, to communicate in ways that suit their customer lifestyles and changing demographics. This investment will transform call centres into hosted customer contact and knowledge centres and entrench deeper relationships with our clients. Salmat will be clearly positioned as the leader in the outsourced contact centre market in terms of technology and scale and will expand revenue streams in this division.

Business Process Outsourcing

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	157.4	155.6	1.2%	316.0	318.5	-0.8%
Underlying EBITA	28.0	19.9	40.7%	49.5	41.8	18.4%

Business Process Outsourcing revenue of $316.0 million (2011: $318.5m) was 0.8% lower than the previous year, whereas EBITA grew to $49.5 million (2011: $41.8m), an increase of 18.4%.

Impressions grew 2.8% to 3.64 billion. This was our principal revenue driver, reflecting increasing cross promotions per mail pack. Revenue from e-business grew 22% to $52.1m, comprising 16.5% of revenue in FY12, up from 13.4% in 2011.

Revenue growth in H2 reflects new business wins in Transaction Services and in E-Business. In addition, existing customers increasingly engaged with new E-business services, which is also higher margin business. Margin expansion was also due to a number of operational efficiencies executed during the past 18 months, in particular, the consolidation of the Ravenhall property and the colour refresh program. Our strategy and recent investments clearly drove the strong performance recorded by this business.

Outlook

We are ideally positioned to be Australia's leading omni-channel communications and commerce provider, and to capture the growth in the rapidly changing world of communication. The investments we've made across the business over the past year will continue to generate new wins and steady volumes in a more efficient manner.

Salmat's traditional businesses have proven to be relatively resilient to economic softness, and we expect this to continue as we expect trading conditions to remain unchanged.

Catalogues remain a key sales strategy for Australian retailers and we expect our major customer's volumes to remain strong along with our new markets in SME and non-traditional retail. We do however expect Tier 2 retailers to remain subdued in line with the continued soft outlook for the discretionary retail environment.

Contact Centres should see continued improvement with their strong pipeline and opportunities to implement omni-channel customer service solutions, together with growth in the Speech business. However, continuation of the soft consumer environment may continue to have an impact on Direct Sales.

Significant progress has been made in the Salmat Digital division to build a scalable business and we anticipate capturing our share of this growing market. We are forecasting further investment of $3.9m across Roamz and Lasoo as we continue our journey to develop unique digital channels.

We will provide more details on our performance and plans at our annual general meeting in November.

ABOUT SALMAT

Salmat is Australia's leading omni-channel communication partner.

Salmat helps businesses find, acquire, grow and retain customers by delivering innovative omni-channel communications solutions across an unmatched range of channel options - including:

Digital:	web development, data analytics, e-commerce, social media, email, SMS, search, mobile, e-solutions, scanning, archiving, Lasoo.com.
Voice:	call centres, speech solutions, voice biometrics.
Mail:	unaddressed mail (catalogues), direct mail, essential mail.

Measureable Results

Return on Communication **-** we deliver a return on our clients' investment in communication with measurable results demonstrating improved sales outcomes and productivity improvements.

Market Leaders

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

Targeted Media Solutions (TMS) 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's new business, Salmat Digital, brings together all of Salmat's digital capabilities into a digital centre of excellence under TMS. This new business establishes Salmat as Australia's leading digital marketing communications provider. Salmat Digital has extensive capability across nearly every aspect of digital marketing communication including: data analytics, online, e-commerce, email, SMS, social media and e-solutions. Lasoo.com.au - Australia's premier online pre-shop website - also forms part of Salmat Digital.

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. It also provides face-to-face sales teams on behalf of clients in Australia, New Zealand and more recently in Asia as well as voice biometric technology and e-Learning training.

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, both outbound and inbound. The division, which seeks to streamline and improve delivery of these regular services, also 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:

Grant Harrod	*Chad Barton*
Chief Executive Officer	*Chief Financial Officer*
+612 9928 6500	*+612 9928 6500*

Salmat Limited

ABN 11 002 724 638

Annual report
for the year ended 30 June 2012

Salmat Limited ABN 11 002 724 638
Annual report - 30 June 2012

Contents

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Salmat Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

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

Richard Lee
John Thorn
Ian Elliot
Philip Salter
Peter Mattick
Fiona Balfour
Grant Harrod

Principal activities

Salmat is Australia's leading multi-channel communications provider. With extensive capabilities across online, mobile, voice and mail, Salmat delivers a truly innovative and integrated multichannel communication experience that drives customer acquisition, retention and growth.

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

(a) **Targeted Media Solutions (TMS)** brings together our media channels of unaddressed and digital communications. TMS's unaddressed channel 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. TMS's digital channel delivers more than 580 million emails every year. 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.

(b) **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 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.

(c) **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 archived information for clients in Australia, Hong Kong and Taiwan.

Dividends - Salmat Limited

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

	2012 $'000	2011 $'000
Final ordinary dividend for the year ended 30 June 2011 of 12.5 cents (2010 - 12.5 cents) per fully paid share paid on 28 September 2011	**19,975**	19,892
Special dividend for the year ended 30 June 2010 of 10.0 cents per fully paid share paid on 28 September 2010	**-**	15,914
Interim ordinary dividend for the year ended 30 June 2012 of 8.5 cents (2011 - 11.5 cents) per fully paid share paid on 3 April 2012	**13,583**	18,370
	33,558	54,176

Performance indicators

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

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

Environmental issues

On 10 July 2011, the Australian Government announced the Carbon Price Mechanism as part of its Clean Energy Future package. The Group does not expect any significant direct impact to its performance as a result of the new carbon tax.

Review of operations

Reported sales revenue of $823.4 million (2011: $863.0m) was down by 4.6% on the prior year. The reduction was primarily due to reduced revenue in the CCS division as a result of the lost Telstra contract, but was partially offset by a full year's revenue contribution from the digital assets acquired in 2011.

Underlying EBITA (adjusted for significant items) of $80.6 million (2011: $88.6m) was 9% lower than for the previous period.

Underlying net profit after tax (adjusted for significant items after tax) was $34.7 million (2011: $42.4m).

Significant items after tax had a net impact of $4.4 million (2011: $6.4m) in costs for the year, resulting from restructuring costs, losses incurred in start up digital joint ventures and transaction costs on the sale of the Business Process Outsourcing division.

Statutory profit (NPAT) was $30.3 million (2011: $36.0m).

Significant changes in the state of affairs

There were no significant changes in the nature of the Group's principal activities during the year.

Matters subsequent to the end of the financial year

Sale of Business Process Outsourcing division

On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to FUJIFILM Holdings Corporation for a cash consideration of $375 million with expected completion by mid-October 2012. The assets and liabilities of the division will be deconsolidated from the date of completion and thus there is no impact on the current year financial statements.

Dividends

Since the end of the financial year the directors have recommended the payment of a fully franked final ordinary dividend of $16,779,228 (10.5 cents per fully paid share) to be paid on 28 September 2012 out of retained profits at 30 June 2012.

Except for the matter discussed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

A review of Group operations and the results for the year ended 30 June 2012 are set out in the Shareholder Review, which does not form part of the Annual Report.

Information on directors

Richard Lee
Non-executive Chairman (Independent)

Experience and expertise
Richard Lee is Deputy Chairman of Ridley Corporation Limited and a Director of Newcrest Mining Limited and Oil Search Limited. He is a Fellow and Chairman of the Australian Institute of Company Directors. He also holds degrees in chemical engineering and economics and is a Rhodes Scholar. Richard is a former chief executive of the NM Rothschild Australia Group and a former director of NM Rothschild and Sons Limited in London, Singapore and Hong Kong.

Special responsibilities
Chairman of the board;
Member of audit, risk and compliance committee; and
Member of remuneration and compensation committee.

Interests in shares and options
392,467 ordinary shares in Salmat Limited.

John Thorn
Non-executive Director (Independent)

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

Special responsibilities
Chairman of audit, risk and compliance committee; and
Member of remuneration and compensation committee.

Interests in shares and options
131,101 ordinary shares in Salmat Limited.

Ian Elliot
Non-executive Director (Independent)

Experience and expertise
Ian is a non-executive director of Hills Industries Limited, former chairman of Promentum Limited and former member of the board of the National Australia Day Council. Ian is currently on the board of the Australian Rugby League Commission and a Fellow of the Australian Institute of Company Directors. Ian is also a former chief executive officer of George Patterson Bates and a graduate of the advanced management program of the Harvard Business School.

Special responsibilities
Member of audit, risk and compliance committee; and
Chairman of remuneration and compensation committee.

Interests in shares and options
33,435 ordinary shares in Salmat Limited.

Information on directors (continued)

Philip Salter
Non-executive Director

Experience and expertise
Philip Salter is a joint founder of Salmat. Philip entered the real estate business in 1977. In 1979 Philip and Peter formed Salmat, developing the business into one of Australasia's leading customer communications companies. Philip is a member of the Australian Institute of Company Directors.

Special responsibilities
Member of the innovation and technology committee.

Interests in shares and options
36,275,389 ordinary shares in Salmat Limited

Peter Mattick
Non-executive Director

Experience and expertise
Peter Mattick Co-founded Salmat Limited in 1979 and served as its Joint Chief Executive Officer until April 1, 2009 and Joint Managing Director until October 2009. He has been Director of HPAL Ltd. since November 2007 and serves as Director of Salmat Ltd. Mr Mattick has been a Non Executive director at Salmat Ltd. since June 2009. He served as an Executive Director of Salmat Ltd and as a Director of Salmat Ltd. since March 14, 1984. Mr. Mattick served as Chairman and Director of the Australian Direct Marketing Association and a Member of the National Aboriginal Sports Corporation. He is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Australian Institute of Company Directors, a Member of the Australian Taiwan Business Council, a Member of the Commerce Faculty Advisory Board to the University of New South Wales and a Governor of the Advisory Council for the Institute of Neuromuscular Research and a board member of The Shepherd Centre and a trustee for the Fresh Tracks Foundation. Mr. Mattick was educated at the University of New South Wales where he gained a Bachelor of Commerce degree.

Special responsibilities
Member of the innovation and technology committee.

Interests in shares and options
36,810,735 ordinary shares in Salmat Limited.

Fiona Balfour
Non-executive Director (Independent)

Experience and expertise
Fiona is a non-executive director of Metcash Limited and TAL Australia, a member of the Information Technology Faculty Advisory Board of Monash University, a Council Member of Knox Grammar School, a Council Member of Chief Executive Women, Chair of the St James' King Street Conservation Appeal, a Fellow of Monash University and a Fellow of the Australian Institute of Company Directors. Fiona is a former member of the Qantas executive committee with responsibilities for information technology and related areas for Qantas worldwide. She was subsequently Chief Information Officer of Telstra. Fiona is a former Trustee of the National Breast Cancer Foundation and former non-executive director of SITA SC (Geneva).

Special responsibilities
Member of audit, risk and compliance committee;
Member of remuneration and compensation committee; and
Chairman of the innovation and technology committee.

Interests in shares and options
35,740 ordinary shares in Salmat Limited.

Information on directors (continued)

Grant Harrod
Chief Executive Officer and Managing Director

Experience and expertise
Grant Harrod is the Chief Executive Officer of Salmat assuming this role in April 2009. Prior to this, Grant spent 13 years with Corporate Express Australia Limited, a leading office supplies distributor, where he served as Managing Director and Chief Executive Officer for six years. Grant's previous roles at Corporate Express included General Manager of Sales and Marketing and General Manager of Operations.

Special responsibilities
Member of the innovation and technology committee.

Interests in shares and options
720,330 ordinary shares in Salmat Limited. Shares were granted during the year as compensation. Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 20.

Service agreement
Refer to the remuneration report on pages 6 to 20 for details on the service agreement of the Chief Executive Officer.

Company secretary

The Company secretary is Mr Stephen Bardwell. Mr Bardwell has been Company secretary since October 2002. He has had over 25 years experience in senior commercial roles, and joined the Company as group financial controller in 1989, actively participating in the expansion and development of Salmat in both Australia and Asia.

Prior to the listing of Salmat Limited, he had over ten years experience as secretary of Salmat Group Companies.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit, Risk and Compliance		Remuneration and Compensation		Technology and Innovation	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Richard Lee	14	14	4	4	4	4	*	*
John Thorn**	13	14	4	4	4	4	*	*
Ian Elliot	14	14	4	4	4	4	*	*
Philip Salter***	11	14	*	*	*	*	-	4
Peter Mattick	14	14	*	*	*	*	4	4
Fiona Balfour	14	14	4	4	4	4	4	4
Grant Harrod	14	14	*	*	*	*	4	4

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee
** = John Thorn was unavailable for one unscheduled board meeting
*** = Phillip Salter was granted leave by the board

Remuneration report (audited)

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration;
B Details of remuneration;
C Service agreements and
D Share-based compensation.

The information provided under headings A-D outlines the director and executive remuneration of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 29.4 to Aus 29.7.2 of AASB 124 Related Party Disclosures. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The Group policy is to remunerate staff in accordance with market rates in alignment with the individual's duties, responsibilities and performance. The process also accesses comparative market information. At Salmat, we have a team of executives, staff and associates with considerable experience and expertise across our businesses. Our achievements are in no small measure due to their hard work and diligence.

The remuneration strategy is overseen by the board through the remuneration and compensation committee. The committee consults directly with external advisers on best practice and appropriate market benchmarks, covering the level of remuneration, split between fixed and variable components and both short and long term incentives.

Remuneration report (audited) (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Remuneration and compensation committee

The remuneration and compensation committee is a committee of the board. The charter adopted by the board is displayed on the Salmat Limited website www.salmat.com.au.
Committee membership consists of the four independent non-executive directors of Salmat Limited. The chairman of the committee is Mr Ian Elliot.
The responsibilities of the committee are as follows:

- Review overall remuneration policies and ensure they are in accordance with current best practice.
- Determine the remuneration arrangements for the chief executive officer, including his short and long term incentives.
- Review and approve the chief executive officer's recommendations for the other senior executives.
- Set and review the performance targets for the chief executive officer. Review and approve the recommended performance targets for other senior executives.
- Review succession plans of the chief executive officer and senior executives.
- Oversee the Company's compliance with occupational health and safety legislation.
- Oversee the Company's compliance with ASX Corporate Governance Guidelines on Diversity.

The committee has retained independent advisers to provide information on current best practice (including remuneration levels) for director and executive remuneration. The committee reviews this external remuneration advice in the light of the various individuals' performance. The chief executive officer attends committee meetings to review and recommend remuneration levels for other senior staff.

Non-executive director remuneration

The remuneration policy for non-executive directors is designed to remunerate them at market levels for their time, commitment and responsibilities. The Company is cognisant that it needs to attract and retain well qualified and experienced directors. In the light of the increased time and legal liability imposed upon directors arising from developments in corporate governance, corporate law and the expectations of shareholders generally, the remuneration and compensation committee uses external advice to set an appropriate level of external director fees.

Non-executive directors are paid a director's fee and prior to the legislative changes around share based payments introduced in July 2009 participated in a deferred share scheme benefit which vested after serving at least five years as a non-executive director of the Company. The non-executive directors do not receive any retirement or performance related benefits.

Non-executive directors' fees are reviewed annually in June.

The remuneration details of the board for the financial year are as follows:

- The Chairman received $257,816.
- Each of the five other non-executive directors received $133,765.
- All director's fees are inclusive of superannuation entitlements.

The board has increased the fees for the chairman and non-executive directors by 3% effective 1st July 2012.

In 2009, shareholders resolved that the aggregate maximum amount payable to non-executive directors would be $1.2 million per annum.

Remuneration report (audited) (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Senior executive remuneration

The remuneration packages of the chief executive officer and executives are constructed to deliver performance and commitment to the Company whilst being in line with market for the relevant positions.

Each of these packages include the following:
- A fixed component, which may be allocated to cash, benefits (on a fully absorbed cost to Company basis) or superannuation.
- An amount is also allocated to short-term incentives (STIs) based on key performance indicators (KPIs) set for the financial year. The KPIs comprise various measurable goals. The percentage allocated to this component varies according to the relevant position. STI's are generally linked to financial and strategic outcomes aligned with shareholder returns. These are agreed between the executive and their manager to ensure they are in line with the business targets and goals for the period under review.
- A long term incentive (LTI) component via deferred shares and performance rights, as noted below, is another element considered on an annual basis. The LTI grant is to encourage Company growth along with retention of key executives.

The terms of the LTI are as follows:
- All LTI shares do not vest for three years from issue;
- 50% of the shares are subject to achieving a total shareholder return in excess of the small industrials index for a three year period; and
- 50% of the shares are subject to achieving an earnings per share (“EPS”) target set by the board.

In designing the STIs and LTIs, a link is established between the individual’s performance and the Company’s goals. In the case of STIs, the key performance indicators (KPIs) on which they are measured are set to encourage achievement of the company’s budget and corporate goals. It would be usual for 50% of the KPIs to be based on financial targets over which individuals have influence. The remaining 50% concentrates on the achievement of goals which impact the company’s performance and reputation in different ways such as safety and culture related initiatives which drive productivity. In the case of the LTIs, the performance measures set are aligned to the risks to which shareholders are exposed, namely total shareholder return and earnings per share. A new measure introduced in 2012/13, discussed later in this report, also introduces the achievement of company goals.

The remuneration packages are based on advice from external remuneration consultants and take into account both short and long-term incentives set to achieve the outcomes required by the board. As a result of a review, the board has made changes to the LTI component to apply best practice for the 2012/13 financial year. The vehicle for LTIs has been reverted to performance rights. This means that recipients will not receive dividends on shares which have not yet vested. The performance conditions have been expanded to include a measure related to achievement of the Company’s business plan. Further details are set out later in this report.

The Chief Executive Officer's target remuneration mix comprises 50% fixed remuneration, 38% STI and 12% LTI.

Other benefits

The fixed component of the executive directors' and senior executives' salary may be split between base salary, superannuation or motor vehicle on a fully absorbed cost to Company basis including fringe benefits tax, interest cost, amortisation and running costs. Additional annual leave may be granted. There are no other benefits offered at the expense of the Company.

Salmat Employee Option Plan

The Salmat Employee Option Plan was initially established following shareholder approval in October 2002. The continuance of this plan was approved by the shareholders at the November 2005 annual general meeting, at the October 2008 annual general meeting and at the November 2011 annual general meeting. The Company's use of the option plan was to offer participation to secure the employment of and retention of key employees whilst aligning their goals with those sought by shareholders. This plan has not been utilised for the purposes of long term incentives since 1 July 2008. However, the Remuneration Committee of the Board has decided that this is the most appropriate vehicle for senior executive’s Long Term Incentives and intends to issue performance rights (also known as zero priced options) under the Salmat Employee Option Plan for the 2012/13 financial year.

The board oversees the plan in accordance with the plan rules. The terms and conditions of the specific grants to participants are detailed in the plan, refer to part D of this remuneration report.

Remuneration report (audited) (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Salmat Deferred Employee Share Plan

The Salmat Deferred Employee Share Plan was initially established following shareholder approval in October 2002. The continuance of this plan was approved by the shareholders at the November 2005 annual general meeting, at the October 2008 annual general meeting and at the November 2011 annual general meeting. In the year ended 30 June 2009, the board decided that long term incentives should be by way of acquisition of shares under Salmat's Deferred Employee Share Plan. As commented above, it is not intended to use this vehicle for LTIs in the future.

The board oversees the plan in accordance with the plan rules. The terms and conditions of the specific grants to participants are detailed in the plan; refer to part D of this remuneration report.

Securities trading policy

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

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

Use of remuneration consultants

The Remuneration and Compensation Committee appointed Ernst & Young as an adviser to assist with remuneration issues. Ernst & Young were engaged by, and reported to, the Remuneration and Compensation Committee. The following key services were provided by Ernst & Young:

- Provision of market practice information concerning the Deferred Employee Share Plan concerning the performance conditions and performance period;
- A review of Salmat's executive remuneration framework.

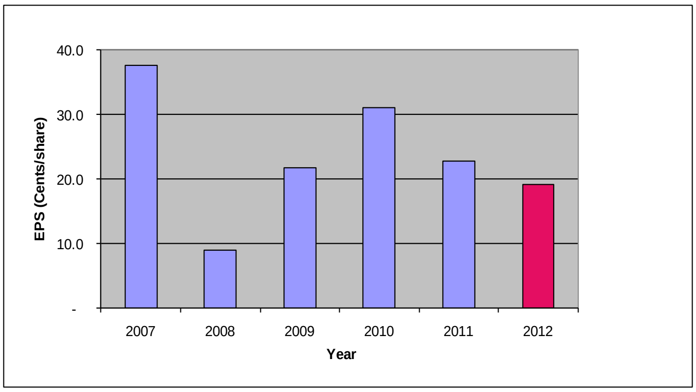
During the current financial year no remuneration recommendations, as defined by the Corporations Act, were provided by Ernst & Young.

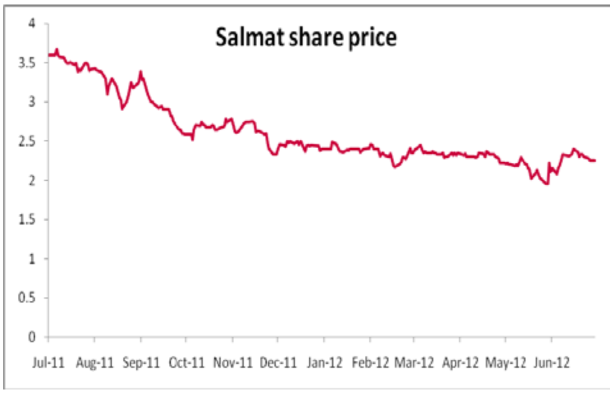
Voting and comments made at the Company's 2011 Annual General Meeting

Salmat received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Performance of Salmat Ltd

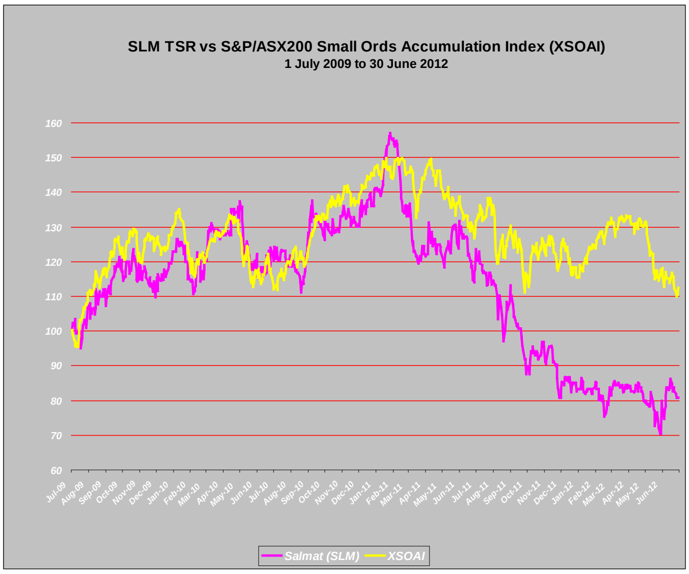
The graphs below shows the performance of the Group as measured by the Group's Total Shareholder Return (TSR), the comparison of the Group's TSR (SLM) to the median of the TSR for the small ordinaries on the ASX (XSOAI) and the small industrials on the ASX (XSIAI) for the period from 1 July 2010 to the current period, the EPS performance and the share price of the Group for the last five years.

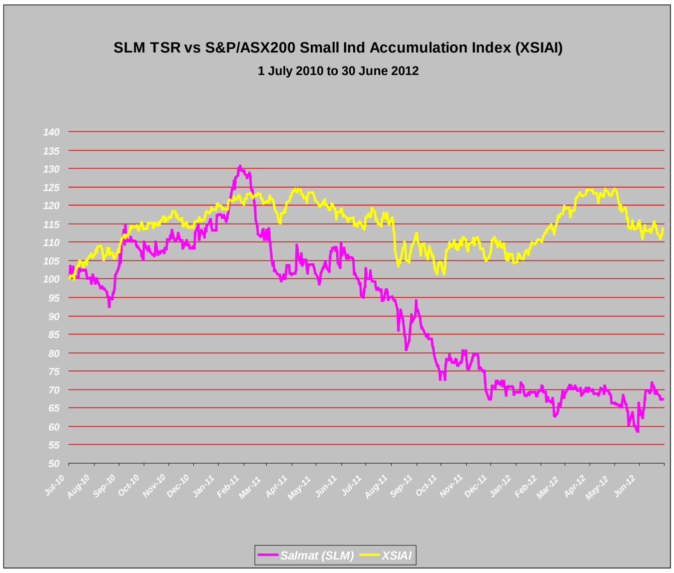




Remuneration report (audited) (continued)

A Principles used to determine the nature and amount of remuneration (continued)





B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures)* and specified executives of Salmat Limited are set out in the following tables.

The key management personnel of Salmat Limited includes the directors as per pages 3 to 5 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- Peter Anson - Chief Operating Officer
- Chad Barton - Chief Financial Officer
- David Besson - Chief Executive Officer - Customer Contact Solutions*
- Geoffrey Court - Head of People and Culture
- Nick Debenham - Chief Executive Officer - Business Process Outsourcing
- David Hackshall - Chief Information Officer
- Andrew Hume - Chief Executive Officer - Customer Contact Solutions (Resigned effective 02 September 2011)
- Ian Jones - Head of Sales
- Nick Spooner - Chief Executive Officer - Digital (Appointed 29 August 2011)
- David Webster - Chief Executive Officer - Targeted Media Solutions (Appointed 16 August 2011)

*Prior to becoming the CEO of Customer Contact Solutions on 16 August 2011, David Besson was the CEO of Targeted Media Solutions and was thus part of the key management personnel of Salmat Limited throughout the year.

Remuneration report (audited) (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

Key management personnel of the Group

2012	Short-term employee benefits			Long-term Employee benefits	Post-employment benefits	Share based payments		
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Long service leave $	Super-annuation $	Shares $	Options $	Total $
Non-executive directors								
Richard Lee	242,041	-	-	-	15,775	-	-	257,816
John Thorn	122,720	-	-	-	11,045	-	-	133,765
Ian Elliot	122,720	-	-	-	11,045	-	-	133,765
Philip Salter	122,720	-	-	-	11,045	-		133,765
Peter Mattick	122,720	-	-	-	11,045	-	-	133,765
Fiona Balfour	109,520	-	-	-	24,245	-	-	133,765
Sub-total non-executive directors	**842,441**	**-**	**-**	**-**	**84,200**	**-**	**-**	**926,641**
Executive director								
Grant Harrod	812,941	315,216	19,075	9,309	15,775	583,911	-	1,756,227
Other key management personnel (Group)								
Peter Anson	307,024	179,243	106,255	15,733	22,136	99,398	-	729,789
Chad Barton	398,132	92,298	-	2,101	25,775	84,999	-	603,305
David Besson	415,847	114,588	-	27,726	25,391	76,065	-	659,617
Geoffrey Court	226,935	64,717	-	8,543	51,151	31,955	-	383,301
Nick Debenham	307,714	209,184	-	4,316	49,828	42,245	-	613,287
David Hackshall	351,545	89,293	-	1,654	15,775	72,465	-	530,732
Andrew Hume**	338,826	-	-	(23,807)	3,944	(66,393)	-	252,570
Ian Jones	284,247	90,960	-	15,394	15,775	33,011	-	439,387
Nick Spooner*	403,777	156,914	-	185	16,042	14,100	-	591,018
David Webster*	224,919	95,982	13,650	17,550	16,064	7,004	-	375,169
Total key management personnel compensation (Group)	**4,914,348**	**1,408,395**	**138,980**	**78,704**	**341,856**	**978,760**	**-**	**7,861,043**

* Remuneration is from the date of appointment as a KMP.

** Ceased employment during the year, forfeiting his right to deferred shares. Any share based payment expense previously recognised under AASB2 in respect of the deferred shares has been reversed. Included within short-term employee benefits (cash salary and fees) is a termination payment of $269,922.

Remuneration report (audited) (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

Key management personnel of the Group

2011	Short-term employee benefits			Long-term employee benefits	Post-employment benefits	Share-based payments		
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Long Service Leave $	Super-annuation $	Shares $	Options $	Total $
Non-executive directors								
Richard Lee	234,801	-	-	-	15,199	-	-	250,000
John Thorn	119,266	-	-	-	10,734	-	-	130,000
Ian Elliot	119,266	-	-	-	10,734	-	-	130,000
Philip Salter #	119,266	-	-	-	10,734	-	(88,699)	41,301
Peter Mattick #	119,266	-	-	-	10,734	-	(88,699)	41,301
Fiona Balfour	119,266	-	-	-	10,734	-	-	130,000
Sub-total non-executive directors	**831,131**	**-**	**-**	**-**	**68,869**	**-**	**(177,398)**	**722,602**
Executive directors								
Grant Harrod	790,261	248,614	18,540	-	15,199	400,333	-	1,472,947
Other key management personnel (Group)								
Peter Anson #	295,691	84,872	94,718	(19,873)	21,560	111,711	(25,185)	563,494
Chad Barton	386,800	77,250	-	-	25,199	60,268	-	549,517
David Besson #	396,800	110,622	-	1,968	25,199	74,605	(25,185)	584,009
Geoffrey Court #	254,801	48,840	-	6,875	50,299	34,391	(6,296)	388,910
Nick Debenham	299,433	68,250	-	-	50,566	17,550	-	435,799
David Hackshall	341,800	71,094	-	-	15,199	55,003	-	483,096
Andrew Hume #	448,301	34,763	-	7,798	15,199	88,706	(18,889)	575,878
Ian Jones # *	78,808	7,518	-	23,073	4,206	8,934	(2,613)	119,926
Gary Smith # **	395,735	-	-	(28,286)	50,782	22,313	(12,592)	427,952
Total key management personnel compensation (Group)	**4,519,561**	**751,823**	**113,258**	**(8,445)**	**342,277**	**873,814**	**(268,158)**	**6,324,130**

* Remuneration has been pro-rated from the date of appointment

Share based expense previously recognised under AASB2 in respect of options has been reversed due to not meeting non market vesting condition.

** Ceased employment during the year, forfeiting their deferred shares. Any share based payment expense previously recognised under AASB2 in respect of the deferred shares has been reversed. Included within short-term employee benefits (cash salary and fees) is a termination payment of $236,782.

Remuneration report (audited) (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk -STI		At risk - LTI	
	2012	2011	**2012**	2011	**2012**	2011
Executive directors	**%**	%	**%**	%	**%**	%
Grant Harrod	**49**	56	**18**	17	**33**	27
Other key management personnel of Salmat Group						
Peter Anson	**61**	70	**25**	15	**14**	15
Chad Barton	**71**	75	**15**	14	**14**	11
David Besson	**71**	73	**17**	19	**12**	8
Geoffrey Court	**75**	80	**17**	13	**8**	7
Nick Debenham	**59**	80	**34**	16	**7**	4
David Hackshall	**69**	74	**17**	15	**14**	11
Andrew Hume	**100**	82	**-**	6	**-**	12
Ian Jones	**71**	85	**21**	8	**8**	7
Gary Smith	**-**	98	**-**	-	**-**	2
Nick Spooner	**71**	-	**27**	-	**2**	-
David Webster	**72**	-	**26**	-	**2**	-

Chief Executive Officer
The Chief Executive Officers' contract is evergreen with tenure subject to six months notice for both parties.
The Company can choose to make payment in lieu of notice, which would not exceed the average base salary plus STIs paid in the 12 months before termination.

Other key management personnel
Remuneration and other terms of employment for other key management personnel are formalised in service agreements. Each of these agreements provides for the provision of performance related cash bonuses.

The Chief Executive Officer - Business Process Outsourcing has a retention agreement which is conditional on the completion on the sale of the Business Process Outsourcing division. The agreement allows for 44% of his total 2012 remuneration to be paid as a retention bonus, with 50% payable within 7 days following completion, 25% payable within 7 days of the date 3 months after completion and 25% payable within 7 days of the date 6 months after completion. In addition 25% of the LTI will vest on the first date above, 12.5% on the second date and a further 12.5% on the third date.

No executives are entitled to receive more than one year's salary on termination. All contracts with executives may be terminated early by either party with three months notice. The key management personnel are not entitled to receive any additional retirement benefits.

D Share-based compensation

Options
The Salmat Employee Option Plan was approved by shareholders at a general meeting in October 2002. The continuance of this plan was approved by the shareholders at the November 2005 annual general meeting, at the October 2008 annual general meeting and at the November 2011 annual general meeting. The Company had a strategy of offering participation in the option plan to aid in the attraction and retention of key employees whilst aligning their goals with that of outcomes in line with that of shareholders. Since the year ended 30 June 2009 the strategy has been to issue deferred shares for the same purpose. However, the Remuneration Committee of the Board has decided that this is the most appropriate vehicle for senior executive's Long Term Incentives and intends to issue performance rights (also known as zero priced options) under the Salmat Employee Option Plan for the 2012/13 financial year.

The board oversees the administration of the plan in accordance with the plan rules. The terms and conditions of the specific grants to participants are detailed in the plan. The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Options granted to senior employees in April 2005

Cumulative earnings per share for the three years ended 30 June 2008 must equal or exceed 84.8 cents, before adjustment, for the performance conditions to be met.

Remuneration report (audited) (continued)

D Share-based compensation (continued)

Options granted to senior employees in November 2006

Non–Market Vesting Conditions

Options will vest dependent on Salmat Limited achieving a compound 10% per annum increase in earnings per share for the three fiscal years before the first exercise date in total 81.6 cents per share, where earnings per share is determined as basic earnings per share (after tax).

For the former joint managing directors at the time this related to 100% of options granted. For all others it relates to 50% of options granted.

Market Vesting Conditions

The options will vest dependant on Salmat Limited achieving a Total Shareholder return (TSR) in excess of the S&P/ASX Small Ordinaries Index for the three fiscal years ended 30 June 2009.

In the case of all recipients with the exception of the joint managing directors, this performance condition relates to 50% of the options granted.

Options granted to senior employees in December 2006

Vesting conditions are identical to the conditions placed on the November 2006 grant with 50% of the options dependent on the Non-Market Condition and 50% of the options dependent on the Market Condition.

Options granted to senior employees in November 2007

For options issued to the former joint managing directors at an exercise price of $4.20 cumulative earnings per share (EPS) for the three years ended 30 June 2010 must equal or exceed 85.31 cents. This represents a compound annual growth rate in earnings per share of 10% p.a.

The zero priced option grants made to other executives had the following performance conditions:

Non-Market Vesting Conditions

Earnings per share (EPS) for the three years ended 30 June 2010 must equal or exceed 85.31 cents. This represents a compound annual growth rate in earnings per share of 10% p.a. This performance condition relates to 50% of the options granted.

Market Vesting Conditions

Salmat Limited achieving a Total Shareholder return (TSR) in excess of the S&P/ASX Small Ordinaries Index for the three fiscal years ended 30 June 2010.This performance condition relates to 50% of the options granted

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
April 2005	December 2008	December 2010	$4.83	$0.96
November 2005	November 2008	November 2010	$4.00	$0.64
November 2006	November 2009	November 2011	$3.41	$0.96
November 2006	November 2009	November 2011	$3.41	$0.93
November 2006	November 2009	November 2011	$3.41	$0.96
December 2006	December 2009	December 2011	$3.80	$1.00
December 2006	December 2009	December 2011	$3.80	$0.96
November 2007	November 2010	November 2012	$4.20	$0.62
November 2007	November 2010	November 2012	$-	$3.12
November 2007	November 2010	November 2012	$-	$1.65

Options granted under the plan carry no dividend or voting rights.

Remuneration report (audited) (continued)

D Share-based compensation (continued)

Details of options over ordinary shares in the Company provided as remuneration to each director of Salmat Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Salmat Limited. Further information on the options is set out in note 42.

Name	**Number of options granted during the year**		**Number of options vested during the year**	
	2012	2011	**2012**	2011
Other key management personnel of the Salmat Group				
Peter Anson	**-**	-	**-**	10,000
David Besson	**-**	-	**-**	10,000
Geoffrey Court	**-**	-	**-**	2,500
Peter Hartley	**-**	-	**-**	3,750
Andrew Hume	**-**	-	**-**	7,500
Ian Jones	**-**	-	**-**	3,750
Gary Smith	**-**	-	**-**	5,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Name	**Date of exercise of options**	**Number of ordinary shares issued on exercise of options during the year**	
		2012	2011
Other key management personnel of the Salmat Group			
David Besson	September 2011	**10,000**	-
Geoffrey Court	Nov 2010 & Mar 2011	**-**	12,500
Andrew Hume	November 2010	**-**	7,500
Ian Jones	Nov 2010 & Mar 2011	**-**	3,750
Gary Smith	November 2010	**-**	5,000

Share-based compensation: Options and deferred employee shares

Further details relating to options and deferred employee shares.

Name	**A Share based remuneration**	**B Value at grant date $**	**C Value at exercise date $**	**D Value at lapse date $**
Directors of Salmat Limited				
Grant Harrod	33%	432,981	-	-
Other key management personnel of the Salmat of the Group				
Peter Anson	14%	95,876	-	-
Chad Barton	14%	83,502	-	-
David Besson	12%	68,041	31,000	-
Geoffrey Court	8%	32,164	-	-
Nick Debenham	7%	64,946	-	-
David Hackshall	14%	64,946	-	-
Ian Jones	8%	64,946	-	-
Nick Spooner	2%	93,401	-	-
David Webster	2%	46,392	-	-

A = The percentage of the value of remuneration consisting of options and deferred employee shares, based on the value of options and deferred employee shares expensed during the current year.

Remuneration report (audited) (continued)

D Share-based compensation (continued)

B = The fair value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options and deferred employee shares granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Shares under option

Unissued ordinary shares of Salmat Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
November 2007	November 2012	$4.40	10,625

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

Date options granted	Issue price of shares	Number under option
November 2007	$4.40	21,875

Salmat Limited Shares issued under Salmat's Deferred Employee Share Plan

Long term incentives to the Chief Executive Officer and senior managers are made by way grants of deferred shares subject to service and performance conditions under Salmat's Deferred Employee Share Plan. The Deferred Employee Share Plan acquired 518,357 shares in Salmat Ltd at a cost of $1,224,130. In 2011 Salmat Limited issued 498,316 ordinary shares to the Deferred Employee Share Plan at a notional cost of $2,006,220 based on the five day volume weighted average share price of $4.025 on 24 November 2010. These shares will vest to senior management upon satisfying the service and employment conditions. Should the hurdles not be met the rights to the shares are forfeited by the employees. As commented in Section A, it is not intended to use this vehicle for LTIs in the future.

Grant date	Date vested and exercisable	Expiry Date	Value per share at grant date
February 2009	September 2011	September 2011	$3.31
February 2009	June 2011	June 2011	$2.78
April 2009	October 2012	October 2012	$3.79
April 2009	October 2012	October 2012	$3.70
March 2010	September 2012	September 2012	$4.24
March 2010	September 2012	September 2012	$2.80
December 2010	September 2013	September 2013	$4.13
December 2010	September 2013	September 2013	$2.95
March 2011	September 2013	September 2013	$3.64
March 2011	September 2013	September 2013	$2.36
February 2012	September 2014	September 2014	$2.32
February 2012	September 2014	September 2014	$1.07

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

	Number of shares granted during the year		Number of shares vested during the year	
Name	**2012**	2011	**2012**	2011
Director of Salmat Limited				
Grant Harrod	**255,446**	273,224	**-**	-
Other key management personnel of the Salmat Limited				
Peter Anson	**56,564**	37,257	**41,725**	-
Chad Barton	**49,264**	32,290	**-**	-
David Besson	**40,142**	26,080	**17,385**	-
Geoffrey Court	**18,976**	12,419	**12,517**	-
Nick Debenham	**38,316**	24,838	**-**	-
David Hackshall	**38,316**	24,838	**-**	-
Ian Jones	**38,316**	9,438	**12,517**	-
Andrew Hume	**-**	24,838	**34,770**	-
Gary Smith	**-**	24,838	**34,770**	-
Nick Spooner	**55,104**	24,838	**-**	-
David Webster	**27,370**	-	**-**	-

The assessed fair value at grant date of deferred shares granted to individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Fair value at grant date is independently determined using a Binomial Approximation Valuation option pricing model and a Monte-Carlo simulation model that takes into account share price at grant date and expected price volatility of the underlying share, exercise price, the expected dividend yield and the risk-free interest for the term of the deferred share.

The model inputs for deferred shares issued during the year ended 30 June 2012 included:
(a) Share price at date of grant: $2.32 on 10 February 2012
(b) Deferred shares issued have no exercise price
(c) Risk free interest rate: 3.53% on 10 February 2012
(d) Expected price volatility of the Company's shares: 30%
(e) Expected dividend yield: 6.1%

The terms and conditions of each grant of shares affecting the remuneration in the previous, this or future reporting periods is as follows:

Shares granted to senior employees in February 2009

Performance condition - No 1

50% of the Shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves the earnings per share (EPS) hurdle of 66 cents cumulatively for the financial years ended 30 June 2009, 2010 and 2011.

This means that 50% of the deferred shares will vest if Salmat's cumulative EPS for the three years ending 30 June 2011 equals or exceeds 66 cents. However, a scaled approach has been introduced for part achievement if:

75% of the targeted compound EPS increase is achieved (49.5 cents) = 50% of 50% vest
80% of the targeted compound EPS increase is achieved (52.8 cents) = 60% of 50% vest
85% of the targeted compound EPS increase is achieved (56.1 cents) = 70% of 50% vest
90% of the targeted compound EPS increase is achieved (59.4 cents) = 80% of 50% vest
95% of the targeted compound EPS increase is achieved (62.7 cents) = 90% of 50% vest
100% of the targeted compound EPS increase is achieved (66 cents) = 100% of 50% vest

Performance condition - No 2

50% of the shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the S&P/ASX small ordinaries accumulation index for the three fiscal years ending 30 June 2011.

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Shares granted to senior employees in April 2009

Performance condition - No 1
50% of the Shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves the Earnings per Share (EPS) hurdle of 79 cents cumulatively for the financial years ended 30 June 2010, 2011 and 2012. However, a scaled approach has been introduced for part achievement if:

75% of the targeted compound EPS increase is achieved (59.25 cents) = 50% of 50% vest
80% of the targeted compound EPS increase is achieved (63.20 cents) = 60% of 50% vest
85% of the targeted compound EPS increase is achieved (67.15 cents) = 70% of 50% vest
90% of the targeted compound EPS increase is achieved (71.10 cents) = 80% of 50% vest
95% of the targeted compound EPS increase is achieved (75.05 cents) = 90% of 50% vest
100% of the targeted compound EPS increase is achieved (79.00 cents) = 100% of 50% vest

Performance condition - No 2

50% of the shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the S&P/ASX small ordinaries accumulation index for the three fiscal years ending 30 June 2012.

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Shares granted to senior employees in March 2010

Performance condition - No 1

50% of the Shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves the Earnings per Share (EPS) hurdle of 79 cents cumulatively for the financial years ended 30 June 2010, 2011 and 2012. However, a scaled approach has been introduced for part achievement if:

75% of the targeted compound EPS increase is achieved (59.25 cents) = 50% of 50% vest
80% of the targeted compound EPS increase is achieved (63.20 cents) = 60% of 50% vest
85% of the targeted compound EPS increase is achieved (67.15 cents) = 70% of 50% vest
90% of the targeted compound EPS increase is achieved (71.10 cents) = 80% of 50% vest
95% of the targeted compound EPS increase is achieved (75.05 cents) = 90% of 50% vest
100% of the targeted compound EPS increase is achieved (79.00 cents) = 100% of 50% vest

Performance condition - No 2

50% of the shares granted under the Deferred employee Share Plan will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the S&P/ASX small ordinaries accumulation index for the three fiscal years ending 30 June 2012.

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Shares granted to senior employees in December 2010

Performance condition - No 1

50% of the Shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves the Earnings per Share (EPS) hurdle of 10% cumulative growth for the financial years ended 30 June 2011, 2012 and 2013.
Salmat's cumulative EPS for the three years ending 30 June 2013 would need to equal or exceed $1.115.

A scaled approach for part achievement would apply if:

75% of the targeted compound EPS increase is achieved: 50% of shares vest
80% of the targeted compound EPS increase is achieved: 60% of shares vest
85% of the targeted compound EPS increase is achieved: 70% of shares vest
90% of the targeted compound EPS increase is achieved: 80% of shares vest
95% of the targeted compound EPS increase is achieved: 90% of shares vest
100% of the targeted compound EPS increase is achieved: 100% of shares vest

Performance condition - No 2

50% of the shares granted will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the ASX small industrials index (XSI) for the three fiscal years ending 30 June 2013 at the testing date 30 June 2013.

Salmat’s out-performance relative to XSI will be determined as per below, with a straight line interpolation between the 50th and 75th percentile applied:

Salmat’s TSR performance compared to XSI companies is less than the 50th percentile: 0% of shares vest
Salmat’s TSR performance compared to XSI companies is equal to the 50th percentile: 50% of shares vest
Salmat’s TSR performance compared to XSI companies is at or above the 75th percentile: 100% of shares vest

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Shares granted to senior employees in February 2012

Performance condition - No 1

50% of the Shares granted under the Deferred Employee Share Plan will vest if Salmat Limited achieves the Earnings per Share (EPS) hurdle of 10% cumulative growth for the financial years ended 30 June 2012, 2013 and 2014.
Salmat's cumulative EPS for the three years ending 30 June 2014 would need to equal or exceed 83 cents.

A scaled approach for part achievement would apply if:

75% of the targeted compound EPS increase is achieved: 50% of shares vest
80% of the targeted compound EPS increase is achieved: 60% of shares vest
85% of the targeted compound EPS increase is achieved: 70% of shares vest
90% of the targeted compound EPS increase is achieved: 80% of shares vest
95% of the targeted compound EPS increase is achieved: 90% of shares vest
100% of the targeted compound EPS increase is achieved: 100% of shares vest

Performance condition - No 2

50% of the shares granted will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the ASX small industrials index (XSI) for the three fiscal years ending 30 June 2014 at the testing date 30 June 2014.
Salmat’s out performance relative to XSI will be determined as per below, with a straight line interpolation between the 50th and 75th percentile applied:

Salmat’s TSR performance compared to XSI companies is less than the 50th percentile: 0% of shares vest
Salmat’s TSR performance compared to XSI companies is equal to the 50th percentile: 50% of shares vest
Salmat’s TSR performance compared to XSI companies is at or above the 75th percentile: 100% of shares vest

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Options to be granted to senior employees in July 2012

As mentioned above, the Board has decided that future Long Term Incentive arrangements will be through the issue of reported performance rights (also known as zero priced options). These will be issued under the Salmat Employee Option Plan. In the case of the Chief Executive Officer, this issue will be presented to the Annual General Meeting for approval.

This change means that recipients will no longer receive dividends which in the opinion of the Board, is in line with best practice.

The performance conditions will include the addition of a condition related to the Company’s business plan for the first time.

The performance conditions proposed are:

Performance Condition - No 1

40% of the Shares granted will vest if Salmat Limited achieves the Earnings per Share (EPS) hurdle of 7.5% cumulative growth for the financial years ended 30 June 2013, 2014 and 2015. Salmat’s cumulative EPS for the three years ending 30 June 2015 would need to equal or exceed 67 cents. A scaled approach for part achievement would apply if:

75% of the targeted compound EPS increase is achieved:50% of shares vest
80% of the targeted compound EPS increase is achieved:60% of the shares vest
85% of the targeted compound EPS increase is achieved:70% of the shares vest
90% of the targeted compound EPS increase is achieved:80% of the shares vest
95% of the targeted compound EPS increase is achieved 90% of the shares vest
100% of the targeted compound EPS increase is achieved 100% of the shares vest

Performance Condition - No 2

40% of the shares granted will vest if Salmat Limited achieves a Total Shareholder Return (TSR) in excess of the ASX small industrials index (XSIAI) for the three fiscal years ending 30 June 2015 at the testing date 30 June 2015.
Salmat’s out performance relative to XSI will be determined as per below, with a straight line interpolation between the 50th and 75th percentile applied:

Salmat’s TSR performance compared to XSI companies is less than the 50th percentile: 0% of shares vest
Salmat’s TSR performance compared to XSI companies is equal to the 50th percentile: 50% of shares vest
Salmat’s TSR performance compared to XSI companies is at or above the 75th percentile: 100% of shares vest

Performance Condition - No 3

20% of shares granted will vest if the Company’s key strategic goals are met, including business transformation and specific business growth initiatives in line with Group Strategy.

Service condition

The executive must still be employed by Salmat Group at the Performance Condition testing dates for the shares to vest, subject to meeting the Performance Conditions set down.

Insurance of officers

Insurance has been undertaken for the financial year end 30 June 2012 in respect of work performed by current or past directors and employees. No indemnification insurance has been undertaken for the auditors of the Company.

Corporate Governance

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

Proceedings on behalf of the Company

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

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

Non-audit services

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

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

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

Refer to note 32 for disclosure on the remuneration of auditors, including non-audit services.

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 22.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.
This report is made in accordance with a resolution of directors.

Richard Lee
Chairman

Grant Harrod
Chief Executive Officer

Sydney
27 August 2012

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor’s Independence Declaration to the Directors of Salmat Limited

In relation to our audit of the financial report of Salmat Limited for the financial year ended 30 June 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.

Ernst & Young

Rob Lewis
Partner
27 August 2012

	Notes	Consolidated 2012 $'000	2011 $'000
Revenue from continuing operations	3	**823,879**	863,922
Employee benefits expense		**(398,214)**	(435,324)
Depreciation and amortisation expense	4	**(35,235)**	(33,024)
Freight, distribution and communication expense		**(155,041)**	(142,070)
Materials usage		**(52,032)**	(58,901)
Property related expenses		**(34,609)**	(39,259)
Equipment related costs		**(44,329)**	(45,109)
Other expenses from ordinary activities		**(39,181)**	(41,779)
Finance costs	4	**(21,396)**	(17,758)
Share of net loss of associates and joint ventures accounted for using the equity method	38	**(1,866)**	(183)
Profit before income tax		**41,976**	50,515
Income tax expense	5	**(11,628)**	(14,561)
Profit for the year		**30,348**	35,954
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	41	**19.2**	22.7
Diluted earnings per share	41	**19.0**	22.5

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

	Notes	Consolidated 2012 $'000	2011 $'000
Profit for the year		**30,348**	35,954
Other comprehensive income			
Cash flow hedges (losses) / gains	29(a)	**(2,624)**	614
Actuarial (losses) / gains on retirement benefit obligation	26(e)	**(1,866)**	91
Exchange differences on translation of foreign operations	29(a)	**(85)**	(1,242)
Income tax income / (expense) relating to components of other comprehensive income	5(c)	**787**	(184)
Other comprehensive income/(loss) for the year, net of tax		**(3,788)**	(721)
Total comprehensive income for the year		**26,560**	35,233

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

	Notes	Consolidated 2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	7	**37,382**	20,627
Trade and other receivables	8	**112,575**	114,268
Inventories	9	**6,953**	7,833
Other current assets	10	**6,030**	6,574
Total current assets		**162,940**	149,302
Non-current assets			
Receivables	11	**2,681**	2,613
Investments accounted for using the equity method	12	**3,698**	1,724
Property, plant and equipment	13	**59,786**	61,425
Deferred tax assets	14	**18,608**	16,823
Intangible assets	15	**448,404**	460,517
Other non-current assets	16	**238**	590
Total non-current assets		**533,415**	543,692
Total assets		**696,355**	692,994
Current liabilities			
Trade and other payables	17	**92,162**	86,043
Borrowings	18	**4,749**	3,876
Derivative financial instruments	19	**2,258**	1,094
Current tax liabilities	20	**4,800**	2,238
Provisions	21	**28,107**	26,742
Total current liabilities		**132,076**	119,993
Non-current liabilities			
Borrowings	23	**274,274**	275,063
Deferred tax liabilities	24	**5,619**	9,067
Provisions	25	**7,358**	7,366
Retirement benefit obligations	26	**3,434**	1,524
Derivative financial instruments	19	**1,568**	107
Payables	22	**407**	1,064
Other non-current liabilities	27	**698**	698
Total non-current liabilities		**293,358**	294,889
Total liabilities		**425,434**	414,882
Net assets		**270,921**	278,112
Equity			
Contributed equity	28	**205,026**	205,761
Reserves	29(a)	**(1,113)**	267
Retained earnings	29(b)	**67,008**	72,084
Total equity		**270,921**	278,112

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

Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2010		**205,616**	**570**	**90,215**	**296,401**
Profit for the year		-	-	35,954	35,954
Other comprehensive income		-	(812)	91	(721)
Total comprehensive income for the year		**-**	**(812)**	**36,045**	**35,233**
Transactions with owners in their capacity as owners:					
Dividends paid	30	-	-	(54,176)	(54,176)
Cost of share based payments	42	-	509	-	509
Exercise of options under the Salmat Executive Performance Option Plan	28	145	-	-	145
Balance at 30 June 2011		**205,761**	**267**	**72,084**	**278,112**

Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2011		**205,761**	**267**	**72,084**	**278,112**
Profit for the year		-	-	30,348	30,348
Other comprehensive income		-	(1,922)	(1,866)	(3,788)
Total comprehensive income for the year		**-**	**(1,922)**	**28,482**	**26,560**
Transactions with owners in their capacity as owners:					
Dividends paid	30	-	-	(33,558)	(33,558)
Cost of share based payments	42	-	1,031	-	1,031
Employee share scheme	28, 29	(735)	(489)	-	(1,224)
		(735)	542	(33,558)	(33,751)
Balance at 30 June 2012		**205,026**	**(1,113)**	**67,008**	**270,921**

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

	Notes	**Consolidated 2012 $'000**	2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,008,242**	1,072,878
Payments to suppliers and employees (inclusive of goods and services tax)		**(896,211)**	(988,354)
		112,031	84,524
Interest received		**449**	895
Interest paid		**(21,396)**	(16,968)
Income taxes paid		**(13,512)**	(27,689)
Net cash inflow from operating activities	40	**77,572**	40,762
Cash flows from investing activities			
Payment for purchase of controlled entities (prior acquisition)		**(98)**	(73,957)
Payment of deferred purchase price (prior acquisition)		**(406)**	-
Payments for property, plant and equipment	13	**(18,203)**	(23,810)
Proceeds from sale of property, plant and equipment		**679**	740
Payments for investment in associates and joint ventures	38	**(3,840)**	(1,021)
Payments for software		**-**	(174)
Proceeds from sale of subsidiary		**157**	-
Repayment of loan by associate		**-**	257
Dividends received from associate		**-**	78
Net cash (outflow) from investing activities		**(21,711)**	(97,887)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	145
Proceeds from borrowings		**-**	75,300
Payments for shares acquired by the Deferred Employee Share Trust	28	**(1,224)**	-
Finance lease payments		**(4,324)**	(2,850)
Dividends paid to Company's shareholders	30	**(33,558)**	(54,176)
Net cash (outflow) / inflow from financing activities		**(39,106)**	18,419
Net increase / (decrease) in cash and cash equivalents		**16,755**	(38,706)
Cash and cash equivalents at the beginning of the financial year		**20,627**	59,333
Cash and cash equivalents at end of year	7	**37,382**	20,627

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

Notes to the financial statements

Corporate Information

The financial report of Salmat Limited and the entities it controlled for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 August 2012.

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

Registered Office
Level 17, 100 Arthur Street
North Sydney NSW 2060

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Salmat Limited and its controlled entities.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.* Salmat Limited is a for-profit entity for the purpose of preparing the financial statements. The financial report has been prepared on a historical costs basis except for derivative financial instruments which are held at fair value. Refer to note 1 (aa).

(i) Compliance with IFRS

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

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*
AASB *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*.
AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.
AASB 2010 - *4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Salmat Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011:

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 45.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of Salmat Limited (the Company) and its subsidiaries (the Salmat Group also referred to as the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

A controlled entity is any entity controlled by Salmat Limited. Control exists where Salmat Limited has the power to govern the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Salmat Limited to achieve the objectives of Salmat Limited.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation (refer to note 1(h)).

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Investments are held at the lower of cost and recoverable amount.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Group's entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rates. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement. As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Salmat Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue from the rendering of a service is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or upon the delivery of the service to the customer.

When rendering services under contract and both the contract outcome and control of the right to be compensated for the services and the stage of completion can be reliably measured, revenue is recognised on a progressive basis as the costs to complete the service contract are performed.

For significant development contracts, sales revenue is recognised on the percentage of completion in instances where the development solution is sold. In instances where the developed solution is retained and licensed by the Company for a fixed term, revenue is recognised on an accruals basis in accordance with the terms of the relevant agreement (usually on a fee per transaction basis).

Where payment terms extend beyond 12 months, revenue is discounted to its fair value using the future discounted cashflows. Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Stage of completion is measured by reference to an assessment of costs incurred to date as a percentage of estimated total costs for each contract. Costs for this purpose, represent costs that are reflective of services performed to date, or services to be performed.

The Group incurs postage on behalf of its customers, which is on-charged to its customers. Salmat Limited has offset all postage costs incurred against postage revenue in the consolidated income statement. This method of disclosure does not result in any effect on profit. For cashflow purposes, the amounts are shown as gross receipts and gross payments.

Dividend revenue is recognised when the right to receive a dividend has been established.

Government grant revenue is recognised when the relevant criteria have been met and there is reasonable assurance that the income will be received. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal instalments.

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

(f) Income tax

The charge for income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences:
- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax consolidation legislation

Salmat Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.
The head entity, Salmat Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Salmat Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 5.
Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 34). Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1r). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.
Contingent consideration is classified as either equity or a financial liability and subsequently remeasured with changes to equity or profit and loss. Changes in the fair value as at acquisition date of the contingent consideration are measurement period changes and are adjusted against the goodwill previously recognised.

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

(i) Impairment of non financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In determining the recoverable amount of an asset the Group determines its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indicators exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts where a right of offset exists; and
- Investments in money market instruments with less than 14 days to maturity.

(k) Trade receivables

Trade receivables are non-interest bearing, generally have 7-45 day terms and are recognised and carried at amortised cost amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenses.

(m) Investments in associates and joint ventures

The Groups' investment in its associates and joint ventures is accounted for in the financial statements by applying the equity method of accounting. When Salmat has significant influence over an entity that is not jointly controlled, it is deemed an associate. A joint venture entity is one which Salmat jointly controls with one other party in equal proportion.

The investment in the associate and joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in Salmat's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects Salmat's share of the results of the operations of the associate.

The associate's and joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(n) Investments in subsidiaries and other financial assets

Related parties

Non-current investments are measured using the amortised cost basis. The carrying amount of non-current investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for the non-listed investments.

All non-current investments were carried at the lower of cost or net realisable value.

(o) Derivatives and hedging activities

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

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

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

1 Summary of significant accounting policies (continued)

(o) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 19. Movements in the hedging reserve in shareholders' equity are shown in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) ***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other income or other expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within ‘finance costs'.

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

(ii) ***Derivatives that do not qualify for hedge accounting***

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(p) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(q) Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

1 Summary of significant accounting policies (continued)

(q) Property, plant and equipment (continued)

Depreciation

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

• Plant and Equipment	14.0% to 33.0%
• Leasehold improvements	Over term of lease

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

Impairment

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell, and value in use.

(r) Intangible assets

(i) ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised.

From the date of acquisition the Group has up to one year to ascertain the fair value of assets acquired and to amend the goodwill initially recorded.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units or group of cash generating units that are expected to benefit from the combination synergies.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill is tested at least annually for impairment (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired) and is carried at cost less accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) ***Intangibles***

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

Other intangible assets include both customer contracts and relationships and costs of acquiring and developing business systems.

Useful lives have been established for all non-goodwill intangible assets. Amortisation charges are expensed in the income statement on a straight-line basis over those useful lives. Estimated useful lives are reviewed annually.

1 Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

The expected useful lives of intangible assets are generally:

Customer contracts and relationships	3 - 8 years
Business systems	3 - 5 years

(iii) ***Research and development***

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 7 years.

(s) Trade and other payables

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

(t) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

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

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Make-good provision

Provision has been made for the present value of anticipated costs of future restoration of leased premises. The calculation of the provision requires assumptions such as application of environmental legislation, lease exit dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

1 Summary of significant accounting policies (continued)

(u) Provisions (continued)

Surplus lease space

Where premises have been leased on long term contracts and there are no plans to utilise the premises over the remaining life of the lease, the discounted present value of the obligation is provided in the period the property first becomes surplus.

(v) Employee benefits

(i) ***Wages and salaries and annual leave***

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

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(ii) ***Long service leave***

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

(iii) ***Retirement benefit obligations***

The Group operates three defined benefit pension schemes, which require contributions to be made to separately administered funds.

The defined benefit plan expense for the plans is determined separately for each plan by independent actuarial valuations.

Actuarial gains and losses are recognised in statement of comprehensive income.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(iv) ***Share-based payments***

Employee Option Plan

The fair value of options that vest under the Salmat Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any any non vesting conditions but excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included as assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Options are equity settled.

Information in relation to these schemes is set out in note 42.

1 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

Deferred Employee Share Plan

The fair value of shares under the Salmat Deferred Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included as assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Company revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity. Shares are equity settled.

Information in relation to these schemes is set out in note 42.

(w) Contributed equity

Ordinary shares are classified as equity (note 28).

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

Treasury shares

Shares in the Group held by the Salmat Deferred Employee Share Plan are classified and disclosed as treasury shares and deducted from equity.

(x) Earnings per share

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

(y) Goods and Services Tax (GST)

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the taxation authority, are classified as operating cash flows.

1 Summary of significant accounting policies (continued)

(z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations on issue but not effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report. Other new standards and interpretations have been issued but are not considered to have an impact on the consolidated Group's financial statements.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification and measurement of financials assets. The standard is not applicable until 1 January 2013 and is not expected to have a significant impact on the Group's financial statements. AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 *Financial Instruments* only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period no such gains or losses were recognised in other comprehensive income. The Group has not yet decided whether to early adopt AASB 9 *Financial Instruments*.

(ii) AASB 10 *Consolidated financial statements* (effective from 1 January 2013)

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. This may lead to more entities being consolidated into the Group.

The Group will apply the standard from 1 July 2013.

(iii) AASB 11 *Joint Arrangements* (effective from 1 January 2013)

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 Group will apply the standard from 1 July 2013. The amendment is not expected to have a significant impact on the current accounting for the investment in joint ventures and associates.

(iv) AASB 12 *Disclosure of Interests in Other Entities*(effective from 1 January 2013)

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.

1 Summary of significant accounting policies (continued)

(aa) New accounting standards and interpretations on issue but not effective (continued)

The Group will apply the standard from 1 July 2013. The Group currently discloses a list of all subsidiaries, joint ventures and associates in their annual report. The amendment will lead to increased disclosure of the Group's relationship with these entities.

(v) AASB 13 *Fair Value Measurement* (effective 1 January 2013)

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 Group will apply the standard from 1 July 2013. The Group currently values a number of instruments at fair value, including derivative instruments. The amendment is not expected to have a significant impact on current accounting of these instruments.

(ab) Parent entity financial information

The financial information for the parent entity, Salmat Limited, disclosed in note 44 has been prepared on the same basis as the consolidated financial statements.

(ac) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Comparatives in the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows have been restated to reflect consistent treatment with current year disclosures.

2 Segment information

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Chief Executive Officer has identified three reportable segments which are as follows:

Targeted Media Solutions (TMS) brings together our media channels of unaddressed and digital communications. TMS's unaddressed channel 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. TMS's digital channel delivers more than 580 million emails every year. 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 archived information for clients in Australia, Hong Kong and Taiwan.

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, treasury related activities and costs associated with being a listed company.

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.

Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the Group at arms length. These transfers are eliminated on consolidation. As inter-segment revenues are considered immaterial no disclosure of these is made below.

2 Segment information (continued)

2012	**Targeted Media Solutions $'000**	**Customer Contact Solutions $'000**	**Business Process Outsourcing $'000**	**Corporate Costs $'000**	**Total $'000**
Segment revenue					
Sales to external customers	275,188	232,251	315,991	-	823,430
Interest revenue					449
Total revenue					823,879
Underlying Segment EBITA	36,244	10,972	49,530		96,746
Reconciliation of segment EBITA to income statement					
Corporate costs				(16,127)	(16,127)
Underlying EBITA					80,619
Amortisation expense					(12,308)
Net finance costs					(20,947)
Significant items					(5,388)
Profit before income tax					41,976
Income tax expense					(11,628)
Profit attributable to members of Salmat Limited					30,348

2011	**Targeted Media Solutions $'000**	**Customer Contact Solutions $'000**	**Business Process Outsourcing $'000**	**Corporate Costs $'000**	**Total $'000**
Segment revenue					
Sales to external customers	250,851	293,712	318,464	-	863,027
Interest revenue					895
Total revenue					863,922
Underlying Segment EBITA	42,545	15,949	41,835		100,329
Reconciliation of segment EBITA to income statement					
Corporate costs				(11,744)	(11,744)
Underlying EBITA					88,585
Amortisation expense					(12,035)
Net finance costs					(16,863)
Significant items					(9,172)
Profit before income tax					50,515
Income tax expense					(14,561)
Profit attributable to members of Salmat Limited					35,954

	Segment revenues from sales to external customers		Segment assets	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Australia	**773,286**	808,793	**655,762**	654,228
New Zealand	**24,399**	25,537	**6,620**	7,433
Asia	**24,876**	26,981	**13,984**	12,737
Other	**869**	1,716	**1,381**	1,773
	823,430	863,027	**677,747**	676,171
Deferred tax asset			**18,608**	16,823
Total assets			**696,355**	692,994

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

No single external customer generated revenue greater than 10% in 2012. However in 2011, revenues of approximately $77,973,319 in CCS, $41,443,538 in BPO and $4,160,123 in TMS were derived from a single external customer.

2 Segment information (continued)

Other segment information

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 non-recurring expenditure from the operating segments such as restructuring costs, share of equity accounted losses after tax in start up digital joint ventures and transaction costs on the sale of BPO division.

	Consolidated			
	2012	**2012**	2011	2011
	$'000	**$'000**	$'000	$'000
	Pre Tax	**Post Tax**	Pre Tax	Post Tax
Significant items:				
Restructuring costs	**2,464**	**1,724**	-	-
Share of equity accounted losses after tax in start up digital joint ventures	**2,194**	**2,194**	-	-
Transaction costs on sale of BPO division	**730**	**512**	-	-
Net property profit (recognised in 2008)	**-**	-	(1,636)	(1,145)
Property relocation costs	**-**	-	5,500	3,850
Contract exit cost	**-**	-	2,499	1,749
Digital acquisition, transaction and integration costs	**-**	-	2,809	1,966
Total significant items	**5,388**	**4,430**	9,172	6,420

	Consolidated	
	2012	2011
	$'000	$'000
Reconciliation to net profit after tax		
Underlying net profit after tax (excluding significant items)	**34,778**	42,374
Significant items after tax	**(4,430)**	(6,420)
Net profit after tax	**30,348**	35,954

3 Revenue

	Consolidated	
	2012	2011
	$'000	$'000
From continuing operations		
Sales revenue		
Services	**823,430**	863,027
Interest	**449**	895
	823,879	863,922

4 Expenses

	Consolidated	
	2012	2011
	$'000	$'000
Depreciation		
Plant and equipment	**22,927**	20,989
Amortisation		
Customer Intangibles	**10,526**	9,233
Other intangibles	**1,782**	2,802
Total amortisation	**12,308**	12,035
Depreciation and amortisation expense	**35,235**	33,024
Finance costs		
Interest and finance charges paid/payable	**21,396**	17,758
Net loss / (gain) on disposal of property, plant and equipment	**220**	(1,217)
Rental expense relating to operating leases		
Minimum lease payments	**23,093**	25,137
Foreign exchange gains and losses		
Net foreign exchange (gains)/losses	**(61)**	275
Defined contribution superannuation expense	**22,920**	24,894
Share based payments expense	**1,031**	509

5 Income tax expense

	Consolidated 2012 $'000	2011 $'000
(a) Income tax expense:		
Current tax	**17,731**	15,631
Deferred tax	**(4,446)**	914
Adjustment to current tax relating to prior periods	**(1,657)**	(1,984)
	11,628	14,561
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**41,976**	50,515
Tax at the Australian tax rate of 30% (2011 - 30%)	**12,593**	15,155
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-allowable items	**406**	1,002
Over provision for income tax in prior year	**(1,657)**	(1,984)
Difference in overseas tax rates	**(274)**	333
Share of joint ventures losses not assessable	**560**	55
Total income tax expense at an effective tax rate of 27.7% (2011: 28.8%)	**11,628**	14,561
(c) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	**787**	(184)
(d) Tax losses		
Gross unused tax losses for which no deferred tax asset has been recognised	**12,032**	11,795

All unused tax losses were incurred by overseas entities that are not part of the tax consolidated group.

(f) Tax consolidation legislation

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

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

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

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

6 Net tangible asset backing

	Consolidated 2012 Cents	2011 Cents
Net tangible asset backing per ordinary share	**(111.1)**	(114.2)

7 Current assets - Cash and cash equivalents

	Consolidated 2012 $'000	2011 $'000
Cash at bank	**37,366**	20,602
Cash on hand	**16**	25
	37,382	20,627

(a) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 43.

8 Current assets - Trade and other receivables

	Consolidated 2012 $'000	2011 $'000
Net trade receivables		
Trade receivables	**103,041**	105,978
Allowance for doubtful receivables (a)	**(1,204)**	(668)
	101,837	105,310
Other receivables	**10,738**	8,958
	112,575	114,268

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of $1,204,000 (2011: $668,000) were impaired. The individually impaired receivables mainly relate to customers, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered.
Movements in the allowance for impairment of receivables are as follows:

	Consolidated 2012 $'000	2011 $'000
At 1 July	**668**	569
Allowance for impairment recognised during the year	**1,198**	474
Receivables written off during the year as uncollectible	**(662)**	(375)
At 30 June	**1,204**	668

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

(b) Past due but not impaired

As of 30 June 2012, trade receivables of $13,667,000 (2011: $15,797,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2012 $'000	2011 $'000
1-30 days	**8,564**	9,324
31-60 days	**3,953**	3,316
greater than 60 days	**1,150**	3,157
	13,667	15,797

There are no trade receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Based on the credit history of trade receivables not past due or past due and not impaired, the Group believes that these amounts will be received.

8 Current assets - Trade and other receivables (continued)

The other classes within trade and other receivables do not contain impaired assets and the Group believes that these amounts will be fully recovered.

Related party transactions have been made on normal commercial terms and conditions and at market rates. The average interest rate on loans during the year was 10% (2011: 10%).

Outstanding balances are unsecured and are repayable in cash.

(c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 43.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 43 for more information on the risk management policy of the Salmat Group and the credit quality of the entity's trade receivables.

9 Current assets - Inventories

	Consolidated	
	2012	2011
	$'000	$'000
Raw materials		
At cost	**5,360**	6,825
Provision for obsolescence	**(799)**	(1,023)
Raw materials	**4,561**	5,802
Work in progress		
At cost	**2,392**	2,031
	6,953	7,833

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2012 amounted to $52,032,000 (2011: $58,901,000) and are included in "materials usage" in the consolidated income statement.

10 Current assets - Other current assets

	Consolidated	
	2012	2011
	$'000	$'000
Prepayments	**5,909**	6,338
Recoverable Deposits	**121**	236
	6,030	6,574

11 Non-current assets - Receivables

	Consolidated 2012 $'000	2011 $'000
Related party receivable - joint venture	**2,681**	2,613
	2,681	2,613

(a) Fair values

The fair values and carrying values of non-current receivables are as follows:

Group	2012 Carrying amount $'000	2012 Fair value $'000	2011 Carrying amount $'000	2011 Fair value $'000
Loans to joint venture	**2,681**	**2,681**	2,613	2,613

The loans to joint venture are classified as a non-current receivable as Salmat does not intend to recall the loan within the next twelve months. The loan agreement expires on 30 June 2014.

(b) Risk exposure

Information about the Salmat Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 43.

12 Non-current assets - Investments accounted for using the equity method

	Consolidated 2012 $'000	2011 $'000
Shares in joint venture and associate (note 38)	**3,698**	1,724

(a) Shares in joint venture and associate

Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the Group.

13 Non-current assets - Property, plant and equipment

	Plant and equipment $'000
At 1 July 2010	
Cost	175,332
Accumulated depreciation	(127,512)
Net book amount	47,820
Year ended 30 June 2011	
Opening net book amount	47,820
Additions *	35,549
Additions through acquisition of controlled entity	1,456
Disposals	(1,597)
Depreciation charge	(20,989)
Net exchange difference on translation of financial reports of foreign operations	(814)
Closing net book amount	61,425
At 30 June 2011	
Cost	195,428
Accumulated depreciation	(134,003)
Net book amount	61,425
Year ended 30 June 2012	
Opening net book amount	61,425
Additions*	22,361
Disposals	(899)
Depreciation charge	(22,927)
Net exchange difference on translation of financial reports of foreign operations	(174)
Closing net book amount	59,786
At 30 June 2012	
Cost	204,351
Accumulated depreciation	(144,565)
Net book amount	59,786

* Non cash financing of property, plant and equipment

During the year $4,158,246 (2011: $11,739,000) of property, plant and equipment was acquired by way of finance lease.

14 Non-current assets - Deferred tax assets

	Consolidated	
	2012	2011
	$'000	$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	**354**	199
Employee benefits	**9,556**	9,068
Property, plant & equipment	**1,587**	894
Cash flow hedges	**1,148**	360
Amortisation of intangibles	**62**	448
Accruals	**4,857**	4,867
Other provisions	**1,044**	987
	18,608	16,823

Movements:

Opening balance at 1 July	**16,823**	19,758
Credited/(charged) to the income statement (note 5)	**998**	(3,666)
Credited/(charged) to equity	**787**	(184)
Acquisition of controlled entity	**-**	915
Closing balance at 30 June	**18,608**	16,823

15 Non-current assets - Intangible assets

	Goodwill $'000	Other intangible assets $'000	Customer Intangible $'000	Total $'000
At 1 July 2010				
Cost	365,066	8,540	55,761	429,367
Accumulated amortisation and impairment	-	(5,528)	(27,217)	(32,745)
Net book amount	365,066	3,012	28,544	396,622
Year ended 30 June 2011				
Opening net book amount	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)
Closing net book amount	429,869	3,656	26,992	460,517
At 30 June 2011				
Cost	429,869	11,986	63,442	505,297
Accumulated amortisation and impairment	-	(8,330)	(36,450)	(44,780)
Net book amount	429,869	3,656	26,992	460,517
Year ended 30 June 2012				
Opening net book amount	429,869	3,656	26,992	460,517
Additions	-	-	-	-
Acquisition of controlled entity (prior acquisitions)	896	(701)	-	195
Amortisation charge	-	(1,782)	(10,526)	(12,308)
Closing net book amount	430,765	1,173	16,466	448,404
At 30 June 2012				
Cost	430,765	10,392	63,442	504,599
Accumulated amortisation and impairment	-	(9,219)	(46,976)	(56,195)
Net book amount	430,765	1,173	16,466	448,404

(a) Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-generating units (CGUs) identified according to business segment.

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

	Business Process Outsourcing $'000	Targeted Media Solutions $'000	Customer Contact Solutions $'000	Total $'000
2012				
Goodwill	274,704	76,187	79,874	430,765
2011				
Goodwill	274,613	75,382	79,874	429,869

15 Non-current assets - Intangible assets (continued)

The recoverable amount of each CGU has been determined based on value in use using discounted cash-flow calculations. These calculations use cash flow projections based on financial budgets. Cash flows beyond the five year period are extrapolated using estimated growth rates. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions

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

- The rate used to discount the forecast future attributable pre-tax cashflows is 15.5% (2011: 15.5%).
- The equivalent post tax discount rate is 10.8% for 2012 (2011: 10.8%).
- The growth rate used to extrapolate cash flows beyond the five-year period is 3% (2011: 3%).
- Gross margins are based on the following year's budget, which is approved by the board. These are determined by reference to gross margins achieved in the year immediately before the budgeted year, then adjusted for expected movements.

The calculations of value-in-use are sensitive to the discount rates and the loss of major customers.

Discount rates reflect the Group's estimate of time value of money and the risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital of the Group and specific cash generating business risk specific to that business segment. The same discount rate for all CGU's is considered appropriate. All CGU's are based on an outsourcing model providing support services to similar customers, hence similar level of market risk. The Group recognises that the actual time value of money may vary to what they have estimated.

The assumption around the loss of a major customer is important because as well as using historical trends, the Group expects the group's market share of each CGU will increase in future periods, but for impairment modelling it is assumed to be stable over future periods. The loss of a significant customer in any CGU will impact on the ability of that CGU to maintain expected earnings and cashflow. Each major customer would have a different impact on earnings and profits, so it is not appropriate to discuss sensitivity on the loss of major customers. The Group has determined that even if no growth is achieved in the five-year period, all of the CGU's would continue to have valuations in excess of their carrying values.

16 Non-current assets - Other non-current assets

	Consolidated	
	2012	2011
	$'000	$'000
Recoverable deposits	**238**	590

17 Current liabilities - Trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Trade payables	**30,188**	27,546
Accrued expenses	**55,902**	50,055
Other payables	**6,072**	8,442
	92,162	86,043

Terms and conditions relating to trade payables, accrued expenses and other payables are referred to in note 1(s) of the accounts.

Outstanding balances at year end are unsecured and interest free.

17 Current liabilities - Trade and other payables (continued)

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 43.

18 Current liabilities - Borrowings

	Consolidated	
	2012	2011
	$'000	$'000
Lease liabilities (note 34)	**4,749**	3,876

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 23.

(b) Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 43.

19 Derivative financial instruments

	Consolidated	
	2012	2011
	$'000	$'000
Current liabilities		
Interest rate swap cash flow hedge	**2,258**	1,094
Total current derivative financial instrument liabilities	**2,258**	1,094
Non-current liabilities		
Interest rate swap cash flow hedge	**1,568**	107
Total non-current derivative financial instrument liabilities	**1,568**	107
Total derivative financial instrument liabilities	**3,826**	1,201

(a) Instruments used by the Salmat Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 43).

(i) Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 5.99% (2011: 6.81%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.
The fixed interest rates range between 6.63% and 8.0% (2011: 6.80% and 7.95%).

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

19 Derivative financial instruments (continued)

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2012 a loss of $1,595,024 was reclassified into profit or loss (2011: loss of $1,083,760) and included in finance costs. There was no material hedge ineffectiveness in the current or prior year.

20 Current liabilities - Current tax liabilities

	Consolidated	
	2012	2011
	$'000	$'000
Income tax	**4,800**	2,238

21 Current liabilities - Provisions

	Consolidated	
	2012	2011
	$'000	$'000
Employee benefits - long service leave (a)	**12,516**	11,877
Provision for surplus lease space (b)	**-**	42
Employee benefits - annual leave	**15,591**	14,823
	28,107	26,742

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

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

22 Non-current liabilities - Payables

	Consolidated 2012 $'000	2011 $'000
Deferred purchase price	**-**	250
Consideration Payable	**407**	814
	407	1,064

The deferred purchase price is carried at amortised cost and represents liabilities for acquisitions with deferred settlement arrangements.

23 Non-current liabilities - Borrowings

	Consolidated 2012 $'000	2011 $'000
Secured		
Bank loans	**259,679**	259,111
Lease liabilities (note 34)	**14,595**	15,952
Total secured non-current borrowings	**274,274**	275,063

(a) Bank loans and bank overdraft

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.

The bank loans are secured by deed of negative pledge and guarantee over the assets of certain Group companies.

The loans have been classified as non-current based on the expiry date of the loan facility agreements.

The carrying amounts of assets pledged as security for non-current borrowings are the full value of the assets held by certain members of the consolidated Group.

(b) Financing arrangements

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

	Consolidated 2012 $'000	2011 $'000
Floating rate		
Bank overdraft	**10,000**	20,000
Loan facilities	**313,735**	313,486
Lease facilities	**29,424**	26,600
Guarantee facility	**35,000**	45,000
	388,159	405,086
Used at balance date		
Bank overdrafts	**-**	-
Loan facilities	**260,035**	259,786
Lease facilities	**19,344**	19,828
Guarantee facility	**25,365**	26,617
	304,744	306,231
Unused at balance date		
Bank overdrafts	**10,000**	20,000
Loan facilities	**53,700**	53,700
Lease facilities	**10,080**	6,772
Guarantee facility	**9,635**	18,383
	83,415	98,855

The bank overdraft facilities may be drawn at any time.
Non-current interest bearing liabilities recorded in the statement of financial position includes deferred borrowing costs.
The current interest rates on loan facilities are 5.24% to 6.31% (2011: 6.73% to 7.03%), on lease facilities 7.16% to 7.97% (2011: 7.16% to 7.97%).

23 Non-current liabilities – Borrowings (continued)

(c) Fair value

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

Consolidated	at 30 June 2012 Carrying amount $'000	at 30 June 2012 Fair value $'000	at 30 June 2011 Carrying amount $'000	at 30 June 2011 Fair value $'000
Bank loans	**259,679**	**260,035**	259,111	259,786
Lease liabilities	**19,344**	**19,344**	19,828	19,828
	279,023	**279,379**	278,939	279,614

(d) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 43.

24 Non-current liabilities - Deferred tax liabilities

	Consolidated 2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Unearned income	**5**	345
Intangible assets	**4,966**	8,317
Share based payments	**648**	405
	5,619	9,067
Movements:		
Opening balance at 1 July	**9,067**	8,778
Credited to the income statement (note 5)	**(3,448)**	(2,752)
Acquisition of controlled entity	**-**	3,041
Closing balance at 30 June	**5,619**	9,067

25 Non-current liabilities – Provisions

	Consolidated 2012 $'000	2011 $'000
Employee benefits – long service leave	**3,742**	3,538
Other provisions – lease make good	**3,616**	3,828
	7,358	7,366

(a) Lease make good provision

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

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Consolidated 2012 $'000	2011 $'000
Other provisions - lease make good		
Carrying amount at start of year	**3,828**	5,298
Additional provision recognised	**189**	753
Unwinding of discount	**(94)**	(240)
Provision utilised	**(307)**	(1,983)
Carrying amount at end of year	**3,616**	3,828

26 Non-current liabilities - Retirement benefit obligations

(a) Superannuation plan

Group companies contribute to a number of retirement benefit schemes of a defined benefit type.

Taiwan - the Company currently maintains a retirement plan covering regular employees. The plan has a defined benefit format and is financed solely by the Company. The plan provides lump sum benefits upon retirement, disability and voluntary separation after completion of at least five years of service. The benefits are based on the employee's final monthly covered salary and service with the Company.

Philippines - the Company currently maintains a retirement plan covering regular employees hired prior to 1 January 2006. The plan has a defined benefit format and is financed solely by the Company. The plan provides lump sum benefits upon retirement, death, total and permanent disability, involuntary separation (except for cause) or voluntary separation after completion of at least five years of service. The benefits are based on the employee's final monthly covered salary and service with the Company.

Government Printing Service - the Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes. These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the Schemes are closed to new members.
There are no defined benefit superannuation plans attributable to the parent entity.

(b) Statement of financial position amounts

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Present value of the defined benefit obligation	**7,030**	5,199
Fair value of defined benefit plan assets	**(3,463)**	(3,543)
	3,567	1,656
Unrecognised actuarial losses	**(133)**	(132)
Net liability in the statement of financial position	**3,434**	1,524

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions.

The Group intends to continue to contribute to the defined benefit plans in line with the actuary’s latest recommendations.

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Cash	**680**	231
Equity instruments	**1,729**	2,168
Debt instruments	**312**	382
Property	**272**	325
Other assets	**470**	437
	3,463	3,543

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

26 Non-current liabilities - Retirement benefit obligations (continued)

	Consolidated 2012 $'000	2011 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	**5,199**	5,048
Current service cost	**138**	111
Interest cost	**248**	233
Contributions by plan participants	**19**	14
Actuarial losses and (gains)	**1,596**	(86)
Foreign currency exchange rate changes	**13**	(19)
Benefits paid	**(183)**	(102)
Balance at the end of the year	**7,030**	5,199

	Consolidated 2012 $'000	2011 $'000
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**3,543**	3,415
Expected return on plan assets	**283**	260
Actuarial (losses) and gains	**(267)**	5
Foreign currency exchange rate changes	**5**	4
Contributions by Group companies	**29**	27
Contributions by plan participants	**19**	14
Benefits paid	**(149)**	(102)
Transition adjustment - Philippines	**-**	(80)
Balance at the end of the year	**3,463**	3,543

(d) Amounts recognised in consolidated income statement

The amounts recognised in the income statement are as follows:

	Consolidated 2012 $'000	2011 $'000
Current service cost	**138**	111
Interest cost	**248**	233
Expected return on plan assets	**(283)**	(260)
Net actuarial losses recognised in year	**3**	-
Total included in employee benefits expense	**106**	84
Actual return on plan assets	**4**	263

(e) Amounts recognised in other comprehensive income

Actuarial loss / (gain) recognised in the year	**1,866**	(91)

Cumulative actuarial gains and losses recognised in the statement of comprehensive income is a loss of $2,857,257 (2011: loss $991,000)

26 Non-current liabilities - Retirement benefit obligations (continued)

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2012	2011
Australia		
Discount rate	**3.1%**	5.3%
Expected return on plan assets	**8.6%**	8.6%
Future salary increases	**2.5%**	3.5%
Taiwan		
Discount rate	**1.8%**	2.0%
Expected return on plan assets	**2.0%**	2.0%
Future salary increases	**2.5%**	2.5%
Philippines		
Discount rate	**6.9%**	9.1%
Expected return on plan assets	**6.0%**	7.0%
Future salary increases	**3.0%**	3.0%

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2009.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution, which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and the abovementioned actuarial assumptions as to the plan's future experience, the plan's actuary has not recommended that additional contributions beyond the current contribution level be made.

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Defined benefit plan obligation	**(7,030)**	(5,199)	(5,048)	(4,559)	(4,193)
Plan assets	**3,463**	3,543	3,415	3,203	4,059
Surplus / (deficit)	**(3,567)**	(1,656)	(1,633)	(1,356)	(134)

27 Non-current liabilities - Other non-current liabilities

	Consolidated 2012 $'000	2011 $'000
Deferred profit	**698**	698

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

28 Contributed equity

	Notes	Consolidated 2012 Shares '000	2011 Shares '000	Consolidated 2012 $'000	2011 $'000
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	**159,802**	159,780	**210,882**	210,882
Treasury shares	(d)	**(1,725)**	(1,353)	**(5,856)**	(5,121)
		158,077	158,427	**205,026**	205,761

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares '000	$'000
1 July 2010	Opening balance		159,132	208,731
	Issue of shares under the Deferred Employee Share Scheme	(f)	498	2,006
	Exercise of options under the Salmat Executive Performance Option Plan	(f)	150	145
30 June 2011	Balance		159,780	210,882
1 July 2011	Opening balance		159,780	210,882
	Exercise of options under the Salmat Executive Performance Option Plan	(f)	22	-
30 June 2012	Balance		159,802	210,882

(c) Ordinary shares

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

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

28 Contributed equity (continued)

(d) Treasury shares

Treasury shares are shares in Salmat Limited that are held by the Deferred Employee Share Plan and are deducted from equity (see note 42 for further information).

Date	Details	Number of shares '000	$'000
1 July 2010	Opening balance	**855**	**3,115**
	Acquisition of shares by the Trust	**-**	**-**
	Employee share scheme issue	**498**	**2,006**
30 June 2011	Balance	**1,353**	**5,121**
1 July 2011	Opening balance	**1,353**	**5,121**
	Acquisition of shares by the Trust	**518**	**1,224**
	Employee share scheme vesting & issue	**(146)**	**(489)**
30 June 2012	Balance	**1,725**	**5,856**

(e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 42.

(f) Options

Information relating to the Salmat Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 42.

(g) Capital risk management

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

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

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

The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	Consolidated	
	2012 **$'000**	2011 $'000
Total borrowings	**279,023**	278,939
Less: cash and cash equivalents (Note 7)	**(37,382)**	(20,627)
Net debt	**241,641**	258,312
Total equity	**270,921**	278,112
Total capital	**512,562**	536,424
Gearing ratio	**47.1%**	48.2%

29 Other reserves and retained earnings

(a) Other reserves

	Consolidated 2012 $'000	2011 $'000
Hedging reserve - cash flow hedges	**(2,678)**	(841)
Share-based payments reserve	**4,876**	4,334
Foreign currency translation reserve	**(3,311)**	(3,226)
	(1,113)	267

	Consolidated 2012 $'000	2011 $'000
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	**(841)**	(1,271)
Revaluation - gross	**(2,624)**	614
Deferred tax	**787**	(184)
Balance 30 June	**(2,678)**	(841)
Movements:		
Share-based payments reserve		
Balance 1 July	**4,334**	3,825
Shares and options expense	**-**	509
Employee share plan expense	**1,031**	-
Issue of shares held by the Employee Share Trust to employees	**(489)**	-
Balance 30 June	**4,876**	4,334
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(3,226)**	(1,984)
Currency translation differences arising during the year	**(85)**	(1,242)
Balance 30 June	**(3,311)**	(3,226)

(b) Retained earnings

	Consolidated 2012 $'000	2011 $'000
Balance 1 July	**72,084**	90,215
Net profit for the year	**30,348**	35,954
Actuarial (losses) / gains on defined benefit plans recognised directly in retained earnings	**(1,866)**	91
Dividends	**(33,558)**	(54,176)
Balance 30 June	**67,008**	72,084

29 Other reserves and retained earnings (continued)

(c) Nature and purpose of other reserves

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(o). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Share-based payments reserve

The share based payments reserve is used to recognise the amortised portion of the fair value of options issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d). The reserve is recognised in the income statement after disposal of the net investment.

30 Dividends

	Consolidated	
	2012	2011
	$'000	$'000
(a) Ordinary shares		
Final ordinary dividend for the year ended 30 June 2011 of 12.5 cents (2010: 12.5 cents) per fully paid share paid on 28 September 2011	**19,975**	19,892
Special dividend for the year ended 30 June 2010 of 10.0 cents per fully paid share paid on 28 September 2010	**-**	15,914
Interim ordinary dividend for the year ended 30 June 2012 of 8.5 cents (2011: 11.5 cents) per fully paid share paid on 3 April 2012	**13,583**	18,370
	33,558	54,176
Paid in cash	**33,558**	54,176

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

In addition to the above dividends, since year end the directors have recommended: The payment of a fully franked final dividend of 10.5 cents per fully paid ordinary share (2011: 12.5 cents).	**16,779**	19,973
	16,779	19,973

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%)	**65,343**	67,352
	65,343	67,352

30 Dividends (continued)

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

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

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

31 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated 2012 $	2011 $
Short-term employee benefits	**6,461,723**	5,384,642
Long-term employee benefits	**78,704**	(8,445)
Post-employment benefits - Defined contribution fund contributions	**341,856**	342,277
Share based payments	**978,760**	605,656
	7,861,043	6,324,130

Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 20. Included within short-term employee benefits is a termination payment of $269,922 (2011: $236,782).

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Salmat Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2012 Name	Balance at start of the year	Exercised	Forfeited *	Balance at end of the year	Vested and exercisable	Unvested
Other key management personnel of the Salmat Group						
Peter Anson	50,000	-	(40,000)	10,000	10,000	-
David Besson	10,000	(10,000)	-	-	-	-

* The number of options at lapse date that were granted as part of remuneration and that lapsed during the year because a vesting condition was not met.

31 Key management personnel disclosures (continued)

2011 Name	Balance at start of the year	Exercised	Forfeited *	Balance at end of the year	Vested and exercisable	Unvested
Directors of Salmat Limited						
Philip Salter	165,000	-	(165,000)	-	-	-
Peter Mattick	165,000	-	(165,000)	-	-	-
Other key management personnel of the Salmat Group						
Peter Anson	60,000	-	(10,000)	50,000	50,000	-
David Besson	20,000	-	(10,000)	10,000	10,000	-
Geoffrey Court	15,000	(12,500)	(2,500)	-	-	-
Terry Daly	20,000	(10,000)	(10,000)	-	-	-
Peter Hartley	10,000	(6,250)	(3,750)	-	-	-
Andrew Hume	80,000	(7,500)	(72,500)	-	-	-
Ian Jones	7,500	(3,750)	(3,750)	-	-	-
Gary Smith	10,000	(5,000)	(5,000)	-	-	-
Colin Wright	7,500	(3,750)	(3,750)	-	-	-

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Salmat Limited and other key management personnel of the Salmat Group, including their personally related parties, are set out below.

2012 Name	**Balance at the start of the year**	**Granted during the year as compensation**	**Received during the year on the exercise of options**	**Other acquisition and disposal of shares**	**Balance at the end of the year**
Directors of Salmat Limited **Ordinary shares**					
Richard Lee	397,467	-	-	(5,000)	392,467
John Thorn	131,101	-	-	-	131,101
Ian Elliot	33,435	-	-	-	33,435
Philip Salter	36,140,772	-	-	134,617	36,275,389
Peter Mattick	36,446,213	-	-	364,522	36,810,735
Fiona Balfour	35,740	-	-	-	35,740
Grant Harrod	464,884	255,446	-	-	720,330
Other key management personnel of the Salmat Group **Ordinary shares**					
Peter Anson	127,530	56,564	-	-	184,094
Chad Barton	58,648	49,264	-	-	107,912
David Besson	157,473	40,142	10,000	(5,726)	201,889
Geoffrey Court	59,254	18,976	-	5,000	83,230
Nick Debenham	200,990	38,316	-	-	239,306
David Hackshall	51,196	38,316	-	-	89,512
Andrew Hume	85,966	-	-	-	85,966
Ian Jones	80,642	38,316	-	-	118,958
Nick Spooner	-	55,104	-	-	55,104
David Webster	11,160	27,370	-	-	38,530

31 Key management personnel disclosures (continued)

2011 Name	Balance at the start of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other acquisition and disposal of shares	Balance at the end of the year
Directors of Salmat Limited **Ordinary shares**					
Richard Lee	383,407	-	-	14,060	397,467
John Thorn	131,101	-	-	-	131,101
Ian Elliot	33,435	-	-	-	33,435
Philip Salter	36,112,077	-	-	28,695	36,140,772
Peter Mattick	36,500,393	-	-	(54,180)	36,446,213
Fiona Balfour	12,460	-	-	23,280	35,740
Grant Harrod	191,660	273,224	-	-	464,884
Other key management personnel of the Salmat Group **Ordinary shares**					
Peter Anson	85,273	37,257	-	5,000	127,530
Chad Barton	26,358	32,290	-	-	58,648
David Besson	86,225	26,080	-	45,168	157,473
Geoffrey Court	39,335	12,419	12,500	(5,000)	59,254
Nick Debenham	-	24,838	-	176,152	200,990
David Hackshall	26,358	24,838	-	-	51,196
Andrew Hume	61,128	24,838	7,500	(7,500)	85,966
Ian Jones	67,454	9,438	3,750	-	80,642
Gary Smith	100,856	24,838	5,000	(95,924)	34,770

32 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the group and its related practices:

	Consolidated	
	2012	2011
	$	$
Amounts received, or due and receivable, by Salmat's auditor, Ernst & Young (Australia) for:		
Audit or half year review of the financial reports	**438,000**	411,000
Other services		
- assurance related	**104,005**	11,418
- tax compliance	**-**	-
	542,005	422,418
Member firms of Ernst & Young in relation to subsidiaries of Salmat for:		
Audit or half year review of the financial reports	**41,462**	73,479
Other services		
- assurance related	**-**	-
- tax compliance	**43,892**	-
	85,354	73,479

It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young's expertise and experience with the Group are important.

33 Contingencies

(i) Legal and regulatory Proceedings

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business. There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Group's financial position. The Group maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

(ii) Guarantees

Cross guarantees given by Salmat Limited as described in note 37.

34 Commitments

Expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(i) Non-cancellable operating leases

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

	Consolidated	
	2012	2011
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**25,020**	27,965
Later than one year but not later than five years	**83,302**	82,395
Later than five years	**22,619**	34,865
	130,941	145,225

(ii) Finance leases

The Group leases various plant and equipment under finance lease expiring within five years.

	Consolidated	
	2012	2011
	$'000	$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**6,116**	5,242
Later than one year but not later than five years	**16,483**	18,256
Minimum lease payments	**22,599**	23,498
Future finance charges	**(3,255)**	(3,670)
Recognised as a liability	**19,344**	19,828
Representing lease liabilities:		
Current (note 18)	**4,749**	3,876
Non-current (note 23)	**14,595**	15,952
	19,344	19,828

35 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Salmat Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 36.

(c) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

	Consolidated	
	2012	2011
	$	$
Peter Mattick or related entities:		
Provision of printing services to the Group	**1,148,172**	1,708,700

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2012	2011
	$	$
Non-current receivables (loans)		
Joint venture - Reach Media NZ Limited	**2,681,000**	2,613,000
Current payables (purchases of goods)		
Peter Mattick or related entities	**13,233**	59,179

(e) Terms and conditions

All transactions with key management personnel and entities related to them were made on normal commercial terms and conditions and at market rates.

36 Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ** 2012 %**	**2011 %**
Salmat Document Management Solutions Pty Limited *	Australia	Ordinary	**100**	100
SDS Data Insights Pty Limited *	Australia	Ordinary	**100**	100
Salmat MediaForce Pty Limited *	Australia	Ordinary	**100**	100
Letterbox Distribution Network Pty Limited *	Australia	Ordinary	**100**	100
Salmat SalesForce Pty Limited *	Australia	Ordinary	**100**	100
SalesForce Australia Pty Ltd *	Australia	Ordinary	**100**	100
Pardrive Pty Limited *	Australia	Ordinary	**100**	100
SalesForce Services Pty Ltd *	Australia	Ordinary	**100**	100
Salmat International Pty Limited *	Australia	Ordinary	**100**	100
Deltarg Distribution Systems Limited	New Zealand	Ordinary	**100**	100
Salmat Asia Limited	Hong Kong	Ordinary	**100**	100
Salmat Mauritius Limited	Mauritius	Ordinary	**-**	100
Salmat Asia Pacific Pte Limited	Singapore	Ordinary	**100**	100
Salmat Philippines Inc.	Philippines	Ordinary	**100**	100
Salmat (China) Limited	Hong Kong	Ordinary	**100**	100
SalesForce New Zealand Limited	New Zealand	Ordinary	**100**	100
VeCommerce Limited *	Australia	Ordinary	**100**	100
Tri Screen Entertainment Pty Limited *	Australia	Ordinary	**100**	100
Salmat Interactive Pty Limited (Formerly Dialect Interactive Pty Limited)*	Australia	Ordinary	**100**	100
VeCommerce (NZ) Limited	New Zealand	Ordinary	**100**	100
VeCommerce (UK) Limited	UK	Ordinary	**100**	100
VeCommerce Inc	USA	Ordinary	**-**	100
Scitec Americas Inc	USA	Ordinary	**100**	100
Salmat Print on Demand Pty Limited *	Australia	Ordinary	**100**	100
Salmat Administrative Services Pty Limited *	Australia	Ordinary	**100**	100
Lasoo Pty Limited (formerly Razoo Media Pty Limited) *	Australia	Ordinary	**100**	100
SalesForce Global Pty Limited *	Australia	Ordinary	**100**	100
SalesForce Direct Sales Pty Limited *	Australia	Ordinary	**100**	100
HPAL Limited *	Australia	Ordinary	**100**	100
Direct Headquarters Pty Limited *	Australia	Ordinary	**100**	100
Hermes Precisa Pty Limited *	Australia	Ordinary	**100**	100
HPA Unit Trust	Australia	Ordinary	**100**	100
SalesForce Contact Centres SDN BHD	Malaysia	Ordinary	**100**	100
Salmat HPA Pty Limited *	Australia	Ordinary	**100**	100
A.C.N. 133 915 321 Pty Limited	Australia	Ordinary	**100**	100
A.C.N. 137 918 577 Pty Limited	Australia	Ordinary	**100**	100
Salmat Businessforce Pty Limited *	Australia	Ordinary	**100**	100
Salmat Services Inc	Philippines	Ordinary	**100**	100
BeInteractive Holdings Pty Limited	Australia	Ordinary	**100**	100
C4 Communication Pty Limited*	Australia	Ordinary	**100**	100
C4 Live Pty Limited	Australia	Ordinary	**100**	100
The Population Pty Limited	Australia	Ordinary	**100**	100
MessageNet Pty Limited *	Australia	Ordinary	**100**	100
Returnity Pty Limited	Australia	Ordinary	**100**	100
Mailforce Document Solutions Pty Limited*	Australia	Ordinary	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial report in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 37.

** The proportion of ownership interest is equal to the proportion of voting power held.

37 Deed of cross guarantee

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

- Salmat Document Management Solutions Pty Limited
- Letterbox Distribution Network Pty Limited
- Salmat MediaForce Pty Limited
- Salmat SalesForce Pty Limited
- SalesForce Australia Pty Ltd
- Salmat Interactive Pty Limited
- VeCommerce Limited
- Salmat Print on Demand Pty Limited
- Direct Headquarters Pty Limited
- Hermes Precisa Pty Limited
- HPAL Limited
- SDS Data Insights Pty Limited
- Pardrive Pty Limited
- SalesForce Services Pty Ltd
- Salmat International Pty Limited
- Tri Screen Entertainment Pty Limited
- Salmat Administrative Services Pty Limited
- Lasoo Pty Limited
- SalesForce Global Pty Limited
- SalesForce Direct sales Pty Limited
- Salmat BusinessForce Pty Limited
- Salmat HPA Pty Limited
- C4 Communication Pty Limited
- MessageNet Pty Limited
- Mailforce Document Solutions Pty Limited

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

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

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Salmat Limited, they also represent the 'Extended Closed Group'.

37 Deed of cross guarantee (continued)

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the Closed Group.

	2012 $'000	2011 $'000
Consolidated income statement		
Profit before income tax	**40,329**	**46,679**
Income tax expense	**(10,338)**	(12,718)
Profit for the year	**29,991**	33,961
Consolidated statement of comprehensive income		
Profit for the year	**29,991**	33,961
Other comprehensive income		
Cash flow hedges	**(2,624)**	614
Actuarial (losses)/gains on retirement benefit obligation	**(1,866)**	91
Income tax relating to components of other comprehensive income	**787**	(184)
Other comprehensive income for the year, net of tax	**(3,703)**	521
Total comprehensive income for the year	**26,288**	34,482
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**90,489**	110,613
Profit for the year	**29,991**	33,961
Actuarial gains / (losses) on retirement benefit obligation	**(1,866)**	91
Dividends provided for or paid	**(33,558)**	(54,176)
Retained earnings at the end of the financial year	**85,056**	90,489

(b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2012 of the Closed Group.

37 Deed of cross guarantee (continued)

	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	**30,089**	11,249
Trade and other receivables	**129,407**	130,229
Inventories	**6,625**	7,299
Other current assets	**7,503**	8,413
Total current assets	**173,624**	157,190
Non-current assets		
Receivables	**198**	-
Other financial assets	**9,178**	82,925
Property, plant and equipment	**56,085**	56,018
Deferred tax assets	**17,616**	15,499
Intangible assets	**446,461**	385,422
Total non-current assets	**529,538**	539,864
Total assets	**703,162**	697,054

	2012 $'000	2011 $'000
Current liabilities		
Trade and other payables	**88,565**	81,904
Borrowings	**4,635**	3,518
Derivative financial instruments	**2,258**	1,093
Current tax liabilities	**4,481**	1,415
Provisions	**26,893**	25,038
Total current liabilities	**126,832**	112,968
Non-current liabilities		
Payables	**424**	250
Borrowings	**269,481**	270,421
Derivative financial instruments	**1,568**	107
Provisions	**7,668**	7,548
Retirement benefit obligations	**2,921**	1,073
Deferred tax liabilities	**5,619**	6,773
Total non-current liabilities	**287,681**	286,172
Total liabilities	**414,513**	399,140
Net assets	**288,649**	297,914
Equity		
Contributed equity	**208,380**	210,881
Reserves	**(4,787)**	(3,456)
Retained earnings	**85,056**	90,489
Total equity	**288,649**	297,914

38 Investments in associates and joint ventures

(a) Carrying amounts

Information relating to associates and joint ventures are set out below.

Name of Company	Principal activity	Ownership interest 2012 %	Ownership interest 2011 %	2012 $'000	2011 $'000
Unlisted					
Reach Media NZ Limited, New Zealand (Joint Venture)	Unaddressed Mail Distribution	**50**	50	**1,415**	1,222
Online Media Holdings Pty Ltd (Associate)	Online Location based services	**60**	60	**1,703**	502
Conceive Productions Pty Ltd (Joint Venture)	Television Production and merchandising	**50**	-	**340**	-
Digital Post Australia Pty Ltd (Joint Venture)	Digital mail service	**40**	-	**240**	-
				3,698	1,724

The reporting date of the above entities is 30 June.

There were no capital commitments or contingent liabilities relating to the associates and joint ventures.

	Consolidated 2012 $'000	2011 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**1,724**	1,130
Amount invested in current year	**3,840**	1,484
Share of losses recognised, after income tax	**(1,866)**	(183)
Gain on fair value measurement on acquisition*	**-**	185
Adjustment to carrying value*	**-**	(814)
Dividends received	**-**	(78)
Carrying amount at the end of the financial year	**3,698**	1,724

*In August 2010, Salmat acquired a further 10% of the share capital in Mailforce Document Solutions Pty Ltd for a consideration of $271,710. On 13 May 2011 Salmat acquired the remaining 60% of the share capital in Mailforce Pty Ltd for a consideration of $1,220,400 giving Salmat 100% ownership of the Company. The previously held equity interest in Mailforce was remeasured at fair value on the day of acquisition being $813,600. The resulting gain of $184,618 was recorded in the Income Statement and the investment in Mailforce Document Solutions Pty Ltd is no longer accounted for as an equity investment.

38 Investments in associates and joint ventures (continued)

(c) Summarised financial information of associates and joint ventures

The Salmat Group's share of the results of its principal associates and joint ventures and its aggregated assets (including goodwill) and liabilities are as follows:

		Company's share of:			
	Ownership Interest %	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profit/(Loss) $'000**
2012					
Reach Media NZ Limited, New Zealand (Joint Venture)	50	5,227	3,836	13,746	204
Online Media Holdings Pty Ltd (Associate)	60	727	104	-	(1,050)
Conceive Productions Pty Ltd (Joint Venture)	50	96	21	41	(260)
Digital Post Australia Pty Ltd (Joint Venture)	40	139	134	-	(760)
		6,189	4,095	13,787	(1,866)
2011					
Reach Media NZ Limited, New Zealand (Joint Venture)	50	4,974	3,815	12,687	(23)
MailForce Document Solutions Pty Ltd (Associate)	100	1,571	440	2,649	87
Online Media Holdings Pty Ltd (Associate)	60	383	61	-	(247)
		6,928	4,316	15,336	(183)

39 Events occurring after the reporting period

(a) Sale of Business Process Outsourcing division

On 27 August 2012 Salmat Limited announced the sale of its Business Process Outsourcing division to FUJIFILM Holdings Corporation for a cash consideration of $375 million with expected completion by mid-October 2012. The assets and liabilities of the division will be deconsolidated from the date of completion and thus there is no impact on the current year financial statements.

(b) Dividends

Since 30 June 2012 the directors have recommended the payment of a fully franked final ordinary dividend of $16,779,228 (10.5 cents per fully paid share – fully franked) to be paid on 28 September 2012 out of profits at 30 June 2012.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(i) the Group's operations in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the Group's state of affairs in future financial years.

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

	Consolidated	
	2012 **$'000**	2011 $'000
Profit for the year	**30,348**	35,954
Depreciation and amortisation	**35,235**	33,024
Non-cash employee benefits expense - share-based payments	**1,031**	509
Net loss / (gain) on sale of non-current assets	**220**	(1,217)
Net gain on sale of subsidiary	**(498)**	-
Share of losses / (profits) of associates and joint ventures not received as dividends or distributions	**1,866**	(2)
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease in trade and other receivables	**1,869**	6,009
Decrease / (Increase) in inventories	**880**	(111)
Decrease in other assets	**896**	374
(Increase) / Decrease in deferred tax assets	**(998)**	3,666
Increase / (Decrease) in trade and other payables	**6,252**	(12,573)
Increase / (Decrease) in provision for income taxes payable	**2,562**	(14,044)
(Decrease) in provision for deferred income tax	**(3,448)**	(2,751)
Increase / (Decrease) in other provisions	**1,357**	(8,076)
Net cash inflow from operating activities	**77,572**	40,762

41 Earnings per share

	Consolidated	
	2012	2011
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the parent	**19.2**	22.7
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the parent	**19.0**	22.5

41 Earnings per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated 2012 $'000	2011 $'000
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the parent entity used in calculating basic earnings per share	**30,348**	35,954
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the parent entity used in calculating diluted earnings per share	**30,348**	35,954

(d) Weighted average number of ordinary shares used in the calculation of earnings per share

	Consolidated 2012 Quantity '000	2011 Quantity '000
Weighted average number of shares on issue used to calculate basic earnings per share	**158,073**	158,161
Effect of dilutive securities - weighted average number of options outstanding	**1,736**	1,394
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	**159,809**	159,555

(e) Information concerning the classification of securities

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 42.

42 Share-based payments

(a) Employee Option Plan

The Salmat Executive Performance Option Plan allows the Company to grant options over shares to key executives. The board may offer options to purchase shares to eligible executives having regard to actual and potential contribution to the Company, as determined by the board from time to time. The consideration for options is an amount equal to the exercise price, but payment is deferred until the options are exercised. Options generally may not be transferred. Quotation of options on the ASX will not be sought. However, the Company will apply for official quotation of shares issued on the exercise of options. Shares issued on the exercise of options will rank equally with other shares of the Company.

The exercise price applicable to the option shall, at the discretion of the directors, be determined by reference to:

- In the case of options issued prior to the Company being listed on ASX, the price at which shares are offered under the Prospectus dated 18 October 2002; or
- In other cases, the weighted average market price of shares during the five trading days up to and including the date of grant of the option or such other date or period as the board considers appropriate.

An option may only be exercised by a date to be determined by the board from time to time but not exceeding 10 years after the date the option is granted, subject to applicable performance hurdles and other exercise restrictions.

An unexercised option will lapse on the earlier of the expiry of 10 years (or such earlier date as determined by the board) from the date of its issue to the eligible executive, or the date six months after the eligible executive dies, retires, is made redundant or becomes disabled, or the date one month after the eligible executive ceases to be employed by Salmat for any other reason.

Share options do not carry any voting rights or the right to dividends.

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

Grant Date	Expiry date	Exercise price	Balance at start of the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated - 2012								
Nov 06	Nov 11	$3.41	45,000	(45,000)	-	-	-	-
Dec 06	Dec 11	$3.80	20,000	(20,000)	-	-	-	-
Nov 07	Nov 12	$-	32,500	-	(21,875)	-	10,625	10,625
Nov 07	Nov 12	$4.20	-	-	-	-	-	-
Total			97,500	(65,000)	(21,875)	-	10,625	10,625
Weighted average exercise price			$2.35	$3.53	$-	$-	$-	$-

Grant Date	Expiry date	Exercise price	Balance at start of the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated - 2011								
Apr 05	Dec 10	$4.83	65,000	-	-	(65,000)	-	-
Nov 06	Nov 11	$3.41	127,500	(40,000)	(42,500)	-	45,000	45,000
Dec 06	Dec 11	$3.80	20,000	-	-	-	20,000	20,000
Nov 07	Nov 12	$-	280,000	-	(107,500)	(140,000)	32,500	32,500
Nov 07	Nov 12	$4.20	330,000	-	-	(330,000)	-	-
Total			822,500	(40,000)	(150,000)	(535,000)	97,500	97,500
Weighted average exercise price			$2.69	$3.41	$0.97	$3.18	$2.35	$2.35

42 Share-based payments (continued)

Options may only be exercised within the limitations imposed by the Corporations Act 2001 and the Australian Securities Exchange Listing Rules. Under the Australian Securities Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval.

The market price of the Company's shares at 30 June 2012 was $2.25 (2011: $3.70)

Fair value of options granted

There were no options granted during the year.

(b) Employee share plans

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

Deferred Employee Share Plan

The Salmat Deferred Employee Share Plan allows invited eligible employees (including Directors) to receive shares as a bonus/incentive or as a remuneration sacrifice.
Participants will not be permitted to dispose of their shares unless any pre-specified hurdle conditions are satisfied. Participants may forfeit their shares if they cease to be an employee at a time when any vesting or performance criteria have not been satisfied.

Ordinary shares carry one vote per share and carry the right to dividends.

Long term incentives to the chief executive officer and senior managers are made by way grants of deferred shares subject to service and performance conditions under Salmat's Deferred Employee Share Plan. The Deferred Employee Share Plan acquired 518,357 shares in Salmat Ltd at a cost of $1,224,130. In 2011 Salmat Limited issued 498,316 ordinary shares to the Deferred Employee Share Plan at a notional cost of $2,006,220 based on the five day volume weighted average share price of $4.025 on 24 November 2010.

42 Share-based payments (continued)

Grant Date	Date vested and exercisable	Expiry date	Fair value per share at grant date
February 2009	September 2011	September 2011	$3.31
February 2009	June 2011	June 2011	$2.78
April 2009	October 2012	October 2012	$3.79
April 2009	October 2012	October 2012	$3.70
March 2010	September 2012	September 2012	$4.24
March 2010	September 2012	September 2012	$2.80
December 2010	September 2013	September 2013	$4.13
December 2010	September 2013	September 2013	$2.95
March 2011	September 2013	September 2013	$3.64
March 2011	September 2013	September 2013	$2.36
February 2012	September 2014	September 2014	$2.32
February 2012	September 2014	September 2014	$1.07

The assessed fair value at grant date of deferred shares granted to individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Fair value at grant date is independently determined using a Binomial Approximation Valuation option pricing model and a Monte-Carlo simulation model that takes into account share price at grant date and expected price volatility of the underlying share, exercise price, the expected dividend yield and the risk free interest for the term of the deferred share.

The model inputs for deferred shares issued during the year ended 30 June 2012 included:

- Share price at date of grant: $2.32 on 10 February 2012
- Deferred shares issued have no exercise price
- Risk free interest rate: 3.53% on 10 February 2012
- Expected price volatility of the Company's shares: 30%
- Expected dividend yield: 6.1%

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

	2012 Number of shares '000	2011 Number of shares '000
Exempt Employee Share Plan		
Opening balance	**522**	486
Transfers/disposals	**(96)**	(83)
Acquisitions	**106**	119
Closing balance	**532**	**522**
Deferred Employee Share Plan		
Opening balance	**1,751**	1,372
Transfers/disposals	**(328)**	(157)
Acquisitions	**532**	536
Closing balance	**1,955**	1,751

42 Share-based payments (continued)

(c) Expenses arising from share-based payment transactions

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

	Consolidated	
	2012	2011
	$'000	$'000
Options issued under employee option plan	**-**	(530)
Shares issued under deferred employee share scheme	**1,031**	1,039
	1,031	509

43 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. There has been no significant change in the group's risk profile from the prior year. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

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

The Group holds the following financial instruments:

	Consolidated	
	2012	2011
	$'000	$'000
Financial assets		
Cash and cash equivalents	**37,382**	20,627
Trade and other receivables	**115,256**	116,881
Other financial assets	**359**	826
	152,997	138,334
Financial liabilities		
Trade and other payables	**92,162**	86,043
Borrowings	**279,023**	278,939
Derivative financial instruments	**3,826**	1,201
	375,011	366,183

43 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

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

The Group has set up a policy requiring Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted with Group Treasury.

All borrowings are in the functional currency of the borrowing entity.

The Group's exposure to foreign currency risk at the reporting period was as follows:

	30 June 2012		30 June 2011	
	USD $'000	**GBP $'000**	USD $'000	GBP $'000
Trade receivables	**-**	**1**	15	124

Sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the currencies detailed in the above table with all other variables held constant, the Group's post-tax profit for the year would have been $63 higher/$52 lower (2011 - $15,678 higher/$12,827 lower), mainly as a result of foreign exchange gains/(losses) on translation of foreign currency denominated receivables in the above table.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's treasury policy requires interest rate swaps to be entered into to manage cash flow risks associated with borrowings with variable interest rates. The current policy is for between 70% to 100% of borrowings to be hedged for 12 months, 30% to 100% to be hedged for second year and 20% to 100% to be hedged for third year. This policy may be varied from time to time upon approval by the board of directors. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The Group had interest rate swaps with a notional principal of $143million covering the period to 2 July 2012 and interest rate swaps with a notional principal of $188million covering the year ended 30 June 2012.

43 Financial risk management (continued)

As at the reporting date, the Group had the following variable rate borrowings:

Consolidated	**30 June 2012** Weighted average interest rate %	**30 June 2012** Balance $'000	30 June 2011 Weighted average interest rate %	30 June 2011 Balance $'000
Bank overdrafts and bank loans	**5.99%**	**260,035**	6.70%	184,486*
Interest rate swaps (notional principal amount)	**5.28%**	**(142,726)**	5.83%	(135,000)
Net exposure to cash flow interest rate risk		**117,309**		49,486

*In the prior year long term borrowings of $75,300 were fixed at a weighted average fixed interest rate of 6.95%

Sensitivity

At 30 June 2012, if interest rates had changed by - /+100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $0.82million lower/higher (2011 - change of 100 bps: $0.35million lower/higher), mainly as a result of higher/lower interest expense on borrowings. Equity would have been $0.82million lower/higher (2011 - $0.35million lower/higher).

(b) Credit risk

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

Salmat has a Credit Policy which provides the guidelines for the management of credit risk. The guidelines provide for the manner in which the credit risk of customers is assessed and the use of credit ratings and other information in order to set appropriate account limits. Customers that do not meet minimum credit criteria are required to pay up front. Customers who fail to meet their account terms are reviewed for continuing credit worthiness.
The Group has taken out a debtor insurance policy. Specific debtors up to $1million are covered subject to one off excess of $350,000 and unspecified debtors of up to $250,000 are also provided for under the policy.

Credit risk on derivative contracts is minimised by principally dealing with large banks with an appropriate credit rating
The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 81, As at 30 June 2012, the Group's exposure to customers with a balance greater than $1million totalled $25.6million (2011: $26.5million). The Group does not consider that there is any significant concentration of credit risk.

(c) Liquidity risk

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

Maturities of financial liabilities

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

43 Financial risk management (continued)

Contractual maturities of financial liabilities	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contract-ual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing	92,162	-	-	-	-	92,162	92,162
Fixed rate	3,058	3,058	6,593	9,890		22,599	19,344
Variable rate	-	-	214,735	45,300	-	260,035	260,035
Total non-derivatives	95,220	3,058	221,328	55,190	-	374,796	371,541
Derivatives							
Net settled (interest rate swaps)	700	1,513	1,568	-	-	3,781	3,826

At 30 June 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing	86,043	-	-	-	-	86,043	86,043
Fixed rate	2,621	2,621	7,302	10,954	-	23,498	19,828
Variable rate	-	-	105,000	154,786	-	259,786	259,786
Total non-derivatives	88,664	2,621	112,302	165,740	-	369,327	365,657
Derivatives							
Net settled (interest rate swaps)	224	608	175	1	-	1,008	1,201

(d) Cash flow and fair value interest rate risk

The Group’s income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

43 Financial risk management (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Salmat Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

At 30 June 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Liabilities				
Derivatives used for hedging	**-**	**3,826**	**-**	**3,826**
Total liabilities	**-**	**3,826**	**-**	**3,826**

At 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Liabilities				
Derivatives used for hedging	-	1,201	-	1,201
Total liabilities	-	1,201	-	1,201

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Salmat Group is the current bid price. These instruments are included in level 1.
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

44 Parent Entity financial information

(a) Summary financial information

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

	parent entity 2012 $'000	2011 $'000
Statement of financial position		
Current assets	**36,232**	16,685
Non-current assets	**504,041**	524,363
Total assets	**540,273**	541,048
Current liabilities	**52,031**	43,162
Non-current liabilities	**256,384**	266,428
Total liabilities	**308,415**	309,590
Shareholders' equity		
Contributed equity	**210,882**	210,882
Reserves	**(5,676)**	(4,247)
Retained earnings	**26,652**	24,823
	231,858	231,458
Profit or loss for the year	**35,403**	50,662
Total comprehensive income	**35,403**	50,662

Contingencies

(i) Legal and regulatory Proceedings

The Parent Entity has been involved from time to time in various claims and proceedings arising from the conduct of its business. There are currently no claims or proceedings, either individually or in aggregate, which are likely to have a material effect on the Parent's financial position. The Parent maintains insurance cover to minimise the potential effects of such claims, and where appropriate, provisions have been made.

(ii) Guarantees

Cross guarantees given by Salmat Limited as described in note 37.

45 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on discounted cash flow calculations. These calculations require the use of assumptions. Refer to note 15.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Binomial Approximation Option Valuation model together with a Monte-Carlo simulation model.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension obligations. Refer to note 26.

In the directors' opinion:

(a) the financial statements and notes set out on pages 23 to 86 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 37 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37.

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

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Richard Lee
Chairman

Grant Harrod
Chief Executive Officer

Sydney
27 August 2012

Ernst & Young

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of Salmat Limited

Report on the financial report

We have audited the accompanying financial report of Salmat Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

a. the financial report of Salmat Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Salmat Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney
27 August 2012