

1 July 2020

Dear Shareholder,

**Salmat Limited (ASX: SLM) Notice of General Meeting - proposed return of capital**

On behalf of the Board of Directors of Salmat Limited ABN 11 002 724 638 (**Salmat** or the **Company**), I invite you to attend a General Meeting of the Company on Thursday 30 July 2020 at Cliftons Margaret Street, to enable the shareholders to consider and, if thought fit, to pass an ordinary resolution approving the return of capital to shareholders.

Following the sale of the Marketing Solutions business to the IVE Group and the MicroSourcing business to Probe BPO Holdings Pty Ltd, Salmat's Board of Directors considered strategic options for Salmat Limited and sought advice on the best way to return funds to shareholders.

As a result of this process, the Board has determined that - in the absence of a superior alternative option - best value for all shareholders will be achieved through an orderly winding-up of Salmat Limited (subject to shareholder approvals) in order to return remaining surplus funds to shareholders.

A fully franked special dividend of 11 cents per share was declared on 4 May 2020 and paid on 21 May 2020, returning \$22 million to shareholders. In the past fiscal year, fully franked special dividends of 5 cents per share (paid 2 October 2019) and 11 cents per share (paid 21 May 2020) returned a total of \$32 million to shareholders.

The Board is now proposing to undertake a capital reduction to return funds to shareholders, with each shareholder receiving an equal amount in cash for each share held. A total of approximately 66.5 cents per share returning \$133 million in funds will be returned via the proposed capital reduction, with approximately \$5 million being retained in the Company.

If the Capital Return is approved by shareholders, the Board's current intention is to subsequently seek shareholder approval to place the Company into voluntary winding up and appoint a liquidator to the Company. The purpose of the approximately \$5 million retained is to cover costs of the winding up process. Full details of the process are contained in the attached Explanatory Memorandum.

The meeting will be held at Cliftons, Level 13, 60 Margaret Street Sydney, beginning at 10:00am Sydney time. Please note that additional health and safety procedures will be in place at the venue, including temperature checks and social distancing. Anyone who is unwell or has a fever may be unable to enter the venue. We suggest submitting your vote ahead of the meeting where possible.

## Resolution

We submit the following resolution to shareholders for your consideration:

- Approval for a capital return of funds to shareholders via an equal reduction of share capital.

The Board of Salmat unanimously recommends that shareholders vote in favour of the Resolution. Each of the Directors who holds shares in Salmat intends to vote any such shares they hold in favour of the Resolution.

## Information on voting

If you wish to participate in the meeting you will need to attend the meeting, or appoint a proxy to act on your behalf.

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of shares as at 7:00 pm Sydney time on Tuesday 28 July 2020.

Please find below a Notice of Meeting. You will also receive a personalised proxy form. Instructions on how to appoint a proxy are detailed on the back of the proxy form. Please be aware that proxy forms must be received no later than 48 hours prior to the commencement of the meeting in order to be valid for the meeting.

Salmat has provided for electronic lodgement of proxies by its shareholders and encourages you to do so. If you wish to avail yourself of this service and have not already done so, you can do this by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and clicking on 'PROXY VOTING' and then follow the prompts. We recommend that you have your proxy form with you when you log on (this document contains your SRN/HIN reference number which you will need to enter into the Link website).

If your shares are held in a name other than your personal name, you will need to lodge a valid proxy form before the proxy closing time. If a holding is in the name of a company, then a valid Corporate Representative form will allow a holder to attend the meeting and vote on behalf of the company.

If you plan to attend the meeting, please bring with you suitable identification, your personalised proxy form or evidence of your authority to attend (by proxy or as Corporate Representative). Registration will commence at 9.00 am Sydney time.

We thank you for your continued support and look forward to welcoming you at the meeting.

Yours faithfully



Peter Mattick AM  
Chairman

**SALMAT LIMITED**  
ABN 11 002 724 638  
(the Company)

**NOTICE OF GENERAL MEETING**

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NOTICE IS HEREBY GIVEN that a General Meeting of the members of Salmat Limited will be held on 30 July 2020 at Cliftons Venues, Level 13, 60 Margaret Street Sydney NSW 2000 commencing at 10:00am Sydney time. Registration will open at 9:00am.

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**BUSINESS OF THE MEETING**

**1. Capital Return**

To consider, and if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the ordinary share capital of Salmat to be reduced by approximately \$133 million by way of an equal reduction of capital to be effected by Salmat paying to each registered holder of fully paid ordinary shares in Salmat as at 7:00pm Sydney time on 5 August 2020 the amount of 66.5 cents per fully paid ordinary share in Salmat held by that holder at that time, as set out in the Explanatory Memorandum."*

**Explanatory Memorandum**

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

**Majority required**

For the Resolution to be passed, it must be approved by a simple majority of more than 50% of the votes cast. The vote for this resolution will be conducted by poll.

**Voting Exclusions**

There are no voting exclusions on the Resolution.

**On behalf of the Board**  
**Stephen Bardwell**  
**Company Secretary**



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1 July 2020

## **NOTES**

### **A. Eligibility to Vote**

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as at 7.00 p.m. Sydney time on 28 July 2020. Please note: the deadline for lodgement of proxy forms is 10.00 a.m. Sydney time on this same day.

### **B. Voting Form**

The Voting Form allows shareholders who are not attending the meeting to either lodge their vote directly, or appoint a proxy or corporate representative to vote on their behalf. Where a voting form has been mailed to you, a reply paid envelope has also been included for return of the Voting Form by post.

### **C. How to Vote**

#### **Direct Voting – complete Section A of the Voting Form**

You may vote directly on the resolution considered at the meeting without attending the meeting or appointing a proxy. To vote directly, complete Section A of the Voting Form. You must complete the voting directions for the Resolution by marking "For" or "Against" or "Abstain" for your vote to be counted. If you mark more than one box on an item your vote on that item will be invalid.

If you vote directly, you are entitled to attend the meeting. However your attendance will revoke your direct vote unless you instruct Link Market Services otherwise.

#### **Voting in person**

If you are attending the meeting, please bring your personalised Voting Form with you. We ask that you arrive at the venue at least 30 minutes prior to the time designated for the meeting so that we may check your security holding against our register of shareholders and note your attendance. If you do not bring your Voting Form with you, you can still attend the meeting but representatives of Link Market Services will need to verify your identity.

You may still attend the meeting and vote in person even if you have voted directly or appointed a proxy. If you have previously submitted a Voting Form, your attendance will revoke your direct vote (unless you instruct Link Market Services otherwise) or suspend your proxy appointment while you are present at the meeting.

#### **Voting by corporate representative**

If a corporate shareholder plans to attend the meeting, it must appoint a person to act as its representative and the appointed person must bring appropriate written evidence of the appointment to the meeting signed in accordance with the corporation's constitution or in accordance with section 127 of the Corporations Act.

## **Voting by proxy – complete Section B of the Voting Form**

If you are not attending the meeting and are entitled to vote on the resolutions, you may appoint a proxy to attend and vote for you by completing Section B of the Voting Form. A proxy may be an individual or a body corporate. A proxy does not need to be a shareholder of the Company.

Your proxy can be appointed in respect of some or all of your votes. If you are entitled to cast two or more votes at the meeting, you may appoint two proxies, and may specify a proportion or number of your votes that each proxy may exercise on a poll. If you do not specify a proportion or number, each proxy may exercise half of your votes. If you appoint two proxies, neither proxy may vote on a show of hands. An additional Voting Form is available on request from Link Market Services if you wish to appoint two proxies.

Your proxy will also have the right to speak at the meeting.

You can use the attached Voting Form to appoint a proxy.

You may appoint the Chair of the meeting as your proxy by nominating him in the Voting Form. If you return your Voting Form but do not nominate the identity of your proxy, the Chair of the meeting will automatically be your proxy. If you return your Voting Form but your nominated proxy does not attend the meeting, then the Chair of the meeting will become your proxy by default. For resolutions determined on a poll, if your nominated proxy is either not recorded as attending the meeting, the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as your proxy for the purposes of voting on the resolution. The Chair of the meeting is required to vote any directed proxies that default to him in these circumstances as directed on the proxy appointment.

Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received prior to the commencement of the meeting, then the body corporate (through its representative) will not be permitted to act as your proxy.

You can obtain a Letter of Corporate Representation from Link Market services,  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## **D. How will my proxy vote**

You can direct your proxy to vote using the Voting Form.

If you do not mark any of the boxes on a given item, your proxy may vote, or abstain from voting, as he or she chooses, except as set out in the voting exclusions.

If you mark the “abstain” box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll, and your vote will not be counted in computing the required majority on a poll.

If you mark more than one box on an item your vote on that item will be invalid.

#### **E. Chairman’s voting intentions**

If you appoint the Chair of the meeting as your proxy or the Chair of the meeting becomes your proxy by default, and you have not directed how to vote on an item of business, then on a poll for that item, the Chair of the meeting intends to vote all available proxies “for” that item of business.

Salmat Limited encourages all shareholders who appoint proxies to direct their proxy on how to vote on each resolution.

#### **F. Signing**

If the shareholder is a corporation, the Voting Form must be signed under the company’s constitution or in accordance with section 127 of the Corporations Act or under the hand of a duly authorised officer of the corporations.

A shareholder which is a corporation having a sole director/secretary must state that fact on the Voting Form.

If the shareholder is a natural person, the Voting Form must be signed by the shareholder or the shareholder’s attorney duly authorised in writing. Where the shares are jointly held, only one of the holders is required to sign the Voting Form.

#### **G. Authorised Officers**

If the Voting Form is signed by an attorney or authorised person, a certified copy of the power of attorney or other document signed by or on behalf of the shareholder detailing the person’s authority must be provided to the registry at the same time as providing the Voting Form.

#### **H. Voting deadlines**

To be effective, all Voting Forms must be lodged no later than 48 hours before the time for the holding of the meeting, which is by 10.00 a.m. (Sydney time) on 28 July 2020 as follows:

- by mailing it to the share registry of the Company,

Salmat Limited  
c/- Link Market Services Limited,  
Locked Bag A14,  
Sydney South NSW 1235,  
Australia

- by facsimile to Link Market Services Limited on +612 9287 0309;

- by going online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) ; login using the holding details as shown on the Proxy Form; Select 'Voting' and follow the prompts to lodge your vote; or
- by hand delivery to:

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Or

Link Market Services  
1A Homebush Bay Drive  
Rhodes NSW 2138

All enquiries to +61 1300 554 474

## EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution.

### 1. Resolution - Capital Return

#### 1.1 Details of Capital Return

##### (a) Return of capital

Salmat proposes to make a cash payment to Shareholders of 66.5 cents per Share (representing approximately \$133 million in total) as a return of capital. The record date for determining entitlements to receive the return of capital is 7.00 pm Sydney time on 5 August 2020.

##### (b) Payment details

If the Capital Return is approved by Shareholders, payment will be made to entitled Shareholders, being registered holders of Shares at the record date referred to above, directly into a nominated bank, building society or credit union account.

Any fraction of a cent payable to any Shareholder in respect of the Shareholder's aggregate holding of Shares will be rounded to the nearest whole cent.

Shareholders who have not already done so can arrange to have the return of capital paid directly into a bank, building society or credit union account in Australia by contacting Salmat's Registry on +61 1300 554 474 before the record date of 5 August 2020.

##### (c) Tax treatment

Refer to section 1.6 below for information about the tax implications of the Capital Return for Shareholders. This information is general in nature and Shareholders will need to seek their own tax and financial advice, having regard to their individual circumstances.

#### 1.2 Reasons for the Capital Return

##### Background

Salmat was founded in 1979 and evolved from a small letterbox distribution business to an ASX-listed company, working with some of Australia's most recognised and trusted brands. Until 1 January 2020, Salmat operated two key business segments:

- i. The Marketing Solutions segment incorporated Australia's leading catalogue distribution network, reaching up to 17 million Australians in seven million homes each week. The Lasoo online catalogue site extended the reach of the printed catalogue, taking shoppers right to the checkout. Sophisticated data and analytics helped to inform highly targeted marketing.

ii. The Managed Services segment provided a wide range of back office solutions, through Salmat's Philippines-based business, MicroSourcing. MicroSourcing made it easy and affordable for businesses to build their own professional teams handling anything from animation or accounting through to technical support and web development.

On 23 November 2019, Salmat (together with certain subsidiaries) entered into an agreement to sell the Marketing Solutions business to a wholly-owned subsidiary of IVE Group Limited. This sale completed on 1 January 2020.

On Monday 30 December 2019, a wholly-owned subsidiary of Salmat entered into an agreement to sell the MicroSourcing business to Probe BPO Holdings Pty Ltd.

Following shareholder approval at a general meeting held on 21 February 2020, the sale of MicroSourcing completed on 28 February 2020.

In the Explanatory Memorandum for the General Meeting on 21 February 2020, Salmat indicated the intention to delist and return surplus funds to Shareholders, should the MicroSourcing sale be successfully completed.

As Salmat no longer has any business operations and in the absence of a superior alternative option, the Board has proposed an orderly winding up in order to maximise value for Shareholders. As part of this process, the Board has taken advice on the most efficient means to return value to Shareholders. The first component of this process was a special dividend.

On 4 May 2020, the Board declared a fully-franked special dividend of \$0.11 per Share, which was paid on 21 May 2020. This dividend returned a total of \$22 million to Shareholders. This payment was in addition to the fully franked special dividend of five cents per share paid in October 2019.

### General rationale

The Directors believe that, in addition to the special dividend already paid, a further \$133 million of capital can prudently be returned by way of return of capital (giving an aggregate return of funds to Shareholders of \$155 million to date, since the completion of the Marketing Solutions and MicroSourcing transactions).

If the Capital Return is approved by Shareholders, the Board's current intention is to subsequently seek shareholder approval via special resolution to place the Company into voluntary winding up and appoint a liquidator to the Company (the **Winding Up Resolution**) to be approved on, and such appointment to have effect from, a date after the date of payment of the Capital Return. The Board's current intention is to dispatch a Notice of Meeting for the Winding Up Resolution on 30 July 2020, with the meeting to be held on 28 August 2020.<sup>1</sup> It is expected, subject to ASX confirmation, that ASX will suspend the quotation of the Shares on and from the date that the Notice of Meeting for the Winding Up Resolution is dispatched.

It is expected that if appointed, the liquidator will arrange for the payment of any creditors, return any remaining surplus funds to Shareholders in accordance with Salmat's Constitution, and arrange for the

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<sup>1</sup> These dates are indicative and are subject to change.

deregistration of the Group. It is expected, subject to ASX confirmation, that Salmat will be delisted from ASX on the appointment of the liquidator on 28 August 2020.<sup>1</sup>

After the completion of the Capital Return, Salmat is expected to hold approximately \$5 million. The Directors believe that undertaking the Capital Return in the amount proposed will leave Salmat with sufficient funds to cover the costs of the winding up process whilst complying with the legal requirements for the return of capital (see section 1.3 below).

Salmat evaluated various options for returning excess capital to Shareholders and determined the Capital Return was the optimal method because:

- it is time-efficient and can be completed quickly; and
- it applies equally to all Shareholders and proportionate interests in the Company remain unchanged.

### 1.3 Requirements for the return of capital

#### (a) Equal reduction

The proposed return of capital constitutes an equal reduction of Salmat's share capital for the purposes of the Corporations Act.

This is because it relates only to Shares, it applies to each holder of Shares in proportion to the number of Shares they hold, and the terms of the reduction are the same for each holder of Shares.

#### (b) Statutory requirements

Under the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements.

Each requirement is set out below, together with a description of how that requirement is met in relation to the Capital Return.

Requirement	How the requirement is satisfied
<b>The reduction must be fair and reasonable to the company's shareholders as a whole</b>	The Directors consider that the Capital Return is fair and reasonable to Shareholders as a whole because: <ul style="list-style-type: none"><li>• it will be available to all Shareholders;</li><li>• the overall amount received by each Shareholder will be proportionate to the number of Shares they hold; and</li><li>• the same amount of capital returned per Share will apply to each Shareholder.</li></ul>
<b>The reduction must not materially prejudice the company's ability to pay its creditors</b>	The Directors have carefully reviewed Salmat's assets, liabilities and expected cashflows, and believe that the Capital Return will not materially prejudice Salmat's ability to pay its creditors. The Directors

	<p>have also satisfied themselves as to the solvency of the Company following the Capital Return.</p> <p>See section 1.5 below for further information.</p>
<p><b>The reduction must be approved by shareholders under section 256C of the Corporations Act</b></p>	<p>This requirement is the reason shareholder approval is being sought. In the context of an equal reduction of capital, the Capital Return must be approved by an ordinary resolution of Shareholders.</p> <p>In accordance with section 256C(5) of the Corporations Act, a copy of this Notice of General Meeting has been lodged with the Australian Securities and Investments Commission.</p>

## 1.4 Effect of the Capital Return on Salmat

### (a) Effect on capital structure

After the Capital Return, Salmat's share capital will be reduced by approximately \$133 million (subject to rounding).

No shares will be cancelled in connection with the Capital Return. Accordingly, the Capital Return will not affect the number of Shares held by each Shareholder, nor will it affect the control of Salmat.

### (b) Share price impact

If the Capital Return is implemented, the Shares may trade at a lower share price following the 'ex' date for the Capital Return than they would have done had the Capital Return not been made. This is due to the return of funds to Shareholders and the consequent reduction in shareholders' funds held by the Company.

ASX Listing Rule 7.25 provides that a company must not reorganise its capital if the effect of doing so would be to decrease the price at which its main class of shares would be likely to trade after the reorganisation to an amount less than 20 cents. The Company has sought a waiver from this Listing Rule.

### (d) Impact on financial position of Salmat

Salmat has cash reserves which are sufficient to fully fund the Capital Return and to retain sufficient cash reserves to pay for the costs of the intended winding up of the Company (see section 1.2). The Capital Return, if completed, will reduce or eliminate Salmat's ability to invest in any new business undertaking. It is noted that the Board has no current intention to make any such investment, given the Board's intention to subsequently seek the wind up of the Company.

Immediately after the payment of the Capital Return, Salmat is expected to have net cash of approximately \$5 million and net assets of approximately \$4 million.

## **(e) Tax implications for Salmat**

No adverse tax consequences are expected to arise for Salmat from the Capital Return.

### **1.5 Ability to pay creditors not materially prejudiced**

Salmat has undertaken significant work (including the commissioning of external advice) to assess the impact of the special dividend and the return of capital on Salmat's ability to pay its creditors, including current and reasonably foreseeable future claimants.

That review concluded that the payment to shareholders of an amount equal to the Capital Return amount would not materially prejudice Salmat's ability to pay its creditors.

As a consequence, the Directors are satisfied that the Capital Return will not materially prejudice Salmat's ability to pay its creditors, including current and reasonably foreseeable future claimants.

### **1.6 Tax implications for Salmat shareholders**

The summary in this section is a general guide to the Australian income tax implications of the Capital Return arising for Shareholders that hold, and have always held, their Shares on capital account. The guide does not take into account the individual circumstances of each Shareholder and does not constitute tax advice. Accordingly, Shareholders should seek their own professional advice in relation to their tax position. Neither Salmat nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Capital Return.

#### **(a) Capital return**

The Company's understanding of the likely income tax implications for Shareholders that hold, and have always held, their Shares on capital account is as follows:

- 1) no part of the proposed capital return should be treated as a dividend for tax purposes;
- 2) if the cost base of a Share acquired after 19 September 1985 is less than the capital return amount (on a cents per share basis) then an immediate capital gain will arise for the difference;
- 3) otherwise, the cost base for each Share acquired after 19 September 1985 will be reduced by the capital return amount (on a cents per share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that Share;
- 4) for those Shareholders who are not tax residents of Australia and who do not use, and have never used, any of their Shares to carry on business through a permanent establishment in Australia, no Australian capital gain or loss should arise as a consequence of the Capital Return.

For Shareholders who acquired Shares prior to 20 September 1985, different considerations may apply and they should seek specific advice on the implications of the Capital Return for their tax position.

It should be noted that the Company has not applied for and does not intend to apply to the Australian Taxation Office for a Class Ruling to confirm the above.

**(b) Non residents**

Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the Capital Return under the laws of their country of residence.

**1.7 Directors' interests and recommendation**

Each Director has a relevant interest (held directly and indirectly) in Shares as set out in the following table:

Director	Ordinary shares	Options
Mr Peter Mattick AM	44,889,589	Nil
Mr Stuart Nash	7,992	Nil
Mr Mark Webster	nil	Nil

The Directors unanimously recommend that shareholders vote in favour of the Resolution. Each Director intends to vote all Shares held or controlled by him in favour of the Resolution.

**1.8 No other material information**

Other than as set out in this document, and other than information previously disclosed to Shareholders, there is no other information that is known to the Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of the Resolution.

## 2. Key dates

The key dates for the Capital Return, if approved, are set out in the indicative timetable below. These indicative dates are subject to change.

Event	Date
General Meeting and potential shareholder approval of Capital Return	Thursday, 30 July 2020
Last day for trading of Shares to be entitled to Capital Return <sup>2</sup>	Monday, 3 August 2020
Shares commence trading on an 'ex return of capital' basis <sup>2</sup>	Tuesday, 4 August 2020
Record date for determining entitlements to participate in Capital Return	Wednesday, 5 August 2020
Payment date for Capital Return	Wednesday, 12 August 2020

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<sup>2</sup> As set out in section 1.2, it is expected, subject to ASX confirmation, that ASX will suspend the quotation of the Shares on and from the date that the Notice of Meeting for the Winding Up Resolution is despatched (expected to be on 30 July 2020, subject to approval of the Capital Return).

## **GLOSSARY**

**\$** means Australian dollars

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange

**ASX Listing Rules** means the listing rules issued by the ASX as at the date of this Notice of Meeting

**Board** means the board of directors of the Company

**Capital Return** means the proposed equal capital reduction as set out in the Notice of Meeting

**Chair** means the person chairing the General Meeting

**Company** or **Salmat** means Salmat Limited ABN 11 002 724 638

**Corporations Act** means the *Corporations Act 2001* (Cth)

**Directors** means each director of the Company

**Explanatory Memorandum** means the explanatory memorandum contained in this document

**General Meeting** means the meeting of Shareholders to be held pursuant to the Notice of Meeting

**Notice of Meeting** means this document in its entirety, including the notice of general meeting and all notes and attachments

**Proxy Form** means the proxy form which accompanies this Notice of Meeting

**Resolution** means the resolution to approve the Capital Return as set out in the Notice of Meeting

**Share** means a fully paid ordinary share in the Company

**Shareholder** means a holder of a Share

**Voting Form** means the voting form enclosed with this Notice of Meeting and described in item B of the notes to the Notice of Meeting.