

SFG Australia Limited  
Notice of 2013 Annual General Meeting



The Annual General Meeting of SFG Australia Limited will be held:  
on **Thursday, 28 November 2013**  
at **11.00am Sydney time**  
at the offices of **SFG Australia Limited,**  
**Level 18, 50 Bridge Street,**  
**Sydney NSW 2000**



## **Notice of Annual General Meeting**

The Annual General Meeting of SFG Australia Limited will be held on **Thursday, 28 November 2013 at 11.00am Sydney time** at the offices of SFG Australia Limited, **Level 18, 50 Bridge Street, Sydney NSW 2000**

### **Business of Meeting**

#### **Financial Statements**

To receive and consider the Financial Statements, the Directors' Report and the Auditor's Report for the year ended 30 June 2013.

#### **Resolution 1**

##### **Re-election of Mr James Kilkenny as a Director**

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

"That Mr James Kilkenny, who retires as a Director by rotation under the Constitution, and being eligible for re-election, is elected as a Director."

#### **Resolution 2**

##### **Re-election of Mr Peter Promnitz as a Director**

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

"That Mr Peter Promnitz, who retires as a Director by rotation under the Constitution, and being eligible for re-election, is elected as a Director."

#### **Resolution 3**

##### **Adoption of Remuneration Report (non-binding resolution)**

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

"That the Remuneration Report for the year ended 30 June 2013, being part of the Directors' Report, is adopted."

#### **Voting Exclusion Statement**

*A vote on this resolution must not be cast in any capacity by or on behalf of a Director, or any other person described as Key Management Personnel in the Remuneration Report (a KMP) or a Closely Related Party of a KMP unless the vote is cast as proxy for a person who is entitled to vote and either:*

- *the proxy appointment is in writing and specifies the way the proxy is to vote; or*

- *the proxy is the chair of the meeting and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.*

#### **Resolution 4**

##### **Grant of Performance Rights to the Managing Director, Mr Anthony Fenning**

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

"That the grant to the Managing Director, Mr Anthony Fenning, of a maximum of 3,000,000 Performance Rights under the Plan on the terms set out in the Explanatory Statement be approved for the purposes of Listing Rule 10.14 and all other purposes."

#### **Voting Exclusion Statements**

*The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of the Director's associates unless the vote is cast:*

- *as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *by the chair of the meeting 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.*

*A vote on this resolution must be not cast as a proxy by a KMP or a Closely Related Party of a KMP unless the vote is cast as proxy for a person who is entitled to vote and either:*

- *the proxy appointment is in writing and specifies the way the proxy is to vote; or*
- *the proxy is the chair of the meeting and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.*

## **Resolution 5**

### **Termination benefits for Mr Philip Pezzi**

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

“That approval be given for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, for the giving of benefits under the Group’s employment agreements and the Plan to Mr Philip Pezzi in connection with his ceasing to hold a managerial or executive office or position of employment in the Group, the relevant terms of the benefits being as set out in the Explanatory Statement.”

#### **Voting Exclusion Statements**

*A vote on this resolution must not be cast, in any capacity, by or on behalf of Mr Pezzi or an associate of Mr Pezzi unless:*

- *the vote is cast as proxy for a person who is entitled to vote; and*
- *the proxy appointment is in writing and specifies the way the proxy is to vote.*

*A vote on this resolution must not be cast as a proxy by a KMP or a Closely Related Party of a KMP unless the vote is cast as proxy for a person who is entitled to vote and either:*

- *the proxy appointment is in writing and specifies the way the proxy is to vote; or*
- *the proxy is the chair of the meeting and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

## **Resolution 6**

### **Termination benefits for Mr David Pitcher**

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

“That approval be given for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, for the giving of benefits under the Group’s employment agreements and the Plan to Mr David Pitcher in connection with his ceasing to hold a managerial or executive office or position of employment in the Group, the relevant terms of the benefits being as set out in the Explanatory Statement.”

#### **Voting Exclusion Statements**

*A vote on this resolution must not be cast, in any capacity, by or on behalf of Mr Pitcher or an associate of Mr Pitcher unless:*

- *the vote is cast as proxy for a person who is entitled to vote; and*
- *the proxy appointment is in writing and specifies the way the proxy is to vote.*

*A vote on this resolution must not be cast as a proxy by a KMP or a Closely Related Party of a KMP unless the vote is cast as proxy for a person who is entitled to vote and either:*

- *the proxy appointment is in writing and specifies the way the proxy is to vote; or*
- *the proxy is the chair of the meeting and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

## **Resolution 7**

### **Termination benefits for Mr Paul Cullen**

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

“That approval be given for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, for the giving of benefits under the Group’s employment agreements and the Plan to Mr Paul Cullen in connection with his ceasing to hold a managerial or executive office or position of employment in the Group, the relevant terms of the benefits being as set out in the Explanatory Statement.”

#### **Voting Exclusion Statements**

*A vote on this resolution must not be cast, in any capacity, by or on behalf of Mr Cullen or an associate of Mr Cullen unless:*

- *the vote is cast as proxy for a person who is entitled to vote; and*
- *the proxy appointment is in writing and specifies the way the proxy is to vote.*

*A vote on this resolution must not be cast as a proxy by a KMP or a Closely Related Party of a KMP unless the vote is cast as proxy for a person who is entitled to vote and either:*

- *the proxy appointment is in writing and specifies the way the proxy is to vote; or*
- *the proxy is the chair of the meeting and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

**Resolution 8**  
**Approval of financial assistance**

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

“That approval be given under and for the purposes of section 260B(2) of the Corporations Act for the following wholly-owned subsidiaries of the Company to financially assist the Acquisition (as defined in the Explanatory Statement) in the manner described in the Explanatory Statement:

- Lachlan Partners Pty Ltd ACN 128 895 947
- Lachlan Partners Business Advisory Services Pty Ltd ACN 129 725 097
- Lachlan Partners Property Advisors Pty Ltd ACN 129 726 941
- Lachlan Partners Insurance Advisors Pty Ltd ACN 141 539 755
- Lachlan Wealth Management Limited ACN 111 060 587
- Lachlan Partners Corporate Services Pty Ltd ACN 127 793 177”

By order of the Board

Linda Fox  
Company Secretary  
**24 October 2013**

Capitalised terms used in this Notice of Meeting have the same meanings as given in the Explanatory Statement accompanying this Notice of Meeting.

## **Voting Notes**

These Voting Notes should be read together with, and form part of, the Notice of Meeting.

## **Determination of entitlement to attend and vote**

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all Shares will be taken to be held by the registered holders at 11.00am Sydney time on Tuesday, 26 November 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## **Proxies**

If you are a shareholder entitled to attend and vote, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. A proxy need not be a shareholder. If you want to appoint one proxy, you can use the form provided. If you want to appoint two proxies, please follow the instructions on the proxy form.

The Company's constitution provides that on a show of hands, every person present and entitled to vote has one vote.

If you appoint a proxy who is also a Shareholder or is also a proxy for another Shareholder, your directions may not be effective on a show of hands. Your directions will be effective if a poll is taken on the relevant resolution.

If you sign and return a proxy form and do not nominate a person to act as your proxy, the chairman of the meeting will be appointed as your proxy by default.

## **Appointment of the Chairman or other KMP as your proxy**

Due to the voting exclusions referred to in the Notice of Meeting, if you intend to appoint any Director or other KMP or their Closely Related Parties as your proxy, you are encouraged to direct your proxy on how to vote on Resolution 3 (adoption of Remuneration Report), Resolution 4 (grant of performance rights to the Managing Director, Mr Anthony Fenning), Resolution 5 (termination benefits for Mr Philip Pezzi), Resolution 6 (termination benefits for Mr David Pitcher) and Resolution 7 (termination benefits for Mr Paul Cullen) by marking either "For", "Against" or "Abstain" on the proxy form for the relevant item of business.

If you do not direct such a proxy how to vote on those Resolutions they will not be able to vote an undirected proxy and your vote will not be counted. This does not apply to the Chairman, who is able to vote undirected proxies where he is expressly authorised to do so on the proxy form.

## **How the Chairman will vote undirected proxies**

You should note that if you appoint the Chairman as your proxy, or if the Chairman is appointed your proxy by default, and your proxy form does not specify whether to vote "For", "Against" or "Abstain", the Chairman will vote your undirected proxies in favour of all Resolutions.

Shareholders always have the ability to appoint the Chairman as their proxy to cast the votes contrary to the Chairman's stated voting intention or to abstain from voting on a Resolution. Shareholders are encouraged to direct their proxies how to vote.

## **Where to lodge a proxy**

You may lodge a proxy by following the instructions set out on the proxy form accompanying this Notice of Meeting.

To be effective the proxy must be received by Computershare in accordance with the instructions on the proxy form at the postal or facsimile number below or by the Company at its registered office, Level 18, 50 Bridge St, Sydney, NSW 2000, not later than 11.00am Sydney time on Tuesday 26 November 2013.

SFG Australia Limited  
c/- Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne VIC 3001  
Facsimile: 1800 783 447 or +61 3 9473 2555 (from outside Australia)

## **Admission to meeting**

If you will be attending the Annual General Meeting and you do not intend to appoint a proxy, please bring your proxy form (if you still have one) to the meeting to help speed admission. Your proxy form contains identification details that can be scanned upon entry. If you do not bring your proxy form with you, you will still be able to attend and vote at the Annual General Meeting, but representatives from Computershare will need to verify your identity. You will be able to register from 10.00am on the day of the meeting.

If you do not plan to attend the Annual General Meeting, you are encouraged to complete and return a proxy form.

**SFG Australia Limited**  
**ACN 006 490 259**

**Explanatory Statement for Notice of Annual General Meeting**

**Financial Statements**

SFG Australia Limited's Annual Report for 2013 (which includes the Financial Report, the Directors' Report and the Auditor's Report) will be presented to the meeting. Shareholders can access a copy of the Annual Report on the Company's website at: [www.sfgaustralia.com.au](http://www.sfgaustralia.com.au). In accordance with the Corporations Act, a printed copy of the Annual Report has been sent only to those shareholders who have elected to receive a printed copy.

*Questions and comments*

Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Annual Report and the audit and the management of the Company. There is no formal resolution to be voted on in relation to this item of business.

Shareholders will also have a reasonable opportunity at the meeting to ask PricewaterhouseCoopers, the Company's auditor, questions about the Auditor's Report.

Alternatively you can submit written questions to the auditor about the Auditor's Report. Written questions must be received no later than 11.00am Sydney time Thursday, 21 November 2013 at Computershare Investor Services Pty Ltd (at the postal address or fax number for lodgement of proxies). The questions may also be sent to the Company Secretary, SFG Australia Limited, Level 18, 50 Bridge St, Sydney, NSW 2000. A list of questions for the auditor will be available at the meeting.

**Re-election of Directors**

Under the ASX Listing Rules, a director must not hold office past the third annual general meeting following the director's appointment, or 3 years, whichever is longer. Under the Constitution, one third of the Directors (or the whole number nearest one third) must retire from office at each annual general meeting. These provisions do not apply to the Managing Director. None of the Directors is required to retire at this Annual General Meeting under the ASX Listing Rules. Mr James Kilkenny and Mr Peter Promnitz retire in accordance with the Constitution and offer themselves for re-election.

**Resolution 1**  
**Re-election of Mr James Kilkenny as a Director**

Mr James Kilkenny was appointed as a Director on 26 June 2011. He was last elected at the Company's annual general meeting in 2011. Please refer to the Annual Report for details of Mr James Kilkenny's biography.

*Recommendation*

The Directors (other than Mr Kilkenny) unanimously recommend that Shareholders vote **in favour** of Resolution 1.

**Resolution 2**  
**Re-election of Mr Peter Promnitz as a Director**

Mr Peter Promnitz was appointed as a Director on 26 June 2011. He was last elected at the Company's annual general meeting in 2011. Please refer to the Annual Report for details of Mr Peter Promnitz's biography.

*Recommendation*

The Directors (other than Mr Promnitz) unanimously recommend that Shareholders **vote in favour** of Resolution 2.

**Resolution 3**  
**Adoption of Remuneration Report**

*Content of Remuneration Report*

The Company's Remuneration Report for the year ended 30 June 2013 is included in the Annual Report, which is available on the Company's website [www.sfgaustralia.com.au](http://www.sfgaustralia.com.au).

The Remuneration Report includes:

- details of the remuneration provided to the non-executive Directors and KMPs for the year ended 30 June 2013;
- discussion of the Board's policy in relation to the nature and level of remuneration of the Directors, Managing Director and other KMPs, including in relation to performance conditions; and
- discussion of the relationship between the Board's remuneration approach and the Company's financial performance.

There will be a reasonable opportunity for shareholders to comment on, and ask questions about, the Remuneration Report at the meeting.

### *Non-binding resolution on Remuneration Report*

The resolution to adopt the Remuneration Report will be put to shareholders in accordance with section 250R(2) of the Corporations Act. The vote on this Resolution is advisory only and will not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Under the Corporations Act, if 25% or more of votes cast are against the resolution to adopt the Company's remuneration report at two successive annual general meetings, shareholders will be required to vote at the second of those annual general meetings on a "Board Spill Resolution" to determine whether another meeting should be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election.

At the Company's annual general meeting held on 27 November 2012, more than 75% of votes cast on the resolution to adopt the Company's remuneration report for the year ended 30 June 2012 were in favour.

The Directors encourage all Shareholders to cast their votes on Resolution 3.

### **Resolution 4 Grant of Performance Rights to the Managing Director, Mr Anthony Fenning**

#### *Why is Shareholder approval being sought?*

Shareholder approval is sought for the grant of up to 3,000,000 Performance Rights over a three year period to Mr Anthony Fenning, Managing Director, in accordance with the SFG Australia Limited Employee Incentive Plan (**Plan**). Specific details of the proposed grant of Performance Rights to Mr Fenning are set out below.

The Board has a discretion to determine whether the Shares to be received by Mr Fenning on vesting of Performance Rights will be purchased on market or issued. The Board will make such determination at the time that any Shares are required to be provided to Mr Fenning having regard to the number of Shares required and the current liquidity of the Shares.

ASX Listing Rule 10.14 requires that shareholder approval be obtained for a director to acquire securities under an employee incentive scheme, except where those securities are purchased on market under the terms of the scheme. Shareholder approval is being sought for the grant of the Performance Rights to Mr Fenning because the Company wishes to preserve the Board's discretion to issue new Shares on vesting of those Performance Rights.

### *Background*

Each year the Board reviews and approves the remuneration of the Managing Director. This year, the Board has received independent advice from an external remuneration consultant, Mercer Australia Pty Ltd (**Mercer**), on the appropriate level of remuneration to be made to Mr Fenning.

Mr Fenning's remuneration package includes:

- fixed remuneration (salary, superannuation and benefits)
- an STI payable in cash; and
- an LTI grant under the Plan in the form of Performance Rights.

The Plan is designed to provide all eligible employees of the Group with an opportunity to share in the ownership, and promote the long-term success, of the Company.

After consideration of the advice received from Mercer, the Board has determined to grant Mr Fenning up to 3,000,000 Performance Rights in total as part of Mr Fenning's remuneration for the financial years ending 30 June 2015, 30 June 2016 and 30 June 2017, subject to the receipt of shareholder approval. The Performance Rights comprised in each grant to Mr Fenning will vest after a three-year performance period (**Performance Period**), subject to the satisfaction of two performance-based hurdles described below, and, in some instances described below, to his continued employment with the Company. The Performance Period for Performance Rights granted in respect of the financial year ending 30 June 2015 will be the three-year period starting on 1 July 2014. The Performance Period for Performance Rights granted in respect of the financial year ending 30 June 2016 will be the three-year period starting on 1 July 2015. The Performance Period for Performance Rights granted in respect of the financial year ending 30 June 2017 will be the three-year period starting on 1 July 2016.

The Performance Rights will be granted under, and subject to, the rules of the Plan Rules. Performance Rights do not carry any distribution or voting rights prior to vesting. Shares acquired by Mr Fenning on vesting of the Performance Rights will rank equally with other Shares.

Further details of the quantum of the proposed grant, the performance hurdles, other relevant terms of the grant and other information is set out below.

### Prior year grants

At the Company's annual general meeting held on 27 November 2012, shareholders approved the grant to Mr Fenning of up to 2,000,000 Performance Rights in respect of Mr Fenning's remuneration for the financial years ending 30 June 2013 and 30 June 2014. Pursuant to that approval, 1,000,000 Performance Rights were granted to Mr Fenning on 29 March 2013 with a performance period from 1 July 2012 to 30 June 2015. Those Performance Rights were granted at no cost to Mr Fenning and no amount is payable on vesting of those Performance Rights. Details of that grant are contained in the Remuneration Report.

Any grant of Performance Rights to Mr Fenning in respect of the financial year ending 30 June 2014 is not expected to occur until after the date of this notice of meeting. Details of any such grant will be included in the Company's annual report for the year ending 30 June 2014.

### Quantum of award

Mr Fenning will be entitled to a maximum of 3,000,000 Performance Rights in total in respect of the financial years ending 30 June 2015, 30 June 2016 and 30 June 2017. The Board will determine the actual number of Performance Rights to be granted to Mr Fenning using the following formula:

$$N = (R / S)$$

where:

N is the number of Performance Rights to be granted;

R is the number determined by the Board being up to a maximum of 33% of Mr Fenning's annual remuneration package for the year in question (including Performance Rights granted to him); and

S is the volume weighted average price of Shares on ASX for the 60 trading day period starting 30 trading days before the start of the Performance Period.

### Performance hurdles

Each grant of Performance Right will be subject to two performance hurdles over the applicable Performance Period, as follows:

- half of the Performance Rights for each grant will be subject to a relative Total Shareholder Return (**TSR**) performance hurdle; and
- half of the Performance Rights for each grant will be subject to a Profits Per Share (**PPS**) performance hurdle.

### Relative TSR performance hurdle

For each grant, the Performance Rights that are subject to the relative TSR performance hurdle will only vest if, at the end of the applicable Performance Period, the Company's TSR performance is positive and if relative TSR performance is at or above the median of the comparator group of companies (being the S&P/ASX 300 Financial Accumulation Index as at the start of the applicable Performance Period, excluding A-REITs, and subject to any inclusions or exclusions determined by the Board).

The vesting schedule below sets out the percentage of the TSR-tested Performance Rights for each grant that will vest at the end of the applicable Performance Period:

<b>TSR relative to comparator companies</b>	<b>Portion of TSR-tested Performance Rights that vest</b>
Above 75th percentile	100%
Between 50th and 75th percentile	Straight line vesting between 50% and 100%
Equal to 50th percentile	50%
Below 50th percentile	Nil

### PPS performance hurdle

For each grant, the internal vesting condition set by the Board for vesting of the remaining 50% of the Performance Rights is the PPS of the Company for a specific period. PPS is calculated using the after-tax profits for a relevant period derived from the Company's continuing operations including the notional financial impact of any deferred consideration for completed acquisitions and excluding any impairment charges for amortisation of intangibles unless such charges can be shown to be a genuine assessment of the reduction in the value of the business which has not always been reflected in the underlying PPS calculation. The Company will measure the increase (or decrease) in PPS over the applicable Performance Period with a target and threshold PPS, determined by the Board at or prior to each allocation of Performance Rights, which will be on an allocation date within the first year of each Performance Period.

For each grant, the Performance Rights that are subject to the PPS performance hurdle will only vest if, over the applicable Performance Period, the Company's PPS growth is a percentage increase, and then in accordance with the following vesting schedule:

<b>PPS Growth</b>	<b>Portion of PPS-tested Performance Rights that vest</b>
Above Target PPS	100%
Between Threshold PPS and Target PPS	Straight line vesting between 25% and 100%
Equal Threshold PPS	25%
Below Threshold PPS	Nil

*Testing of performance hurdles and vesting of Performance Rights*

Following the end of the applicable Performance Period, performance against the performance hurdles will be tested and, to the extent that the Board determines that the performance hurdles have been satisfied and in accordance with the vesting schedule outlined above, the Performance Rights for the relevant grant will automatically vest. Any Performance Rights that do not vest following the relevant testing date will lapse.

*Treatment of Performance Rights on cessation of employment*

If Mr Fenning's employment ceases part way through a Performance Period, the treatment of any unvested Performance Rights that he holds at the time of his cessation will depend on the nature of the termination. If Mr Fenning ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Performance Rights will lapse, unless the Board determines otherwise.

If Mr Fenning ceases employment for any other reason (including death, total and permanent disablement, redundancy or the Company giving Mr Fenning notice without cause), any unvested Performance Rights will remain on foot and will remain subject to the same performance hurdles and will be tested at the original testing dates (and the service condition will be waived). However, the Board retains a discretion to lapse and/or accelerate the vesting of, some or all of the Performance Rights on cessation of employment (having regard to all the circumstances, including the extent to which the performance hurdles have been met).

*Change of control*

In the event of a takeover or change of control of the Company, the treatment of any unvested Performance Rights will be determined by the incumbent Board having regard to all relevant circumstances.

*Additional information*

No loan will be provided to Mr Fenning in relation to the Performance Rights. Mr Fenning is prohibited from hedging the share price exposure in respect of the Performance Rights during the applicable Performance Periods.

If shareholder approval is obtained under Listing Rule 10.14, all Performance Rights referred to in this resolution will be issued to Mr Fenning before the third anniversary of this Annual General Meeting, and details of the Performance Rights granted to Mr Fenning will be provided in the Company's remuneration reports for the financial years ending 30 June 2015, 30 June 2016 and 30 June 2017.

Other than Mr Fenning and Mr Kilkeny, no Director (and no associate of any Director) is currently entitled to participate in the Plan. No approval is being sought at this time for approval under Listing Rule 10.14 to permit Mr Kilkeny to participate in the Plan. If Mr Kilkeny or any other Director or associate of a Director becomes entitled to participate in the Plan in future, no grant will be made to them until shareholder approval is obtained under Listing Rule 10.14. Other than the grant of Performance Rights to Mr Fenning in respect of the financial year ended 30 June 2013 described above, no Director (and no associate of any Director) has received any Performance Rights since the last approval given at the Company's annual general meeting held on 27 November 2012.

*Recommendation*

The Directors (other than Mr Fenning) unanimously recommend that shareholders vote **in favour** of Resolution 4.

## **Resolution 5**

### **Termination Benefits for Mr Philip Pezzi**

#### *Why is shareholder approval being sought?*

The Corporations Act restricts the benefits which can be given to certain persons who hold a managerial or executive office position on leaving their employment with the Group. Under section 200B of the Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office position in the company or its related bodies corporate if:

- the amount of the benefit is less than the financial cap set out in the Corporations Act or is otherwise exempt from the restrictions set out in section 200B; or
- the giving of the benefit is approved by shareholders.

The restrictions under section 200B of the Act apply to all KMPs. Mr Pezzi became an employee of the Group on 1 March 2013 following the acquisition of Lachlan Partners Pty Limited, where Mr Pezzi was the Managing Director. Mr Pezzi joined the Executive Management Team on the same day and is therefore a KMP.

For the purposes of section 200B, termination benefits may include benefits arising:

- under the employment agreement between a KMP and any company within the Group; and
- from the Board exercising its discretion under Plan Rules to accelerate the vesting of some or all of the Performance Rights which may be allocated to a KMP as Long Term Incentives.

Relevant details of Mr Pezzi's employment agreement and potential long term incentive payments are set out below.

The termination benefits to which KMPs are entitled are described in the Remuneration Report. The Board considered those benefits to be fair and reasonable at the time that they were agreed and the Board continues to believe that they are fair and reasonable. However, the value of these benefits may exceed the financial cap in the Corporations Act, and these benefits may not fall within any other exemption in the Corporations Act.

The Company is therefore seeking shareholder approval, for the purposes of sections 200B and 200E of the Corporations Act, to the giving of certain of the termination benefits that the Group may provide to Mr Pezzi, in addition to any other termination benefits that the Group may provide to him without shareholder approval under the Corporations Act.

#### *Employment agreement*

Mr Pezzi is employed pursuant to an employment agreement which is capable of termination by the relevant Group entity or Mr Pezzi on three months' notice.

The relevant Group entity may make a payment in lieu of some or all of the three month notice period. Where a payment in lieu of notice is made, the payment will be calculated by reference to Mr Pezzi's current total fixed remuneration, the amount of superannuation contributions payable for the applicable period and, in some cases, the cost of any other benefits to which Mr Pezzi is entitled under the terms of his employment during that period.

Current total fixed remuneration for KMPs is disclosed in the Remuneration Report. The exact amount of any payment can only be determined once notice is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of this Notice of Meeting.

Key matters, events or circumstances which will, or are likely to affect the calculation of the payment in lieu of notice of Mr Pezzi include:

- Mr Pezzi's total fixed annual remuneration at the time of termination which will be set on an annual basis following Mr Pezzi's remuneration review;
- in the case of termination by the relevant Group entity, the remaining period of the term of Mr Pezzi's employment; and
- where notice is given by Mr Pezzi, the length of any period of notice he is required to work by the relevant Group entity for which payment is being made.

#### *Long-term incentive payments*

Mr Pezzi may be granted Performance Rights under the terms of the Plan. Each Performance Right is a right to receive one Share, subject to satisfaction of applicable vesting conditions over a defined Performance Period, which is 3 years. The actual number of Performance Rights to be allocated to Mr Pezzi for a particular year will be determined in accordance with the Group's remuneration policy.

The acquisition price for the Performance Rights is nil and no consideration is payable by Mr Pezzi for a Share on the vesting of a Performance Right. No loans will be made in relation to the allocation of Performance Rights or Shares by Mr Pezzi under the Plan. Further information on the Performance Rights is detailed on pages 6 to 8.

If Mr Pezzi's employment ceases part way through a performance period, the treatment of any unvested Performance Rights that he holds at the time of his cessation will depend on the nature of the termination. If Mr Pezzi ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Performance Rights will lapse, unless the Board determines otherwise. If Mr Pezzi ceases employment for any other reason (including death, total and permanent disablement, redundancy or the Company giving Mr Pezzi notice without cause), any unvested Performance Rights will remain on foot and will remain subject to the same performance hurdles and will be tested at the original testing dates (and the service condition will be waived). However, the Board retains a discretion to lapse and/or accelerate the vesting of, some or all of the Performance Rights on cessation of employment (having regard to all the circumstances, including the extent to which the performance hurdles have been met).

In the event of a takeover or change of control of the Company, the treatment of any unvested Performance Rights will be determined by the incumbent Board having regard to all relevant circumstances

The value of the termination benefits in relation to the Plan for which the Company is seeking approval is the maximum benefit that could be provided to Mr Pezzi's on cessation of his employment under the Plan, assuming the Board exercised its discretion in favour of accelerated vesting of Mr Pezzi's unvested Performance Rights. The Board would only exercise its discretion to award the maximum benefit possible where it considered it appropriate to do so in all the circumstances.

The total amount of the termination benefits that could be provided to Mr Pezzi in those circumstances cannot be currently ascertained. The amount will be determined by reference to:

- the number of unvested Performance Rights that Mr Pezzi holds at the time he ceases employment;
- Mr Pezzi's length of service and the portion of any relevant performance periods that have expired at the time he ceases employment; and
- the market price of Shares at the time that any Performance Rights vest on an accelerated basis at the time of his termination.

#### *Recommendation*

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 5.

### **Resolution 6 Termination Benefits for Mr David Pitcher**

Mr Pitcher joined the Group on 20 February 2012 on a fixed term contract as Head of finHQ and became a member of the Executive Management Team on the same day. Mr Pitcher became a permanent employee on 1 March 2013. Mr Pitcher is a KMP.

Shareholder approval is being sought in relation to Mr Pitcher's termination benefits for the same reasons, and on the same basis, disclosed in relation to Mr Pezzi in the explanatory notes to resolution 5 above.

#### *Recommendation*

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 6.

### **Resolution 7 Termination Benefits for Mr Paul Cullen**

Mr Cullen joined the Executive Management Team on 28 August 2013 and has been classified by the Company as a KMP since then.

Shareholder approval is being sought in relation to Mr Cullen's termination benefits for the same reasons, and on the same basis, disclosed in relation to Mr Pezzi in the explanatory notes to resolution 5 above.

#### *Recommendation*

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 7.

### **Resolution 8 Approval of Financial Assistance**

#### *Background*

Under a share acquisition agreement dated 22 February 2013 the Company acquired all of the issued capital of Lachlan Partners Pty Ltd (the **Acquisition**). Lachlan Partners Pty Ltd is the holding company of, among others, Lachlan Advisory Services Pty Ltd, Lachlan Partners Property Advisors Pty Ltd, Lachlan Partners Insurance Advisors Pty Ltd, Lachlan Wealth Management Limited and Lachlan Partners Corporate Services Pty Ltd (together with Lachlan Partners Pty Ltd, the **Lachlan Companies**).

On completion of the acquisition, each of the Lachlan Companies became a wholly owned subsidiary of the Company. It is proposed that the Lachlan Companies now enter into the transactions referred to under the heading “Particulars of Financial Assistance” below (the **Proposed Financial Assistance**). For the reasons set out below, the Proposed Financial Assistance must be approved by a special resolution of the Company’s shareholders.

#### *Section 260A of the Corporations Act*

Section 260A of the Corporations Act permits a company to financially assist a person to acquire shares in the company or a holding company of the company only if:

- giving the assistance does not materially prejudice:
  - o the interests of the company or its shareholders; or
  - o the company’s ability to pay its creditors; or
- the assistance is approved by shareholders under section 260B; or
- the assistance is exempted under section 260C.

A company may be regarded as providing “financial assistance” if it furnishes something needed in order that a transaction be carried out or something in the nature of aid or help. Common examples of “financial assistance” include issuing a debenture, giving security over the company’s assets, and giving a guarantee or indemnity in respect of another person’s liability.

#### *Shareholder Approval*

Shareholder approval for the Proposed Financial Assistance is being sought under section 260B of the Corporations Act (referred to above). Section 260B(2) of the Corporations Act requires that approval be given by the shareholders of the ultimate Australian holding company of the companies giving the financial assistance by a special resolution passed at a general meeting of that company. The ultimate Australian holding company of the Lachlan Companies is the Company. Accordingly the Proposed Financial Assistance must be approved by a special resolution of the Company’s shareholders.

#### *Particulars of the Financial Assistance*

Pursuant to a senior facilities agreement dated 30 November 2011 between, amongst others, the Company (as borrower), National Australia Bank Limited (as lender and facility agent), St. George Bank (a division of Westpac Banking Corporation) and Tasovac Pty Limited (as security trustee), as amended

and/or amended and restated from time to time (the **Senior Facilities Agreement**), the Company (and its subsidiaries) have been provided with revolving and asset lease facilities of up to A\$80,000,000 (the **Facilities**).

Under the Senior Facilities Agreement, the Company and certain of its subsidiaries (the **Obligors**) have or are required to execute certain other documents in connection with the Senior Facilities Agreement (the Senior Facilities Agreement and such other documents being the **Finance Documents**).

It is proposed that each of the Lachlan Companies:

- accede to the Senior Facilities Agreement and in doing so:
  - o grant a guarantee and indemnity (the **Guarantee**) to the lenders, facility agent and security trustee (the **Finance Parties**) for the repayment of all amounts that may become owing by any borrower of the Facilities or any other person under the Senior Facilities Agreement or any Finance Document (the **Guaranteed Amounts**),
  - o provide representations and warranties to the Finance Parties;
  - o become bound to undertakings (including in relation to the conduct of its business) in favour of the Finance Parties;
  - o grant indemnities to the Finance Parties in relation to certain events, including its default or the default by other Obligors; and
  - o agree to pay certain other amounts, such as costs and expenses and goods and services tax;
- accede to a security trust deed (the **Security Trust Deed**) as a “Security Provider” between, among others, the Purchaser and Tasovac Pty Limited as “Security Trustee” (the **Security Trustee**), and in doing so grant indemnities to the Security Trustee;
- grant security (the **Security**) in favour of the Security Trustee by way of a security described as a “General Security Deed” between each Additional Obligor and the Security Trustee which grants a security interest over all of the present and after-acquired assets of the Additional Obligor to secure, among other things, its obligations under the Senior Facilities Agreement (including the Guarantee) and each other Finance Document;

- execute, or accede to, any document in any way connected with, related to or in respect of any matter arising out of the Senior Facility Agreement, the Security Trust Deed or the Security granted by the relevant Lachlan Company (including any Finance Document); and
- enter into or accede to any new facilities agreement or other document relating to the refinancing of the financial accommodation provided under the Senior Facilities Agreement.

Each of these transactions by the Lachlan Companies may constitute financial assistance given in connection with the Acquisition.

#### *Reasons for the Proposed Financial Assistance*

The Company utilised the financing under the Facilities to fund the acquisition of the Lachlan Companies. It is a requirement of the Senior Facilities Agreement that certain subsidiaries of the Company, including the Lachlan Companies, accede to or execute the Finance Documents.

#### *Effects of Financial Assistance*

If there is a default under a Finance Documents then there may be material consequences for the Lachlan Companies (as well as the other subsidiaries of the Company that have acceded to the Finance Documents). Those consequences include the following:

- the Facilities may, following notice, become immediately due and payable and to the extent not drawn may be cancelled;
- under the Guarantee, the Lachlan Companies may become liable for all of the Guaranteed Amounts; and
- under the Security, certain of the Finance Parties could take enforcement action against the assets of the Lachlan Companies and become entitled to sell or procure the sale of the assets of the Lachlan Companies to recover the Guaranteed Amounts, including by appointing a receiver to the assets of the Lachlan Companies to sell the assets of the Lachlan Companies.

#### *Prior notice to ASIC*

As required by section 260B(5) of the Act, copies of the notice to the Shareholders of the proposed resolution and this explanatory statement will be lodged with ASIC prior to their dispatch to Shareholders.

#### *Disclosure*

The Directors consider that this statement contains all material information known to the Company that could reasonably be required by Shareholders in deciding how to vote on Resolution 8.

#### *Recommendation*

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 8 for the reasons noted above under the heading “Reasons for the Proposed Financial Assistance”.

## Defined Terms

In this Explanatory Statement and the accompanying Notice of Meeting, unless the context otherwise requires:

**Annual General Meeting** means the general meeting to be held at the offices of SFG Australia Limited, Level 18, 50 Bridge Street, Sydney NSW 2000 on Thursday, 28 November 2013 at 11.00am Sydney time.

**Annual Report** means the 2013 annual report of the Company, a copy of which is available at [www.sfgaustralia.com.au](http://www.sfgaustralia.com.au).

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the securities market which it operates, as the case may be.

**ASX Listing Rules** means the official listing rules of ASX from time to time.

**Board** or **Board of Directors** means the board of Directors of the Company.

**Closely Related Party** means in relation to a KMP:

- a) a spouse or child of the KMP; or
- b) a child of the KMP's spouse; or
- c) a dependant of the KMP or of the KMP's spouse; or
- d) anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company; or
- e) a company the KMP controls.

**Company** means SFG Australia Limited ACN 006 490 259.

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

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

**Director** means a director of the Company.

**Dollar** or **\$** means Australian dollars.

**Executive Management Team** means the executive team appointed by the Board to manage the day to day business of the Company. Members of this team are classified as KMPs.

**Financial Statements** means the financial statements of the Company for the year ended 30 June 2013.

**Group** means SFG Australia Limited and its Related Bodies Corporate.

**KMP** means a Director or any other person described as Key Management Personnel in the Remuneration Report.

**KPI** means key performance indicator.

**LTI** means long-term incentive.

**Performance Right** means the right to be issued one Share for every performance right allocated by the Company for nil exercise price upon the satisfaction of certain vesting conditions.

**Plan** means the SFG Australia Limited Employee Incentive Plan which was approved by Shareholders at the general meeting of the Company (then known as Snowball Group Limited) held on 12 February 2010, as amended.

**Related Bodies Corporate** has the meaning given in section 50 of the Corporations Act.

**Remuneration Report** means the remuneration report set out on pages 28 to 37 of the Annual Report.

**Resolutions** means the resolutions to be proposed at the Annual General Meeting.

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

**STI** means short-term incentive.



SFG Australia Limited  
[www.sfgaustralia.com.au](http://www.sfgaustralia.com.au)



**SFG Australia Limited**  
 ABN 81 006 490 259

**Lodge your vote:**



**By Mail:**

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 Victoria 3001 Australia

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 (outside Australia) +61 3 9415 4000



┌ 000001 000 SFW  
 MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Proxy Form**

**For your vote to be effective it must be received by 11.00am (Sydney time) on Tuesday, 26 November 2013.**

**How to Vote on the Resolutions**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each Resolution. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on a Resolution your vote will be invalid on that Resolution.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders must sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** ➔



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- Review your securityholding
- Update your securityholding details

**Your secure access information is:**

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of SFG Australia Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of SFG Australia Limited to be held at the offices of SFG Australia Limited, Level 18, 50 Bridge Street, Sydney NSW 2000 on Thursday, 28 November 2013 at 11.00am (Sydney time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 3, 4, 5, 6 & 7 (except where I/we have indicated a different voting intention below) even though Resolutions 3, 4, 5, 6 & 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy, you can direct the Chairman to vote for or against or abstain from voting on Resolutions 3, 4, 5, 6 & 7 by marking the appropriate boxes in step 2 below.

## STEP 2 Resolutions **PLEASE NOTE:** If you mark the Abstain box for a Resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Re-election of Mr James Kilkenny as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Peter Promnitz as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Grant of Performance Rights to the Managing Director, Mr Anthony Fenning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Termination benefits for Mr Philip Pezzi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Termination benefits for Mr David Pitcher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Termination benefits for Mr Paul Cullen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of financial assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

## SIGN Signature of Securityholder(s) *This section must be completed.*

<b>Individual or Securityholder 1</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 2</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 3</b> <input style="width: 90%; height: 20px;" type="text"/>
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Sole Director and Sole Company Secretary      Director      Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_