SALMAT LIMITED

HALF-YEAR FINANCIAL REPORT
For the six months ended 31 December 2013

Contents

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

HALF-YEAR REPORT
31 December 2013

Results for announcement to the market

	Half year ended 31-Dec-13 $m	Half year ended 31-Dec-12 $m	% Change Increase / (decrease)
Revenue from continuing operations	232.1	243.4	(4.6%)
Net profit for the period attributable to members	7.0	41.5[1]	(83.1%)
Net profit from continuing operations	7.0	(2.2)	418.2%
Fully Franked Dividends			
Fully franked interim dividend - Record Date 11 March 2014 - Payable 3 April 2014	7.5 c	4.0 c	87.5%

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 2013 Annual Report and any announcements to the market by Salmat Limited during the period.
- Net profit attributable to members for the half year ended 31 December 2012 included the profit from discontinued operation relating to the divestment of the BPO division.

25 February 2014

Salmat announces half year results for FY14: solid progress in year of transformation.

Salmat Limited (ASX:SLM) today announced its half year results for the period ended 31 December 2013. Some of the key highlights include:

- Continued strong cash and balance sheet position.
- Underlying sales growth and strong new business pipeline.
- Growth strategy progressing well.
- Two strategic acquisitions now completed.
- Interim dividend of 7.5 cents per share declared in line with previous commitment.

Revenue from continuing operations was $232.1 million for the half year, down 4.6% on the prior corresponding period. Underlying EBITA was $10.0 million, a reduction on the prior year following the group's investment in transformation.

NPAT from continuing operations was $7.0 million, an increase of $9.2 million on prior corresponding period. Statutory Net Profit after Tax (NPAT) was also $7.0 million, compared with $41.5 million in the pcp (which included $43.6 million profit on the sale of the BPO division).

The Board declared an interim dividend of 7.5 cents per share, fully franked, as had been projected at the FY13 full year results. The previous interim dividend was 4.0 cents per share.

"Having completed the first year of our three year growth strategy, our focus this year is on re-engineering and re-architecting the business," said interim CEO, Mr Peter Mattick.

"We have significantly scaled up our IT resources in order to complete the major transformation process, as has been previously communicated to the market. This investment will begin to dissipate as we scale back in the first quarter of FY15.

"Our growth strategy is progressing well as we transform our IT environment, transition to new service platforms and finalise the separation of the major BPO business divested last year.

"These efforts have already been rewarded with a robust new business pipeline across all areas of the business and some recent significant wins that will see sales boosted in the new financial year.

"We've made some small but highly strategic acquisitions to build on our services and geographic reach and invested in our sales capability to support the new solution suite and extend sales into new markets," he said.

$ million	H1 2014	H1 2013	Change %
Revenue from continuing operations	232.1	243.4	- 4.6%
Underlying EBITA from continuing operations	10.0	15.0	- 33.3%
NPAT from continuing operations	7.0	- 2.2	NMF
Statutory NPAT	7.0	41.5	- 83.1%
Statutory earnings per share (cents)	4.4	26.2	- 83.2%
Interim dividend (cents per share)	7.5	4.0	+ 87.5%

Revenue of $232.1 million (pcp $243.4m) was down 4.6% on the pcp. Revenue was impacted by the completion of the Origin Direct Sales contract and lost business from the prior year, offset by new business wins across the group. Underlying sales growth was especially strong in the SME market, catalogues and digital. Whilst catalogue volumes were down 1.9%, they were up 5.8% on a like-for-like basis (excluding accounts discontinued last year).

Underlying EBITA of $10.0 million was down 33.3% from $15.0 million in the pcp. Ongoing investment in the growth strategy had a significant impact with $4.4 million in investment costs, including $2.5 million in IT, relating both to new platform development and additional costs associated with carrying dual operating systems prior to the final transition.

NPAT from continuing operations of $7.0 million compares with a loss of $2.2 million in the pcp.

Statutory NPAT was down 83.1% against the prior corresponding period, which included the $43.6 million profit from the divestment of BPO.

Net cash was $67.1 million at 31 December 2013, following the payment of $11.9 million in dividends and $11.2 million in capital expenditure plus costs relating to the Netstarter acquisition and BPO separation process.

The Board has declared an interim **Dividend** of 7.5 cents per share, fully franked, payable on 3 April 2014 with a record date of 11 March 2014. This is in line with the Board's previous commitment to a total dividend of 15.0 cents per share for the current financial year, notwithstanding any unforeseen events.

Operational review

Consumer Marketing Solutions

$ million	H1 2014	H1 2013	Change % pcp
Sales revenue	138.0	136.1	+ 1.4%
EBITA	16.0	17.5	- 8.6%
Margin	*11.6%*	*12.9%*	

Consumer Marketing Solutions revenue was up 1.4% on the pcp thanks to solid underlying growth in areas including the SME market and digital services. This growth was also achieved despite the absence of some significant catalogue work from the previous year. Catalogue volumes were down 1.9% against the same period last year but up 5.8% on a like-for-like basis, excluding the lost accounts.

EBITA was down 8.6% on the pcp to $16.0 million on the back of investment in the new service platform and sales capability, as well as a shift in the weighting of lower-margin services.

The Universal Catalogue solution is continuing to gain traction amongst both traditional and new markets, with SME clients and media agencies both growing in relevance. While the sales cycle for the solution has proved somewhat longer than anticipated, the new Influence platform is also starting to ramp up, with several sales now secured, including scoping and pilots underway with two major retailers. This has exceeded expectation and already achieved the target of having several new clients taking up the solution by year end.

Good progress has also been made with the Digital suite of services, which has established strong working relationships with the various strategic technology partners and achieved solid sales growth in the period.

Further investment in both technology and sales capability for the CMS division will continue in the second half, as will an ongoing program aimed at operational efficiency and margin improvement across the full suite of services.

These investments will impact the second half of FY14, with the benefits to be realised via an uplift in CMS sales and earnings in FY15.

Customer Engagement Solutions

$ million	H1 2014	H1 2013	Change % pcp
Sales revenue	91.3	105.4	- 13.4%
EBITA	2.3	5.8	-60.3%
Margin	*2.5%*	*5.5%*	

Customer Engagement Solutions revenue was down 13.4% on the pcp to $91.3 million, following on from the closure of the major Origin business in Direct Sales (with an impact of approximately $22 million in FY14) and a number of discontinued contact centre contracts, as previously outlined to the market. A refocus of the Direct Sales business model has enabled the business to fill the Origin gap significantly with new diversified work, which will reduce the dependence on traditional door-to-door work moving forward.

EBITA of $2.3 million was down from $5.8 million in the pcp and was impacted both by investment and costs associated with the new Reach platform as well as additional costs incurred with excess capacity on-shore. This capacity was retained in anticipation of some significant new opportunities, a number of which have now been secured.

The rollout of the new Reach platform has continued to progress with completion expected by the end of FY14, after which time the duplicate operating system costs will be significantly reduced. Around 80% of the total client base has been transitioned to the new platform.

While sales pipeline conversion had been tracking more slowly than expected, a recent turnaround has seen the division secure a significant number of new business wins that will fill Australian capacity and contribute an additional $25 million per annum in revenue. The pipeline now totals around $300 million.

While a number of these new wins should start to be implemented during the second half, revenue and earnings impact will not be realised until FY15.

Acquisitions

Two strategic acquisitions were announced during the half year, with the Netstarter acquisition taking place in October and the MicroSourcing deal signed in December. The acquisitions impacted cash flow by $5.5 million during the half and have a combined commitment of an additional $40 million in earn out agreements.

Netstarter is already integrating very well, complementing Salmat's existing e-commerce portfolio.

With the MicroSourcing 50% acquisition successfully completed on 13 February, the focus is now on achieving synergies, client retention and growth.

Both acquisitions are EBITA positive and meet the stated deal objectives, contributing to Salmat's growth strategy.

Board and management changes

A number of Board and Senior Management changes were announced during the half year.

Mr Mark Webster joined the Salmat Board as a new independent Non-executive Director in December 2013 and is a member of the Technology and Innovation Committee. Mark is presently Managing Director of the thoroughbred sales group, William Inglis and Son Limited.

In January it was announced that Mr Craig Dower has been appointed as Salmat Chief Executive Officer, commencing on 14 April 2014. Craig joins Salmat from the global IT consultancy firm, Avanade, which is a joint venture between Microsoft and Accenture.

Outlook

"The current financial year remains a year of significant investment and building for the future. As previously stated to the market, FY14 is a period of strengthening the business rather than achieving stellar financial results in the short term," said Mr Mattick.

"We are on track with the implementation of our new solution platforms and have made solid progress with our major IT re-engineering. We've also secured some small but strategically important acquisitions during the period, boosting our digital capabilities and contact centre services, as well as expanding our geographic reach into Asia.

"FY13 marked the launch of our strategy, FY14 is the year of building and FY15 remains the period when we will see the benefits flow to both our top and bottom line.

"We look forward to welcoming our new CEO, Craig Dower, on board in April and will provide an update to the market on our strategic progress once he has had an opportunity to settle in to the business.

"Considering the additional costs being incurred in IT investment and in implementing the high volume of new CES contracts recently secured, our guidance is for EBITA in the range of $14-16 million excluding significant items for the full year," said Mr Mattick.

ENDS

About Salmat

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

Market Leaders

Salmat has two market-leading divisions:

Consumer Marketing Solutions (CMS) division consists of the Salmat Digital, Targeted Media Solutions and Lasoo businesses. CMS delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as the Influence multi-channel marketing solution, and Australia's premier online pre-shopping site, Lasoo.com.

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

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

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

For further information, please contact:

Peter Mattick
Chairman and interim Chief Executive Officer
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Chad Barton
Chief Financial Officer
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The Directors present their report on the consolidated entity consisting of Salmat Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

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

Peter Mattick	
Fiona Balfour	
Ian Elliot	
Richard Lee	(retired 21 November 2013)
Philip Salter	
John Thorn	
Mark Webster	(appointed 13 December 2013)

REVIEW OF OPERATIONS

Salmat's operations
Principal activities
Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Key to this strategy is our deep understanding of the future needs and behaviours of consumers and our unique ability to seamlessly integrate existing and evolving technologies. This enables our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

Salmat deploys these key competences across two business pillars which are both market leaders:

(a) The Consumer Marketing Solutions (CMS) division consists of the Salmat Digital, Targeted Media Solutions and Lasoo businesses. CMS delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Influence, omnichannel marketing solution, and Australia's premier online pre-shopping site, Lasoo.com.

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

Key developments
On 31 October 2013 the Group completed its acquisition of 100% of Netstarter Pty Limited for an initial payment of $5.5m plus deferred payments which will be made in 2015 and 2016 based upon the EBITDA performance of the business.

2014 half year operating results summary
Revenue of $232.1 million (pcp $243.4m) was down 4.6% on the prior corresponding year (pcp). Revenue was impacted by the completion of the Origin direct sales contract and lost business from the prior year, offset by new business wins across the Group. Underlying sales growth was especially strong in the SME market, catalogues and digital. Whilst catalogue volumes were down 1.9%, excluding major contracts discontinued last year, on a like for like basis, catalogues were up 5.8%

Underlying EBITA of $10.0 million was down 33.3% from $15.0 million in the pcp. Ongoing investment in the growth strategy had a significant impact with $4.4 million expensed on our transformation.

NPAT from continuing operations of $7.0 million compares with a loss of $2.2 million in the pcp.

Statutory NPAT was down 83.1% against the pcp, which included the $43.6 million profit from the divestment of BPO.

Financial position and cash flows
Net cash was $67.1 million at 31 December 2013, following the payment of $11.9 million in dividends and $11.2 million in capital expenditure plus costs relating to the Netstarter acquisition and BPO separation process.

The Board has declared an interim Dividend of 7.5 cents per share, fully franked, payable on 3 April 2014 with a record date of 11 March 2014. This is in line with the Board's previous commitment to a total dividend of 15.0 cents per share for the current financial year, notwithstanding any unforeseen events.

Business risks, strategies and prospects

Business strategies and Prospects
Salmat's core business strategy is to be the leading multi-channel communication and engagement provider in the Australasian marketplace. Consumers are able to access more information, from more sources, than ever before. Brands are no longer able to rely on a single medium to engage with consumers, who are demanding engagement on their terms, across multiple channels. By combining the physical and digital assets, Salmat is uniquely positioned to enable its clients to distribute more engaging content enabling our clients to cost effectively reach and influence their customers and maximise their sales and return on investment.

The divestment of BPO simplifies the group strategy around this vision and has transformed the balance sheet of the group to allow investment across our key platforms being:

Salmat Universal Catalogue. Seamless distribution of physical and digital catalogue content is delivered through Salmat's Universal Catalogue platform. By combining the traditional physical catalogue with our digital assets from Lasoo, we are uniquely positioned to enable our clients to distribute more engaging content anytime, anywhere, on any device to drive more sales. By overlaying the data capability we have in our physical distribution business, with the data insights we have in our online business, we can help our clients target the consumer more effectively.

Salmat Influence. Influence is a locally hosted solution that combines Salmat's thought leadership in campaign management and marketing services with Teradata Applications, a leader in integrated marketing management software. Salmat Influence will empower marketing professionals to communicate consistently across digital (email, web and social networks), traditional (direct marketing and call centre) and mobile channels, by utilising data analytics in real-time to deliver highly relevant offers at the right time and through the right channels.

Salmat Reach. As a hosted solution, Salmat Reach is a leading edge contact centre technology platform that seamlessly integrates all customer communications channels within the cloud. This solution is hosted by Salmat and combines the expertise of Salmat, Australia's largest and most experienced customer contact solutions provider, with the innovation of Avaya, one of the world's best contact centre infrastructure platforms. Salmat Reach makes enterprise class contact centre applications accessible and affordable for organisations of almost any size. This is also the same solution that Salmat uses to support our 60 different contact centres, giving you the power to use our technology without having to purchase it.

The drive to be a technology platform centric business revolves around investing in systems to extract further value from all of our businesses, as well as capturing opportunities in the emerging high growth digital communication and commerce channels. We are implementing technology-based, rather than labour-based, solutions across the company that are highly scalable and improve the standard of service and efficiency to our customers.

The opportunity is to provide our customers with a service they require on a more effective basis with lower risk. We own the technology underpinning the services and we have a great ability to leverage this investment. The opportunity is for us to build further scale and volume and this journey is well underway.

Salmat will continue to look to accelerate its growth strategy through strategic investments that complements this vision. In considering any future investments, criteria used to evaluate acquisitions will be established businesses with the ability to deliver recurring revenue and profit, with strong intellectual property, capabilities, client base and teams that fits with Salmat's culture.

Business Risks
Salmat is committed to embedding risk management practices in a manner that supports achieving its strategic objectives. Risk management is carried out in accordance with policies approved by the Board. Salmat has established a management-led Risk Management Committee that directs the implementation and operation of an appropriate risk management framework and culture. Salmat faces a variety of material risks including (but not limited to) strategic, operational, information technology, financial and regulatory risks.

The current economic trading environment, particularly in the retail sector, combined with the competitive trading environment, remain significant business risks. Salmat's sales volumes and therefore its profitability are directly related to the level of retail sales achieved by our retailer customers particularly in the CMS division. The company in its handling of customer data and door to door sales on behalf of our clients increases its exposure to regulatory risk, reputation and brand risk.

Following the divestment of BPO, the Group has simplified its strategy; however, there remains a significant transition from Salmat's existing data centres that were all located in BPO sites to new data centres. There remains transition risk associated in the information technology transition and new data centre establishment. Salmat is investing heavily into highly scalable systems in the drive to become a technology centric business. The ability to execute against key strategic projects will be a key enabler of the accelerated growth strategy.

An integral part of the Salmat Group's growth strategy involves business combinations which entail a number of risks including the cost of effectively integrating acquisitions to realise synergies, significant write-offs or restructuring charges, and unanticipated costs and liabilities. The Group may also be liable for the past acts, omissions or liabilities it has acquired that are unforeseen or greater than anticipated.

EVENTS OCCURRING AFTER BALANCE DATE
On 13 February 2014 the Group completed the acquisition of 50% of the shares of Microsourcing International Limited for an initial payment of US$7.75m. Salmat Limited holds a performance based option to acquire the remaining 50% of the business with estimated total investment of US$31m, dependent on performance incentives.

AUDITOR'S INDEPENDENCE DECLARATION
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

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

Signed this 25th day of February 2014 in accordance with a resolution of the Board of Directors.

Peter Mattick
Chairman and interim Chief Executive Officer

Auditor's Independence Declaration

As lead auditor for the half year review of Salmat Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Salmat Limited and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horl

Susan Horlin - Partner
PricewaterhouseCoopers

25 February 2014

SALMAT LIMITED
Income Statement
For the half year ended 31 December 2013

		Consolidated	
	Note	Half Year Ended 31 Dec 2013 $000	Half Year Ended 31 Dec 2012 $000
Sales revenues		229,283	241,488
Revenues from other activities		2,865	1,919
Revenue from continuing operations		**232,148**	**243,407**
Employee benefits expenses		(110,251)	(125,762)
Depreciation and amortisation expense		(5,188)	(7,185)
Freight, distribution and communication expenses		(82,687)	(75,462)
Materials usage		(196)	(234)
Property related expenses		(8,403)	(9,875)
Equipment related expenses		(4,032)	(4,805)
Other expenses from ordinary activities		(12,060)	(8,299)
Impairment loss	6	-	(8,820)
Finance costs		(2,969)	(2,908)
Share of net (losses)/profits of associates accounted for using the equity method		269	(639)
(Loss) / Profit before income tax		**6,631**	**(582)**
Income tax benefit/(expense)		373	(1,594)
(Loss) / Profit from continuing operations		7,004	(2,176)
Profit from discontinued operation		-	43,626
Profit attributable to members of Salmat Limited		**7,004**	**41,450**

Earnings per share for profit from continuing operations

Basic (loss) / earnings per share (cents per share)	**4.41**	**(1.37)**
Diluted (loss) / earnings per share (cents per share)	4.36	(1.36)

Earnings per share for profit attributable to members of Salmat Limited

Basic earnings per share (cents per share)	**4.41**	**26.19**
Diluted earnings per share (cents per share)	4.36	25.85

SALMAT LIMITED
Statement of Comprehensive Income
For the half year ended 31 December 2013

	Note	Consolidated Half Year Ended 31 Dec 2013 $000	Consolidated Half Year Ended 31 Dec 2012 $000
Profit for the period		**7,004**	**41,450**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Continuing operations			
Changes in the fair value of cash flow hedges		928	1,071
Income tax relating to changes in fair value of cash flow hedges		(279)	(321)
Exchange differences transferred to the income statement		1,567	-
Exchange differences on translation of foreign operations		1,553	650
Other comprehensive income for the period from continuing operations		**3,769**	**1,400**
Other comprehensive (loss) for the period from discontinued operations		**-**	**(758)**
Other comprehensive income for the period		**3,769**	**642**
Total comprehensive income for the period attributable to members of Salmat Limited		**10,773**	**42,092**
Total comprehensive income/(loss) for the period attributable to members of Salmat Limited arises from:			
Continuing operations		**10,773**	**(776)**
Discontinued operations		**-**	**42,868**
		10,773	**42,092**

SALMAT LIMITED
Statement of Financial Position
As at 31 December 2013

	Note	As at 31 Dec 2013 $000	As at 30 Jun 2013 $000
Current Assets			
Cash and cash equivalents		166,114	189,088
Trade and other receivables		52,437	53,129
Current tax receivable		4,258	1,612
Inventories		560	1,252
Other current assets		4,460	3,010
Total Current Assets		**227,829**	**248,091**
Non-Current Assets			
Receivables		3,686	3,529
Investments accounted for using the equity method		1,963	1,701
Property, plant and equipment		26,879	18,939
Deferred tax assets		12,662	13,781
Intangible assets	6	164,808	151,302
Other non-current assets		-	79
Total Non-Current Assets		**209,998**	**189,331**
Total Assets		**437,827**	**437,422**
Current Liabilities			
Trade and other payables		53,354	59,808
Borrowings		99,016	85
Derivative financial instrument		-	928
Provisions		12,141	13,627
Total Current Liabilities		**164,511**	**74,448**
Non-Current Liabilities			
Borrowings		75	99,007
Deferred purchase price		8,746	-
Deferred tax liabilities		1,665	1,265
Provisions		4,106	4,636
Retirement benefit obligations		129	96
Other non-current liabilities		698	698
Total Non-Current Liabilities		**15,419**	**105,702**
Total Liabilities		**179,930**	**180,150**
Net Assets		**257,897**	**257,272**
Equity			
Contributed equity		209,231	205,494
Reserves		3,269	1,399
Retained profits		45,397	50,379
Total Equity		**257,897**	**257,272**

SALMAT LIMITED
Statement of Changes in Equity
As at 31 December 2013

	Consolidated			
	Contributed Equity $000	Retained Profits $000	Reserves $000	Total $000
Balance at 1 July 2013	**205,494**	**50,379**	**1,399**	**257,272**
Profit for the period	-	7,004	-	7,004
Other comprehensive income/(loss)	-	-	3,769	3,769
Total comprehensive income for the period attributable to members of Salmat Limited	-	7,004	3,769	10,773
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	-	(55)	(55)
Treasury shares	3,737	-	(1,844)	1,893
Dividends paid	-	(11,986)	-	(11,986)
	3,737	(11,986)	(1,899)	(10,148)
Balance at 31 December 2013	**209,231**	**45,397**	**3,269**	**257,897**
Balance at 1 July 2012	**205,026**	**67,008**	**(1,113)**	**270,921**
Profit for the period	-	41,450	-	41,450
Other comprehensive income/(loss)	-	-	642	642
Total comprehensive income for the period attributable to members of Salmat Limited	-	41,450	642	42,092
Transactions with owners in their capacity as owners:				
Treasury shares	468	-	(149)	319
Cost of share-based payments	-	-	174	174
Dividends paid	-	(16,779)	-	(16,779)
	468	(16,779)	25	(16,286)
Balance at 31 December 2012	**205,494**	**91,679**	**(446)**	**296,727**

SALMAT LIMITED
Statement of Cash Flows
For the half year ended 31 December 2013

the evolution of one to one communication

	Note	Consolidated Half Year Ended 31 Dec 2013 $000	Consolidated Half Year Ended 31 Dec 2012 $000
Cash Flows from Operating Activities			
Receipts from customers *		253,820	405,241
Payments to suppliers and employees *		(241,434)	(381,143)
Transaction costs on disposal of subsidiary		-	(6,643)
Income tax paid		(1,474)	(7,859)
Net cash provided by operating activities		**10,912**	**2,566**
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		15	23
Proceeds from disposal of subsidiaries		-	355,690
BPO separation costs		(6,869)	-
Cash (outflow)/from acquisition of subsidiary		(5,429)	-
Interest received		2,865	1,919
Investment in associate		(75)	(400)
Payments for plant and equipment		(11,193)	(7,400)
Net cash provided by / (used) in investing activities		**(20,686)**	**349,832**
Cash Flows from Financing Activities			
Repayment of borrowings		-	(160,509)
Interest paid		(2,969)	(7,030)
Sale of treasury shares		1,811	-
Finance lease payments		(56)	(1,544)
Dividends paid to company's shareholders		(11,986)	(16,779)
Net cash used in financing activities		**(13,200)**	**(178,832)**
Net (decrease)/increase in cash held		**(22,974)**	**173,566**
Cash and cash equivalents at the beginning of the period		189,088	37,382
Cash and cash equivalents at the end of the period		**166,114**	**210,948**

* Items are inclusive of goods and services tax.

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This interim financial report for the half-year period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Salmat Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

AASB 11 Joint Arrangements
Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The group has assessed the nature of its joint arrangements and determined to only have joint ventures; the adoption of this standard has had no effect on the financial position or performance of the Group.

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

AASB 13 Fair Value Measurement
AASB 13 Fair Value Measurement establishes a single source of guidance under AIFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AIFRS when fair value is required or permitted by AIFRS. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 Fair Value Measurement also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Please refer to Note 7. The adoption of AASB 13 had no effect on the financial position or performance of the Group but has resulted in additional disclosure requirements.

AASB 119 Employee Benefits
AASB 119 Employee Benefits the revised standard has changed the accounting for the group's annual leave obligations. This amendment does not change the presentation of the annual leave liability but changes the measurement of the obligation. However, the impact of this change was immaterial.

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

2. SEGMENT INFORMATION

(a) Business Segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

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

CMS

The CMS division consists of the Salmat Digital, Targeted Media Solutions and Lasoo businesses. CMS delivers relevant, targeted and integrated communications across all digital and traditional channels. Salmat's solutions enable clients to interact and engage with their customers through interactive email, online content management, search optimisation, data insights and analytics, loyalty management, e-commerce, SMS, letterbox advertising and catalogue distribution, as well as Influence, omnichannel marketing solution, and Australia's premier online pre-shopping site, Lasoo.com.

CES

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

Corporate Costs

Corporate costs are those costs which are managed on a group basis and not allocated to business segments. They include costs of strategic planning decisions, compliance costs and treasury related activities.

Accounting Policies

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

Intersegment Transfers

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

Underlying EBITA & profit after tax

The chief operating decision maker assesses the performance of the operating segments based on a measure of underlying EBITA. This measurement basis excludes the effects of one-off income/expenditure such as separation costs.

2. SEGMENT INFORMATION (Continued)

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

Six months to 31 Dec 2013	CMS	CES	Corporate Costs	Total
	$000	$000	$000	$000
Segment Revenue				
Sales to external customers – continuing operations	137,984	91,299		229,283
Interest revenue				2,865
Total revenue from continuing operations				232,148
Segment EBITA from continuing operations before significant items and corporate costs	15,979	2,361		18,340
Reconciliation of segment EBITA to income statement				
Corporate costs			(8,333)	(8,333)
EBITA from continuing operations before significant items				**10,007**
Amortisation expense – continuing operations				(774)
Net finance costs – continuing operations				(101)
Underlying profit before income tax from continuing operations				**9,132**
Significant items – continuing operations (Refer note 3)				(2,501)
Profit before income tax				**6,631**
Income tax benefit				373
Profit from continuing operations				**7,004**
Profit from discontinued operations (Refer note 3)				-
Profit attributable to members of Salmat Limited				**7,004**

2. SEGMENT INFORMATION (Continued)

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

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

3. PROFIT FOR THE HALF YEAR

Significant items included in total expenses	**Six Months to 31 Dec 2013 Pre Tax $000**	**Six Months to 31 Dec 2012 Pre Tax $000**
Continuing operations		
Digital Joint Ventures	-	(1,009)
Impairment loss	-	(8,820)
Separation costs	(2,501)	(3,468)
Significant items from continuing operations	**(2,501)**	**(13,297)**
Significant items from discontinued operations	**-**	**29,394**
Total significant items	**(2,501)**	**16,097**
Reconciliation to net profit after tax from continuing operations		
Net profit / (loss) after tax from continuing operations	7,004	(2,176)
Significant items after tax	1,751	11,660
Underlying net profit after tax (excluding significant items)	**8,755**	**9,484**

4. DIVIDENDS

	Six Months to 31 Dec 2013 $000	**Six Months to 31 Dec 2012 $000**
(a) Dividends paid during the half-year		
Final fully franked ordinary dividend of 7.5 cents (2012: 10.5 cents) per share	11,986	16,779
Dividends paid as per Statement of Cash Flows	**11,986**	**16,779**

(b) Dividends proposed but not recognised as a liability at the end of the half year

In August the Directors' recommended the payment of an interim dividend of 7.5 cents per share (2012: 4.0 cents per share)		
The aggregate amount of the proposed fully franked interim dividend which is expected to be paid on 3 April 2014 is:	**11,986**	**6,393**
The aggregate amount of the fully franked special dividend paid on 5 April 2013 is:	**-**	**33,561**
The total of the proposed fully franked dividend which is expected to be paid on 3 April 2014 is:	**11,986**	**39,954**

5. NET TANGIBLE ASSET BACKING

	Six Months to 31 Dec 2013 $000	**Six Months to 31 Dec 2012 $000**
Net tangible asset backing per ordinary share from continuing operations	**0.58c**	**0.90c**

6. INTANGIBLES

	Consolidated			
	Goodwill $000	**Other Intangible Assets $000**	**Customer Intangible $000**	**Total $000**
Balance at 1 July 2012	430,703	1,235	16,466	448,404
Sale of BPO Division	(274,704)	(204)	(11,784)	(286,692)
Additions	30	-	-	30
Impairment	(6,987)	(43)	(1,291)	(8,321)
Amortisation charge	-	(668)	(1,451)	(2,119)
Balance at 30 June 2013	**149,042**	**320**	**1,940**	**151,302**
Balance at 1 July 2013	149,042	320	1,940	151,302
Additions	12,300	-	1,980	14,280
Amortisation charge	-	(320)	(454)	(774)
Balance at 31 December 2013	**161,342**	**-**	**3,466**	**164,808**

The goodwill and customer intangibles acquired in the six months to 31 December 2013 relate to the Group's acquisition of Netstarter. The goodwill recognised represents the synergies from combining Salmat's existing e-Commerce business with Netstarter as well as the value of the key personnel in the Netstarter business. Please refer to Note 7 for further detail on the Netstarter acquisition.

No other circumstances have arisen that indicate that the carrying value of the Group's non-current assets may be impaired. Goodwill is tested for impairment annually. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different segments were disclosed in the annual financial report for the year ended 30 June 2013.

7. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

On 31 October 2013 the Group completed its acquisition of 100% of Netstarter Pty Limited (e-commerce Agency) for an initial payment of $5.5m plus deferred payments which will be made in 2015 and 2016 based upon the EBITDA performance of the business.

This liability is classified as a financial liability at fair value through profit or loss and has been designated a Level 3 financial instrument in accordance with the fair value hierarchy within *AASB 13 Fair Value Measurement* as its value is not based upon observable market data.

The liability for these deferred payments has been estimated as $8,746,000 and is included within non current liabilities at 31 December 2013. This estimate was prepared using a discounted cash flow model. The key inputs used in the valuation of the deferred payments are the discount rate (risk free rate of 3.94%) and expected risk adjusted future earnings growth of the Netstarter business (50-88%).

If the growth rate increased by ten percent and the discount rate reduced by 100 basis points the fair value would increase by $1.4m. If reduced by ten percent and the discount rate increased by 100 basis points the fair value would decrease by $0.6m.

8. CONTINGENCIES

The Group has been involved from time to time in various claims and proceedings arising from the conduct of its business.

The Australian & Consumer Commission (ACCC) has been increasingly active in investigating and prosecuting energy industry participants, particularly relating to their field sales activities. As at the date of this report the ACCC has been investigating an energy retailer that Salmat contracts with to do field sales and they have served us a statement of claim. We are in the process of cooperating with the ACCC on this matter.

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.

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 13 February 2014 the Group completed the acquisition of 50% of the shares of Microsourcing International Limited for an initial payment of US$7.75m. Salmat Limited holds a performance based option to acquire the remaining 50% of the business with estimated total investment of US$31m, dependent on performance incentives.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 17 are in accordance with the *Corporations Act 2001*, including:

   (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory reporting requirements, and;

   (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed this 25th day of February 2014 on behalf of the Board.

Peter Mattick
Chairman and interim Chief Executive Officer

Independent auditor's review report to the members of Salmat Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Salmat Limited, which comprises the statement of financial position as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Salmat Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Salmat Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

a. giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
25 February 2014