



# 2017 Notice of Annual General Meeting

**Date & Time of AGM: WEDNESDAY, 3 MAY 2017 at 11 AM (Sydney time)**

**Venue: Wesley Conference Centre,  
Lyceum Room  
220 Pitt Street,  
Sydney, NSW  
AUSTRALIA**

## NOTICE OF ANNUAL GENERAL MEETING (INCLUDING EXPLANATORY NOTES AND PROXY FORM)

---

Notice is given that the 2017 Annual General Meeting of shareholders of Smartgroup Corporation Ltd ACN 126 266 831 (**Company**) will be held at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney, NSW on Wednesday 3 May 2017 at 11:00am (Sydney time) for the purpose of transacting the business set out in this notice (**Notice of Meeting**).

The Explanatory Notes and Proxy Form accompanying this Notice of Meeting are incorporated in, and comprise part of, this Notice of Meeting.

### Items of business

#### Item 1. Financial statements and reports

To receive the 2016 Annual Report, the Directors' Report and the Auditor's Report of the Company for the year ended 31 December 2016.

#### Item 2. Resolution 1: Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an advisory and non-binding ordinary resolution:

*"That the remuneration report of the Company for the year ended 31 December 2016 be adopted and approved."*

#### Item 3. Resolution 2: Re-election of Director – Mr Gavin Bell

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

*"That Mr Gavin Bell, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

#### Item 4. Resolution 3: Re-election of Director – Mr John Prendiville

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

*"That Mr John Prendiville, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

#### Item 5. Resolution 4: Election of Director – Ms Deborah Homewood

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

*"That Ms Deborah Homewood, who was appointed a Director on 9 May 2016 to fill a casual vacancy during the year, retires in accordance with the Company's constitution and being eligible, offers herself for election, be elected as a Director of the Company."*

#### Item 6. Resolution 5: Approval to issue Shares to Mr Deven Billimoria

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

*"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 338,628 Shares to Mr Deven Billimoria, the Company's Managing Director and Chief*

*Executive Officer, under the Company's Loan Funded Share Plan and otherwise on the terms and conditions outlined in the Explanatory Notes."*

Note: If this Resolution is passed as an ordinary resolution, shareholder approval is not required under Listing Rule 7.1.

**Item 7. Resolution 6: Approval of increase of the maximum aggregate amount payable to non-executive Directors as remuneration**

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

*"That, for the purposes of the Constitution, ASX Listing Rule 10.17 and for all other purposes, approval be given to increase the maximum aggregate amount available for payment by way of remuneration to non-executive Directors by \$150,000, from \$1 million to \$1,150,000 per annum."*

**Item 8. Resolution 7: Approval of issue of shares to vendors of Selectus Pty Ltd**

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

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval be given for the issue of shares by the Company as described in the Explanatory Notes accompanying and forming part of this Notice of Meeting."*

**Item 9. Resolution 8: Approval of financial assistance by Autopia Group Pty Ltd and Autopia Management Pty Ltd**

To consider, and if thought fit, pass as the following Resolution as a special resolution:

*"That, for the purposes of section 260A and section 260B(2) of the Corporations Act, approval is given for the provision of the financial assistance described in the Explanatory Notes accompanying and forming part of this Notice of Meeting that is proposed to be provided by Autopia GPL and Autopia MPL, currently each a subsidiary of the Company, in connection with the Autopia Acquisition and all elements of that transaction and any other ancillary transaction that may constitute financial assistance by any Autopia Company for the purposes of section 260A of the Corporations Act in connection with the Autopia Acquisition, as described in the Explanatory Notes accompanying and forming part of this Notice of Meeting."*

**Item 10. Resolution 9: Approval of financial assistance by Selectus Pty Ltd, Selectus Employee Benefits Pty Ltd and Selectus Financial Services Pty Ltd**

To consider, and if thought fit, pass as the following Resolution as a special resolution:

*"That, for the purposes of section 260A and section 260B(2) of the Corporations Act, approval is given for the provision of the financial assistance described in the Explanatory Notes accompanying and forming part of this Notice of Meeting that is proposed to be provided by Selectus PL, Selectus EB and Selectus FS, currently each a subsidiary of the Company, in connection with the Selectus Acquisition and all elements of that transaction and any other ancillary transaction that may constitute financial assistance by any Selectus Company for the purposes of section 260A of the Corporations Act in connection with the Selectus Acquisition, as described in the Explanatory Notes accompanying and forming part of this Notice of Meeting."*

By order of the Board  
29 March 2017

A handwritten signature in black ink, appearing to read "Amanda Morgan". The signature is written in a cursive style with a period at the end.

Amanda Morgan  
General Counsel and Company Secretary

# Information for Shareholders

---

## Voting entitlements

The Company has determined, in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company's Shares quoted on ASX Limited at 7:00pm (Sydney time) on 1 May 2017 (**Effective Time**), will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote at the Meeting.

## Proxies and Representatives

All Shareholders as at the Effective Time who are entitled to attend and vote at the AGM may appoint a proxy for that purpose.

A proxy need not be a Shareholder.

The Proxy Form sent to you with this Notice should be used for this Meeting.

If you are entitled to cast two or more votes at this Meeting, you may appoint two proxies and you may specify the proportion or number of votes that each proxy is entitled to exercise. If you do not specify the proportion or number of votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by the Company on request.

In the case of an individual, a proxy must be under the hand of the individual or his or her attorney who has been authorised in writing. In the case of a corporation, a proxy must be executed by the corporation under common seal or under the hand of its authorised officer or officers or attorney.

Any Shareholder may, by power of attorney, appoint an attorney to act on that Shareholder's behalf. The power of attorney, or certified copy, must be received by the Company (in the manner described below).

Any corporation which is a Shareholder may appoint a representative to act on its behalf. Appointments of representatives must be received by the Company (in the manner described below).

The Chair will vote undirected and available proxies in favour of each of the Resolutions.

Proxy Forms, corporate representatives and powers of attorney granted by Shareholders must be received by the Company by no later than **11 am (Sydney time) on 1 May 2017** at the Company's share registry:

- by delivering in person - Link Market Services Limited:
  - 1A Homebush Bay Drive, Rhodes NSW **OR**
  - Level 12, 680 George Street, Sydney NSW;
- by post - using the Reply Paid envelope addressed Smartgroup Corporation Ltd, C/- Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235;
- by facsimile - to Link Market Services on (02) 9287 0309; or
- online – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

# Voting Exclusion Statements

## **Resolution 1 - Remuneration Report**

The Company will disregard all votes cast on Resolution 1 by, or on behalf of:

- a member of the KMP, details of whose remuneration are included in the Remuneration Report for the year ended 31 December 2016; or
- a Closely Related Party of a KMP;

whether the votes are cast as a Shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast on Resolution 1 by a KMP or a Closely Related Party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a Closely Related Party of a KMP and either:

- the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 1; or
- if the proxy is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.

If you are a KMP or a Closely Related Party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its directors and certain senior executives.

Further details in respect of Resolution 1 are set out in the Explanatory Notes accompanying and forming part of this Notice of Meeting.

## **Resolution 5 - Approval to issue Shares to Mr Deven Billimoria**

The Company will disregard all votes cast on Resolution 5 by Mr Deven Billimoria (being the only Director eligible to participate in the LFSP) and his associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, the Company will disregard all votes cast on Resolution 5 by a member of the KMP or a Closely Related Party of a KMP, who has been appointed as a proxy, unless:

- the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 5; or
- if the proxy is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on Resolution 5 and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its directors and certain senior executives.

Further details in respect of Resolution 5 are set out in the Explanatory Notes accompanying and forming part of this Notice of Meeting.

## **Resolution 6 - Approval of increase of the maximum aggregate amount payable to non-executive Directors as remuneration**

The Company will disregard all votes cast on Resolution 6 by each Director and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, the Company will disregard all votes cast on Resolution 6 by a member of the KMP or a Closely Related Party of a KMP, who has been appointed as a proxy, unless:

- the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 6; or
- if the proxy is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on Resolution 6 and expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.

### **Resolution 7 - Approval of issue of shares to vendors of Selectus Pty Ltd**

The Company will disregard any votes cast on Resolution 7 by a person who participated in the issue of Shares referred to in Resolution 7 (being the Selectus Vendors) and any of their respective associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

# SMARTGROUP CORPORATION LTD (ACN 126 266 831)

## EXPLANATORY NOTES TO NOTICE OF 2017 ANNUAL GENERAL MEETING

---

These Explanatory Notes have been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney, NSW on Wednesday 3 May 2017 at 11:00am (Sydney time).

These Explanatory Notes form part of the Notice and should be read together with the Notice.

### 1. **Items of business**

Item 1 does not require Shareholders to vote on a Resolution or adopt the received reports.

Items 2 to 8 (being Resolutions 1 to 7) will be proposed as ordinary resolutions. Items 9 and 10 (being Resolutions 8 and 9) will be proposed as special resolutions.

### 2. **Financial statements and reports**

The 2016 Annual Report, which includes the Directors' Report and Auditor's Report for the financial year ended 31 December 2016, is available on the Company's website: ([www.smartgroup.com.au](http://www.smartgroup.com.au)).

Shareholders will be given a reasonable opportunity as a whole to ask questions about or make comments on the management of the Company. The Company's auditor will also attend the Meeting and will be available to receive questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

This item of business does not require Shareholders to vote on a Resolution or adopt the received reports.

### 3. **Remuneration Report (Resolution 1)**

Pursuant to the Corporations Act, at the annual general meeting of a listed company, that company must propose a resolution that the remuneration report be adopted.

The purpose of Resolution 1 is to lay before the Shareholders the Company's Remuneration Report for the year ended 31 December 2016 (**Remuneration Report**) so that Shareholders may ask questions about or make comments on the management of the Company in accordance with the requirements of the Corporations Act and vote on an advisory and non-binding resolution to adopt the Remuneration Report.

The Board will consider the outcome of the vote made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Remuneration Report is contained within the 2016 Annual Report. You may view the 2016 Annual Report by visiting the Company's website ([www.smartgroup.com.au](http://www.smartgroup.com.au)).

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on this Resolution at the Meeting are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the Meeting, the Company's remuneration report for the financial year ending 31 December 2017 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and

- if, at the Company's 2018 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the Company's 2018 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has been unanimously been adopted by a resolution of the Board. The Directors have resolved in favour of the Remuneration Report and recommend it to Shareholders for adoption.

#### **Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

#### **4. Resolution 2: Re-election of Director – Mr Gavin Bell**

Mr Gavin Bell retires in accordance with the Constitution. Resolution 2 seeks Shareholder approval of the re-election of Mr Bell.

Being eligible, Mr Bell offers himself for re-election as a Director.

##### Mr Gavin Bell

Mr Bell has been a Director of IVE Group Limited since 2015 and is also a Board Member of iCare NSW. Previously Mr Bell was Managing Partner and Chief Executive Officer of law firm Herbert Smith Freehills (formerly Freehills), a position he retired from in 2014.

Mr Bell is Chairman of the Human Resources and Remuneration Committee and is a Member of the Audit and Risk Committee.

##### Additional information

Information about Mr Bell can be found in the Directors' Report which accompanies, and forms part of the 2016 Annual Report.

#### **Directors' recommendation**

The continuing Directors unanimously support the election of Mr Bell and recommend that Shareholders vote in favour of Resolution 2.

#### **5. Resolution 3: Re-election of Director – Mr John Prendiville**

Mr John Prendiville retires in accordance with the Constitution. Resolution 3 seeks Shareholder approval of the re-election of Mr Prendiville.

Being eligible, Mr Prendiville offers himself for re-election as a Director.

##### Mr John Prendiville

Mr Prendiville is currently a Director of the University of Notre Dame (and Member of the University's Audit and Finance Committee) and Chairman-elect of the privately-owned Global Advanced Metals Limited (and member of the company's Audit and Finance Committee).

Previously Mr Prendiville held numerous senior roles at Macquarie Group Limited (where he worked until 2011), including as Head of a Global Industry sector and finally as Chairman of Macquarie Capital (Australia) Limited.

Mr Prendiville is Chairman of the Audit and Risk Committee and is a Member of the Human Resources and Remuneration Committee.

#### Additional information

Information about Mr Prendiville can be found in the Directors' Report which accompanies, and forms part of the 2016 Annual Report.

#### **Directors' recommendation**

The continuing Directors unanimously support the election of Mr Prendiville and recommend that Shareholders vote in favour of Resolution 3.

### **6. Resolution 4: Election of Director – Ms Deborah Homewood**

The Constitution provides that the Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the existing Directors.

The Directors appointed Ms Homewood as a Director on 9 May 2016 to fill a casual vacancy. Resolution 4 seeks Shareholder approval of the election of Ms Homewood.

Being eligible, Ms Homewood offers herself for election as a Director.

#### Ms Deborah Homewood

Ms Homewood has many years of experience in management in various sectors, including retail, medical industry and communications. She is currently Managing Director of MAX Solutions. Prior to working for MAX Solutions, Ms Homewood was CEO for Pacnet, Australia and New Zealand, an Asian headquartered telecommunications carrier. Ms Homewood was with Pacnet for 10 years and held various senior roles including Vice President Sales, South Asia. Ms Homewood is a current member of Chief Executive Women, and chaired the Membership Committee from 2010 to 2012.

Ms Homewood is a Member of the Human Resources and Remuneration Committee and a Member of the IT and Innovation Committee.

#### Additional information

Information about Ms Homewood can be found in the Directors' Report which accompanies, and forms part of the 2016 Annual Report.

#### **Directors' recommendation**

The continuing Directors unanimously support the election of Ms Homewood and recommend that Shareholders vote in favour of Resolution 4.

### **7. Resolution 5: Approval to issue Shares to Mr Deven Billimoria**

#### Background

Resolution 5 seeks to obtain Shareholder approval pursuant to ASX Listing Rule 10.14 for the issue of the LFSP Shares to Mr Deven Billimoria, the Company's Chief Executive Officer and Managing Director, under the Loan Funded Share Plan as described following.

#### ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that an entity must not permit a director of the entity or an associate of a director of the entity to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition.

The LFSP is an employee incentive scheme for the purposes of the ASX Listing Rules, accordingly, Shareholder approval for Mr Billimoria's participation in the LFSP is required under ASX Listing Rule 10.14.

ASX Listing Rule 7.1 provides that without the approval of the holders of ordinary securities, an entity must not issue or agree to issue equity securities, which amount to more than 15% of its issued share capital in any rolling 12 month period. However, ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. These exceptions include:

- Exception 9 of ASX Listing Rule 7.2, which is an issue under an employee incentive scheme if within three years before the date of issue, the holders of ordinary securities have approved the issue of securities under the scheme; and
- Exception 14 of ASX Listing Rule 7.2 provides that, if an issue of shares is made with the approval of holders of ordinary securities under Listing Rule 10.14 and the relevant notice of meeting states that if approval is given under Listing Rule 10.14, then approval is not required under Listing Rule 7.1.

The terms of the LFSP were approved by Shareholders at the Company's 2015 annual general meeting, and Shareholder approval is sought under Listing Rule 10.14 under Resolution 5. Accordingly, the issue of the LFSP Shares to Mr Billimoria falls under an exception to, and is not included in the 15% calculation of, the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### Corporations Act – treatment of remuneration matters

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to a related party unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 211 of the Corporations Act provides an exception to the provisions of Chapter 2E of the Corporations Act will occur where the financial benefit is given to the related party as an officer of the company and to give the remuneration would be reasonable given the circumstances of the company and the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue of the LFSP Shares to Mr Billimoria to be reasonable remuneration for a company of the size and nature of the Company and, as such, falls within the exception set out in section 211 of the Corporations Act. In addition, the issue of the LFSP Shares is made under the LFSP, which was approved by shareholders of the Company at the Company's 2015 annual general meeting.

#### Terms on which the LFSP Shares will be issued to Mr Billimoria

The LFSP provides a five year limited recourse loan for the sole purpose of acquiring Shares in the Company. The LFSP Shares vest over three years subject to the satisfaction of the Vesting Conditions, which are set out in more detail below, under the headings 'EPS performance hurdle', 'TSR performance hurdle' and 'Continuous employment condition'. Once vested, the LFSP Shares remain restricted until the participant repays the loan. Mr Billimoria may repay the loan at any time the LFSP Shares have vested up until the end of year five (when the loan becomes repayable).

If the Vesting Conditions are not satisfied, or if the Board determines that they cannot be satisfied, Mr Billimoria will forfeit his unvested LFSP Shares unless the Board exercises its discretion to permit those LFSP Shares to vest in accordance with the terms of the LFSP rules.

The Board believes that an equity-based long-term incentive plan is important to ensure an appropriate part of the executive's reward is linked to generating long-term returns for Shareholders. In addition, the Board considers the Vesting Conditions for the proposed issue of LFSP Shares to Mr Billimoria to be appropriate.

Since the 2016 annual general meeting, Mr Billimoria received 353,652 Shares at an issue price of \$4.76 per Share.

Further details of Mr Billimoria's remuneration package and the operation of the LFSP are set out in the Remuneration Report.

#### *EPS performance hurdle*

The Earnings Per Share (**EPS**) performance hurdle applies to 75% of the total number of LFSP Shares that may vest at the end of the Vesting Period.

In determining underlying net profit after tax, significant items, exceptional non-repeating that are not relevant to the long term performance of the Company including acquisition or defence advisory related costs will be excluded at the discretion of the board.

The EPS performance hurdle, based on the achievement of Compound Annual Growth Rate (**CAGR**) of EPS (measured on the Company's underlying net profit after tax, adjusted to exclude the non-cash tax effected amortisation of intangibles (after tax) per Share) from the 2016 audited financial results, and

adjusted to include the 2016 full year earnings of the acquisitions of Autopia GPL and Selectus PL, will be determined as follows:

<b>EPS PERFORMANCE HURDLE</b> <i>Applies to a maximum of 75% of the total number of LFSP Shares</i>				
<b>Measure</b>	<b>Vesting Period</b>	<b>EPS CAGR</b>	<b>EPS Target</b>	<b>LFSP Shares subject to vesting (expressed as percentage of 75% of the total number of LFSP Shares)</b>
EPS CAGR	The period of 3 calendar years ending 31 December 2019*	Below 10.0%		NIL
		10.0%	\$0.56	50%
		Between 10.0% - 15.0%		Straight line between 50% - 100%
		15.0% or greater	\$0.64	100% (capped)

\*Or such other date on which the Board makes a determination as to whether the Vesting Condition has been met.

#### *TSR performance hurdle*

The Total Shareholder Return (**TSR**) performance hurdle applies to 25% of the total number of LFSP Shares that may vest at the end of the Vesting Period.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. Each of the companies in the S&P / ASX Small Ordinaries Index will be ranked from highest to lowest based on their TSR over the performance measurement period (which is the same as the Vesting Period). For the purpose of calculating the TSR measurement, the relevant share prices will be determined by reference to the volume weighted average share price over the 20 trading days up to and including 1 January 2017 (performance measurement period start date) and 20 trading days up to and including the performance measurement period end date.

Accordingly, the TSR performance hurdle is based on the TSR performance (ranking) of the Company as determined over the performance measurement period (ie. Vesting Period) compared to the TSR of companies in the S&P / ASX Small Ordinaries Index (S&P / ASX 300 Index excluding S&P / ASX 100 Index):

<b>TSR PERFORMANCE HURDLE</b> <i>Applies to a maximum of 25% of the total number of LFSP Shares</i>			
<b>Measure</b>	<b>Vesting Period</b>	<b>Smartgroup TSR performance compared to Index</b>	<b>Percentage of LFSP Shares subject to vesting (expressed as percentage of 25% of the total number of LFSP Shares)</b>
Relative TSR (ranking)	The period of 3 calendar years ending 31 December 2019*	0 to 49 <sup>th</sup> percentile	NIL
		50 <sup>th</sup> percentile	50%
		51 <sup>st</sup> to 74 <sup>th</sup> percentile	Straight line between 50% - 100%
		75 <sup>th</sup> to 100 <sup>th</sup> percentile	100%

\*Or such other date on which the Board makes a determination as to whether the Vesting Condition has been met.

#### *Continuous employment condition*

Mr Billimoria must be continuously employed by the Company on the vesting date (or such other date on which the Board makes a determination as to whether the Vesting Conditions have been met).

In addition to the Vesting Conditions, the LFSP Shares are also subject to the Forfeiture Conditions. In summary, a holder of Shares issued under the LFSP (including these LFSP Shares) will forfeit them if the holder does not satisfy the relevant vesting conditions or if they cease employment with the Company and are deemed to be a 'Bad Leaver' (including any vested Shares).

ASX Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting for a proposed approval under ASX Listing Rule 10.14. The following information is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

<b>Maximum number of Shares</b>	Mr Billimoria will be issued the LFSP Shares, being 338,628
---------------------------------	---

<b>to be issued and loan value</b>	Shares. The exact value of the loan to be made to Mr Billimoria for him to purchase the LFSP Shares will be an amount equal to 338,628 multiplied by the 'Issue Price', which is to be determined as set out below.
<b>Date by which the Company will issue the LFSP Shares</b>	The Board has resolved to issue the Shares to Mr Billimoria the second business day after the AGM.
<b>Price at which the LFSP Shares will be issued</b>	The 'Issue Price' of each LFSP Share to be issued to Mr Billimoria will be the 20 day volume weighted average price of Shares up to and including the Trading Day immediately prior to the date of the AGM (that is, the 20 most recent Trading Days on the ASX).
<b>Terms of any loan in relation to the acquisition of the LFSP Shares</b>	<p>The LFSP provides for a limited-recourse, interest-free and fee-free, five year loan from the Company for the sole purpose of acquiring the LFSP Shares.</p> <p>Any dividend paid on the LFSP Shares while the Shares are restricted is applied (on an after-tax basis) towards repaying the outstanding loan. The balance of the dividend (if any) will be paid directly to the Shareholder (in this case Mr Billimoria) to fund his tax liability on the dividends received.</p> <p>Following the satisfaction of the Vesting Conditions, Mr Billimoria can dispose of the LFSP Shares on repayment of any outstanding loan balance.</p> <p>As this is a limited-recourse loan, if the value of the LFSP Shares is less than the outstanding loan balance at the end of the loan period, the Company will only have recourse to the cash proceeds received by Mr Billimoria from a disposal of the LFSP Shares issued to him and the after-tax amount in respect of a cash dividend or a capital distribution received by the borrower in respect of those Shares in accordance with the LFSP.</p>
<b>Vesting conditions</b>	A description of the Vesting Conditions which must be satisfied for the vesting of the Shares is set out in more detail in these explanatory notes for Resolution 5, under the headings 'EPS performance hurdle', 'TSR performance hurdle' and 'Continuous employment condition'.
<b>Vesting Period</b>	The period of 3 calendar years ending 31 December 2019.
<b>Trading restrictions</b>	The LFSP Shares are restricted until the end of the Vesting Period and until the loan has been repaid.
<b>Cessation of employment</b>	In general, all LFSP Shares will be forfeited and surrendered if Mr Billimoria ceases employment prior to the end of the Vesting Period. However, notwithstanding the above, the Board has discretion to determine that some or all of the LFSP Shares issued to Mr Billimoria may vest in appropriate circumstances.
<b>Information required under ASX Listing Rules 10.15.4 and 10.15.4A</b>	<p>No other persons referred to in ASX Listing Rule 10.14 (including the Directors and associates of Directors) has received securities under the LFSP since the last approval (being the approval obtained at the Company's previous annual general meeting).</p> <p>No other Directors of the Company are eligible to participate in the LFSP on the basis that all Directors (other than Mr Billimoria) are non-executive Directors and are therefore ineligible to be participants in the LFSP.</p> <p>No associates of the Directors are currently eligible to participate in the LFSP.</p>
<b>Directors' interest in the outcome of this Resolution</b>	Other than Mr Billimoria, no other Director has an interest in the outcome of Resolution 5.

## Directors' recommendation

The Directors (with Mr Billimoria abstaining) unanimously support the issue of the LFSP Shares to Mr Billimoria and recommend that Shareholders vote in favour of Resolution 5.

**8. Resolution 6: Approval of increase of the maximum aggregate amount payable to non-executive Directors as remuneration**

The current maximum aggregate amount of remuneration that may be paid to non-executive Directors is \$1 million per annum.

ASX Listing Rule 10.17 and article 10.8(a) of the Constitution require that any proposed increase to the maximum aggregate amount of remuneration that may be paid to non-executive Directors be approved by Shareholders in general meeting.

Shareholder approval is sought to increase the maximum total amount available for payment by way of remuneration to non-executive Directors by \$150,000 to \$1,150,000 per annum.

The reasons for the proposed increase are:

- to improve the Company's ability to increase the number of non-executive directors on the board; and
- to assist in succession planning.

As required by ASX Listing Rule 10.17, the Company provides the following information:

- the amount of the increase is \$150,000;
- the maximum aggregate amount of Directors' fees that may be paid to all of the entity's non-executive Directors will be, subject to Resolution 6 being approved, \$1,150,000; and
- no securities in the Company have been issued to any non-executive Directors under ASX Listing Rule 10.11 or 10.14 with the approval of Shareholders at any time within the three years before the date of this Notice.

Shareholders should note that, if the proposed new maximum aggregate amount of remuneration that may be paid to non-executive Directors is approved, that will not necessarily represent the actual amount of remuneration which is paid to non-executive Directors each financial year. The Company will continue to set the actual level of remuneration of its non-executive Directors within the permitted maximum amount, after having regard to market practice, performance, independent advice and/or other appropriate factors.

**Directors' Recommendation**

As the non-executive Directors have a personal interest in this proposed Resolution, the non-executive Directors make no recommendation as to how Shareholders should vote on this Resolution.

Mr Deven Billimoria, as CEO and the Company's only executive Director, recommends that Shareholders vote in favour of this Resolution 6.

**9. Resolution 7: Approval of Shares issued to the shareholders of Selectus Pty Ltd**

Resolution 7 seeks the approval of the Shareholders, for the purposes of ASX Listing Rule 7.4, for the issue of Shares by the Company to the Selectus Vendors, more fully described in the background below.

Background

ASX Listing Rule 7.1 imposes a limit on the number of equity securities (including ordinary shares) that a company can issue or agree to issue without the approval of its shareholders. Generally, a company may not, without shareholder approval, issue in any 12 month period, a number of equity securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

The number of equity securities that may be issued by a company under ASX Listing Rule 7.1 without shareholder approval is not affected by equity securities which are issued under an exception contained in ASX Listing Rule 7.2 or which have received shareholder approval. ASX Listing Rule 7.4 provides that an issue by a company of equity securities made without shareholder approval under ASX Listing Rule

7.1 is treated as having been made with approval, if the issue did not breach ASX Listing Rule 7.1 when made and the company's shareholders subsequently approve it.

The Board has decided to seek shareholder approval under ASX Listing Rule 7.4 (and for all other purposes) in relation to the Company's issue of 4,573,169 Shares in August 2016, as part of the consideration for the acquisition of Selectus Pty Ltd, further details of which are set out in the Company's announcements dated 25 July 2016 and 2 August 2016 (the **Consideration Shares**).

The Consideration Shares represented approximately 3.98% of the Company's total number of Shares on issue immediately prior to the issue of the Consideration Shares.

The Consideration Shares were issued to the Selectus Vendors in the amounts set out further below.

Why are we seeking shareholder approval?

The Company's capital base is important to its ongoing business operation and its ability to manage its business.

The approval of Shareholders is being sought to provide the Company with the maximum flexibility to undertake equity raisings without the need for further Shareholder approval. The requirement to obtain Shareholder approval for an issue, at the time of issue, could limit the Company's ability to take advantage of opportunities that may arise to raise equity capital. It should be noted that, notwithstanding an approval by Shareholders of Resolution 7, any future equity raisings will remain subject to the 15% limit set out in ASX Listing Rule 7.1.

No decision has been made by the Board to undertake any further issue of equity securities in the event that approval is received from Shareholders in respect of Resolution 7. The Board will only decide to issue further equity securities if it considers it is in the best interests of the Company to do so.

Details of the securities issued for which approval is being sought under this item

Information about the issue of the Consideration Shares is set out below with further details disclosed in information lodged by the Company with ASX and available at [www.asx.com.au](http://www.asx.com.au) (including the Company's announcements dated 25 July 2016 and 2 August 2016).

- (a) The Company confirms that the issue of the Consideration Shares at the relevant time did not breach ASX Listing Rule 7.1. As the Consideration Shares were issued as consideration for the acquisition of Selectus Pty Ltd, no cash proceeds were received (or will be received) by the Company for the issue of the Consideration Shares.
- (b) A total of 4,573,169 Shares were issued.
- (c) The Consideration Shares are fully paid ordinary shares of the Company which rank equally with all other Shares of the Company.
- (d) The Consideration Shares were issued to the Selectus Vendors in the following amounts:

<b>Name of Selectus Vendor</b>	<b>No of shares issued</b>	<b>Notional issue price per share</b>
KPB Enterprises Pty Ltd	1,017,711	\$6.56
Heatherwood Court Pty Ltd	2,492,003	
Melita Beasley Management Pty Ltd	40,627	
Jeepster Pty Ltd	122,087	
MDDL Investments Pty Ltd	112,607	
Ian Maxwell Chisholm and Ann Mayhew Chisholm	65,906	
Double Happiness Financial Services Pty Ltd	242,635	
Double Happiness Super Services Pty Ltd	112,853	
Ride a White Swan Pty Ltd	84,606	
Rossmar Pty Ltd	282,134	
	<b>Total: 4,573,169</b>	

## **Directors' Recommendation**

The Board considers that the approval of the issue of the Consideration Shares described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of equity securities permitted under ASX Listing Rule 7.1 in the next 12 months (without further shareholder approval), should it be required.

Accordingly, the Board recommends that Shareholders vote in favour of Resolution 7.

### **10. Resolution 8: Approval of financial assistance by Autopia Group Pty Ltd and Autopia Management Pty Ltd**

Resolution 8 seeks the approval of the Shareholders, for the purposes of section 260B(2) of the Corporations Act, for financial assistance which is proposed to be provided by Autopia GPL and Autopia MPL, each a subsidiary of the Company, to assist the acquisition by the Company of all of the shares in Autopia GPL.

#### Background

On 4 July 2016, Smartsalary Group Pty Ltd, a subsidiary of the Company, completed the acquisition of all of the shares in Autopia GPL. Accordingly, Autopia GPL and its subsidiary, Autopia MPL, are currently subsidiaries of the Company.

Details of the Autopia Acquisition were announced to ASX on 4 July 2016.

The Company (as borrower) is party to the Facilities Agreement. The obligations of the Company under the Facilities Agreement are guaranteed by the Guarantors. Each Guarantor has also granted security in favour of the Security Trustee (for the benefit of the Lenders).

The Facilities Agreement provides for, among other things, a facility which can be used for the purpose of refinancing the existing facilities under which the Autopia Acquisition was initially funded. In connection with this arrangement, each Autopia Company may be required to enter into a guarantee and indemnity and provide certain other security in favour of the Security Trustee (for the benefit of the Lenders), in each case in connection with the Facilities Agreement.

In addition to entering into the Group Security and the Autopia Security, each Autopia Company and each other subsidiary of the Company is or may be required to:

- (a) execute, or accede or consent to any Finance Document;
- (b) make available directly or indirectly its cash flows or other resources in order to enable the Company and its subsidiaries (including each Autopia Company) to comply with their obligations under the Finance Documents; and
- (c) provide additional support (which may include incurring additional obligations, giving new guarantees and indemnities and security interests and executing or acceding to an intercreditor deed, a subordination deed or security trust deed (or any or all of them) as an obligor) in connection with the Finance Documents, including in connection with any refinancing of amounts owing under or in respect of the Finance Documents.

Similar obligations to those outlined above will apply to the Company and its subsidiaries (including each Autopia Company) in the event of any future refinancing of the Facilities Agreement, including:

- (a) amending the existing Facilities Agreement or entering into a new loan agreement (however described); and
- (b) giving one or more guarantee, indemnity or security interest over its assets to support and secure each of the Company's and its subsidiaries' (including each Autopia Company's) obligations under any amended Facilities Agreement or new loan agreement (however described).

#### The financial assistance

The entry by each Autopia Company into the Autopia Security, and entry by each Autopia Company into any of the other transactions listed or contemplated above (including, without limitation, any refinancing of the Facilities Agreement) will have the effect of each Autopia Company financially assisting the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

### Why shareholder approval is required

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in itself or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B of the Corporations Act. Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- (a) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

In addition, because each Autopia Company has become a subsidiary of a listed holding corporation (ie. the Company) immediately after the Autopia Acquisition, the financial assistance must also be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporations Act.

The giving of the Autopia Financial Assistance has been, or will be, approved by a unanimous resolution of the sole ordinary shareholder of each Autopia Company in accordance with section 260B(1) of the Corporations Act. Accordingly, it is proposed that the Autopia Financial Assistance now be approved by special resolution of the Shareholders. A special resolution requires approval of 75% of the votes cast by Shareholders entitled to vote on the resolution.

### Effect of the Autopia Financial Assistance

The substantial effect of the Autopia Financial Assistance is that each Autopia Company will have guaranteed, and granted security over all its assets and undertaken to secure, all amounts payable by the Company and each Guarantor under the Finance Documents.

The operations of each Autopia Company will also be restricted by the representations and undertakings given by them under the Finance Documents. This applies equally to any company which is a subsidiary of the Company from time to time that accedes as a guarantor and as a security provider under the Finance Documents.

The obligations of each Autopia Company under each Finance Document are significant, as outlined above, and include guarantees, indemnities and the granting of security interests.

The principal advantage of the Autopia Financial Assistance to the Company (and, indirectly, each Autopia Company and other subsidiaries of the Company) is to ensure that:

- (a) the Company and each of its subsidiaries (including each Autopia Company) will comply with their obligations under the Finance Documents;
- (b) the Company will continue to have the benefit of the finance facilities provided by the Lenders in connection with the Facilities Agreement; and
- (c) the Company and each of its subsidiaries (including each Autopia Company) will continue to have the benefit of each finance facility provided in connection with the Facilities Agreement.

On the other hand, the disadvantages of the Autopia Financial Assistance for each Autopia Company and the Guarantors include that:

- (a) they will become liable for all amounts outstanding under the Finance Documents;
- (b) if an event of a default (howsoever defined) was to occur under a Finance Document, the Lenders may require immediate repayment of all amounts outstanding under the Finance Documents and enforce the Group Security and Autopia Security and the Lenders accordingly may become entitled to procure the sale of the assets of each Autopia Company and each other Guarantor. It is possible that such enforcement could materially prejudice the interests of the relevant companies or their shareholders - for example the sale of assets of each Autopia Company on enforcement may yield a return to each Autopia Company (and ultimately its shareholders) significantly lower than could have been achieved by each Autopia Company had those assets been otherwise sold; and
- (c) their operations and ability to independently obtain finance from other sources may be restricted by the undertakings, representations and warranties given under, and the other provisions of, the

Finance Documents. Other lenders may also be deterred by the existence of the Finance Documents from making finance facilities available to the Company and its subsidiaries (including each Autopia Company).

The Directors do not currently have any reason to believe that the Company (or any of its subsidiaries or related entities) is likely to default in its obligations under the Finance Documents.

The Directors and the directors of each Autopia Company have considered the giving of the Autopia Financial Assistance and are of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of the Company, each Autopia Company and each other subsidiary of the Company. This is on the basis that, following the Autopia Acquisition, each Autopia Company has inherited committed shareholders who will be focused on the performance of each Autopia Company and their business.

#### Notice to ASIC

A copy of this Notice of Meeting was lodged with the ASIC before being sent to the Shareholders, as required by section 260B(5) of the Corporations Act. ASIC does not take any responsibility for the contents of this Notice of Meeting.

#### Disclosure

As required by section 260B(4) of the Corporations Act you are informed of the matters contained in these Explanatory Notes.

The Directors consider that these Explanatory Notes contain all material information known to the Company that could reasonably be required by the Shareholders in deciding on how to vote on Resolution 8, other than information which would be unreasonable to include because it had previously been disclosed to Shareholders.

#### **Directors' recommendation**

The Directors unanimously support the giving of financial assistance by each Autopia Company and recommend that Shareholders vote in favour of Resolution 8.

### **11. Resolution 9: Approval of financial assistance by Selectus Pty Ltd, Selectus Employee Benefits Pty Ltd and Selectus Financial Services Pty Ltd**

Resolution 9 seeks the approval of the Shareholders, for the purposes of section 260B(2) of the Corporations Act, for financial assistance which is proposed to be provided by Selectus PL, Selectus EB and Selectus FS, each a subsidiary of the Company, to assist the acquisition by the Company of all of the shares in Selectus PL.

#### Background

On 2 August 2016, Smartsalary Group Pty Ltd, a subsidiary of the Company, completed the acquisition of all of the shares in Selectus PL. Accordingly, Selectus PL and each of its subsidiaries, Selectus EB and Selectus FS, are currently subsidiaries of the Company.

Details of the Selectus Acquisition were announced to ASX on 25 July 2016 and 2 August 2016.

The Company (as borrower) is party to the Facilities Agreement. The obligations of the Company under the Facilities Agreement are guaranteed by the Guarantors. Each Guarantor has also granted security in favour of the Security Trustee (for the benefit of the Lenders).

The Facilities Agreement provides for, among other things, a facility which can be used for the purpose of financing the acquisition of the Selectus Companies. In connection with this arrangement, each Selectus Company may be required to enter into a guarantee and indemnity and provide certain other security in favour of the Security Trustee (for the benefit of the Lenders), in each case in connection with the Facilities Agreement.

In addition to entering into the Group Security and the Selectus Security, each Selectus Company and each other subsidiary of the Company is or may be required to:

- (a) execute, or accede or consent to any Finance Document;

- (b) make available directly or indirectly its cash flows or other resources in order to enable the Company and its subsidiaries (including each Selectus Company) to comply with their obligations under the Finance Documents; and
- (c) provide additional support (which may include incurring additional obligations, giving new guarantees and indemnities and security interests and executing or acceding to an inter-creditor deed, a subordination deed or security trust deed (or any or all of them) as an obligor) in connection with the Finance Documents, including in connection with any refinancing of amounts owing under or in respect of the Finance Documents.

Similar obligations to those outlined above will apply to the Company and its subsidiaries (including each Selectus Company) in the event of any future refinancing of the Facilities Agreement, including:

- (a) amending the existing Facilities Agreement or entering into a new loan agreement (however described); and
- (b) giving one or more guarantee, indemnity or security interest over its assets to support and secure each of the Company's and its subsidiaries' (including each Selectus Company's) obligations under any amended Facilities Agreement or new loan agreement (however described).

#### The financial assistance

The entry by each Selectus Company into the Selectus Security, and entry by each Selectus Company into any of the other transactions listed or contemplated above (including, without limitation, any refinancing of the Facilities Agreement) will have the effect of each Selectus Company financially assisting the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

#### Why shareholder approval is required

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in itself or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B of the Corporations Act. Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- (a) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

In addition, because each Selectus Company has become a subsidiary of a listed holding corporation (ie. the Company) immediately after the Selectus Acquisition, the financial assistance must also be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporations Act.

The giving of the Selectus Financial Assistance has been, or will be, approved by a unanimous resolution of the sole ordinary shareholder of each Selectus Company in accordance with section 260B(1) of the Corporations Act. Accordingly, it is proposed that the Selectus Financial Assistance now be approved by special resolution of the Shareholders. A special resolution requires approval of 75% of the votes cast by Shareholders entitled to vote on the resolution.

#### Effect of the Selectus Financial Assistance

The substantial effect of the Selectus Financial Assistance is that each Selectus Company will have guaranteed, and granted security over all its assets and undertaken to secure, all amounts payable by the Company and each Guarantor under the Finance Documents.

The operations of each Selectus Company will also be restricted by the representations and undertakings given by them under the Finance Documents. This applies equally to any company which is a subsidiary of the Company from time to time that accedes as a guarantor and as a security provider under the Finance Documents.

The obligations of each Selectus Company under each Finance Document are significant, as outlined above, and include guarantees, indemnities and the granting of security interests.

The principal advantage of the Selectus Financial Assistance to the Company (and, indirectly, each Selectus Company and other subsidiaries of the Company) is to ensure that:

- (a) the Company and each of its subsidiaries (including each Selectus Company) will comply with their obligations under the Finance Documents;
- (b) the Company will continue to have the benefit of the finance facilities provided by the Lenders in connection with the Facilities Agreement; and
- (c) the Company and each of its subsidiaries (including each Selectus Company) will continue to have the benefit of each finance facility provided in connection with the Facilities Agreement.

On the other hand, the disadvantages of the Selectus Financial Assistance for each Selectus Company and the Guarantors include that:

- (a) they will become liable for all amounts outstanding under the Finance Documents;
- (b) if an event of a default (howsoever defined) was to occur under a Finance Document, the Lenders may require immediate repayment of all amounts outstanding under the Finance Documents and enforce the Group Security and Selectus Security and the Lenders accordingly may become entitled to procure the sale of the assets of each Selectus Company and each other Guarantor. It is possible that such enforcement could materially prejudice the interests of the relevant companies or their shareholders - for example the sale of assets of each Selectus Company on enforcement may yield a return to each Selectus Company (and ultimately its shareholders) significantly lower than could have been achieved by each Selectus Company had those assets been otherwise sold; and
- (c) their operations and ability to independently obtain finance from other sources may be restricted by the undertakings, representations and warranties given under, and the other provisions of, the Finance Documents. Other lenders may also be deterred by the existence of the Finance Documents from making finance facilities available to the Company and its subsidiaries (including each Selectus Company).

The Directors do not currently have any reason to believe that the Company (or any of its subsidiaries or related entities) is likely to default in its obligations under the Finance Documents.

The Directors and the directors of each Selectus Company have considered the giving of the Selectus Financial Assistance and are of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of the Company, each Selectus Company and each other subsidiary of the Company. This is on the basis that, following the Selectus Acquisition, each Selectus Company has inherited committed shareholders who will be focused on the performance of each Selectus Company and their business.

#### Notice to ASIC

A copy of this Notice of Meeting was lodged with the ASIC before being sent to the Shareholders, as required by section 260B(5) of the Corporations Act. ASIC does not take any responsibility for the contents of this Notice of Meeting.

#### Disclosure

As required by section 260B(4) of the Corporations Act you are informed of the matters contained in these Explanatory Notes.

The Directors consider that these Explanatory Notes contain all material information known to the Company that could reasonably be required by the Shareholders in deciding on how to vote on Resolution 9, other than information which would be unreasonable to include because it had previously been disclosed to Shareholders.

#### **Directors' recommendation**

The Directors unanimously support the giving of financial assistance by each Selectus Company and recommend that Shareholders vote in favour of Resolution 9.

# GLOSSARY

---

**2016 Annual Report** means the financial report of the Company (and any relevant controlled entities) for the year ended 31 December 2016.

**Agent** means Australia and New Zealand Banking Group Limited (ACN 005 357 522).

**Annual General Meeting, AGM or Meeting** means the 2017 annual general meeting of the shareholders of the Company.

**Auditor** means PriceWaterhouseCoopers.

**Auditor's Report** means the report of the Auditor regarding its audit of the Company (and any relevant controlled entities) which accompanies the 2016 Annual Report.

**Australian Securities Exchange or ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

**Autopia Acquisition** means the acquisition (directly or indirectly) by Smartsalary Group Pty Ltd, a subsidiary of the Company, of all the issued shares in each Autopia Company.

**Autopia Company** means each of Autopia GPL and Autopia MPL.

**Autopia Financial Assistance** means the entry by each Autopia Company into the Autopia Security and the entry by each Autopia Company into any of the other transactions contemplated under the heading "The financial assistance" in section 10 of the Explanatory Notes (including, without limitation, any refinancing of the Facilities Agreement).

**Autopia GPL** means Autopia Group Pty Ltd ACN 109 098 008.

**Autopia MPL** means Autopia Management Pty Ltd ACN 111 369 049.

**Autopia Security** means any:

- guarantee and indemnity under the Facilities Agreement; and
- security granted in favour of the Security Trustee (for the benefit of the Lenders) in connection with the Facilities Agreement,

in each case, as entered into or provided by any Autopia Company.

**ASX Listing Rules or Listing Rules** means the official listing rules of ASX.

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

**Chair** means the chair of the Meeting.

**Closely Related Party** means, in relation to a member of a KMP, any of the following:

- a spouse, child or dependent of the member;
- a child or dependant of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this Notice of Meeting, no additional persons have been prescribed by regulation).

**Company** means Smartgroup Corporation Limited ACN 126 266 831.

**Consideration Shares** has the meaning given to that phrase in Explanatory Note 9 in relation to Resolution 7.

**Constitution** means the constitution of the Company.

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

**Directors** mean the directors of the Company and **Director** means any of them.

**Directors' Report** means the report of the Directors which accompanies the 2016 Annual Report.

**Explanatory Notes** means these explanatory notes that accompany, and are incorporated as part of, this Notice of Meeting.

**Facilities Agreement** means the Australian dollar denominated syndicated facilities agreement dated 29 July 2016 between, amongst others, the Company, certain subsidiaries of the Company (as guarantors), the Agent, the Security Trustee and the Lenders.

**Finance Documents** means the Facilities Agreement, each document referred to in, or incidental or related to, the Security (as defined in the Facilities Agreement) or the Facilities Agreement and other transaction documents referred to in, or incidental or related to, the Security (as defined in the Facilities Agreement) or the Facilities Agreement including any document to be entered into at any time for the purpose of amending, varying, replacing, restating, transferring, novating or supplementing any such documents.

**Forfeiture Conditions** means the forfeiture conditions applicable to the LFSP Shares.

**Group Guarantee** means the guarantee provided by each Guarantor under the Facilities Agreement.

**Group Security** means:

- any security a Guarantor has granted in favour of the Security Trustee in connection with the Facilities Agreement; and
- the Group Guarantee.

**Guarantors** means certain affiliates and subsidiaries of the Company (namely, Smartsalary Group Pty Ltd, Smartsalary Pty Ltd, PBI Benefit Solutions Pty Ltd, SeQoya Pty Ltd, SmartFleet Management Pty Ltd, Salary Packaging Solutions Pty Ltd and Smartequity Pty Ltd).

**Key Management Personnel** or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its directors and certain senior executives.

**Lenders** means each of Australia and New Zealand Banking Group Limited (ACN 005 357 493) and Westpac Banking Corporation (ACN 007 457 522).

**Loan Funded Share Plan** or **LFSP** means the Company's loan funded share plan, pursuant to which Shares in the Company are acquired by eligible employees using a loan made to them by the Company.

**LFSP Shares** means the 338,628 Shares which are proposed to be issued to Mr Deven Billimoria in accordance with the LFSP, and for which Shareholder approval is sought under Resolution 5.

**Notice of Meeting** or **Notice** means this notice of the Annual General Meeting.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolution** means a resolution set out in this Notice of Meeting.

**Remuneration Report** means the remuneration report of the Company that forms part of the Directors' Report.

**Security Trustee** means ANZ Fiduciary Services Pty Ltd (ACN 100 709 493).

**Selectus Acquisition** means the acquisition (directly or indirectly) by Smartsalary Group Pty Ltd, a subsidiary of the Company, of all of the issued shares in each Selectus Company.

**Selectus Company** means each of Selectus EB, Selectus FS and Selectus PL.

**Selectus EB** means Selectus Employee Benefits Pty Ltd ACN 113 084 316.

**Selectus Financial Assistance** means the entry by each Selectus Company into the Selectus Security and the entry by each Selectus Company into any of the other transactions contemplated under the heading "The financial assistance" in section 11 of the Explanatory Notes (including, without limitation, any refinancing of the Facilities Agreement).

**Selectus FS** means Selectus Financial Services Pty Ltd ACN 117 948 508.

**Selectus PL** means Selectus Pty Ltd ACN 116 270 501.

**Selectus Security** means any:

- guarantee and indemnity under the Facilities Agreement; and
- security granted in favour of the Security Trustee (for the benefit of the Lenders) in connection with the Facilities Agreement,

in each case, as entered into or provided by any Selectus Company.

**Selectus Vendors** means:

KPB Enterprises Pty Ltd
Heatherwood Court Pty Ltd
Melita Beasley Management Pty Ltd
Jeepster Pty Ltd
MDDL Investments Pty Ltd
Ian Maxwell Chisholm and Ann Mayhew Chisholm
Double Happiness Financial Services Pty Ltd
Double Happiness Super Services Pty Ltd
Ride a White Swan Pty Ltd
Rossmar Pty Ltd

**Share** means a fully paid ordinary Share in the capital of the Company.

**Shareholder** means a holder of at least one Share as shown on the register of members of the Company as at 7:00pm on 1 May 2017.

**Trading Days** has the meaning given to this term in the ASX Listing Rules.

**Vesting Conditions** means the vesting conditions applicable to the LFSP Shares.

**Vesting Period** means the period of 3 calendar years ending 31 December 2019 (or such other date on which the Board makes a determination as to whether the Vesting Condition has been met).



Smartgroup Corporation Ltd  
ABN 48 126 266 831

## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
Smartgroup Corporation Ltd  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: 1300 554 474      Overseas: +61 1300 554 474

## LODGE MENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00 AM on Monday, 1 May 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).

 **BY MOBILE DEVICE**  
Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME  
 ADDRESS LINE 1  
 ADDRESS LINE 2  
 ADDRESS LINE 3  
 ADDRESS LINE 4  
 ADDRESS LINE 5  
 ADDRESS LINE 6



X99999999999

## PROXY FORM

I/We being a member(s) of Smartgroup Corporation Ltd and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00 AM on Wednesday, 3 May 2017 at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney, NSW (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1, 5 & 6:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 5 & 6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

#### Ordinary Resolutions

For Against Abstain\*

- |   | For                      | Against                  | Abstain*                 |
|---|--------------------------|--------------------------|--------------------------|
| 1 Remuneration Report   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Re-election of Director - Mr Gavin Bell   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Re-election of Director - Mr John Prendiville   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Election of Director - Ms Deborah Homewood  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Approval to issue Shares to Mr Deven Billimoria   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 Approval to increase maximum aggregate amount payable to non-executives Directors as remuneration | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 Approval of issue of shares to vendors of Selectus Pty Ltd  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

#### Special Resolutions

For Against Abstain\*

- |   | For                      | Against                  | Abstain*                 |
|---|--------------------------|--------------------------|--------------------------|
| 8 Approval of financial assistance by Autopia Group Pty Ltd and Autopia Management Pty Ltd  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 Approval of financial assistance by Selectus Pty Ltd, Selectus Employee Benefits Pty Ltd and Selectus Financial Services Pty Ltd. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

STEP 2



\* 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 votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

STEP 3

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SIQ PRX1701N

