



2016 Notice of Annual General Meeting

Date & Time of AGM: THURSDAY, 5 MAY 2016 at 11 AM

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

SMARTGROUP CORPORATION LTD ACN 126 266 831



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

Notice is given that the 2016 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 Thursday 5 May 2016 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 2015 Annual Report, the Directors' Report and the Auditor's Report of the Company for the year ended 31 December 2015.

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 2015 be adopted and approved."

Item 3. Resolution 2: Election of Director - Mr Michael Carapiet

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

"That Mr Michael Carapiet, 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: Election of Director – Dr Ian Watt AO

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

"That Dr Ian Watt AO, who was appointed a Director on 1 July 2015 to fill a casual vacancy during the year, retires in accordance with the Company's constitution and being eligible, offers himself for election, be elected as a Director of the Company."

Item 5. Resolution 4: 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 353,652 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 6. Resolution 5: Approval of financial assistance by Salary Packaging Solutions 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 Salary Packaging Solutions Pty Ltd ACN 092 250 989 (trading as Advantage Salary Packaging) (**Advantage**), currently a subsidiary of the Company, in connection with the acquisition by Smartsalary Group Pty Ltd, a subsidiary of the Company, of all of the issued shares of Advantage (**Advantage Acquisition**) and all elements of that transaction and any other ancillary transaction that may constitute financial assistance by Advantage for the purposes of section 260A of the Corporations Act in connection with the Advantage Acquisition, as described in the Explanatory Notes accompanying and forming part of this Notice of Meeting."*

Item 7. Resolution 6: Approval of securities issued to Anton Gaudry and Jenny Gaudry

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 is given for the issue of securities as described in the Explanatory Notes accompanying and forming part of this Notice of Meeting."

By order of the Board
31 March 2016

A handwritten signature in black ink, appearing to read 'Amanda Morgan', with a small flourish 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 3 May 2016 (**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 on 3 May 2016** at the Company's share registry:

- by delivering in person - Link Market Services, Level 12, 680 George Street, Sydney, New South Wales 2000;
- 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.

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 2015; 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 4 - Approval to issue Shares to Mr Deven Billimoria

The Company will disregard all votes cast on Resolution 4 by Mr Deven Billimoria 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 4 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 4; 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 4 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 4 are set out in the Explanatory Notes accompanying and forming part of this Notice of Meeting.

Resolution 6 - Approval of securities issued to Anton Gaudry and Jenny Gaudry

The Company will disregard any votes cast on Resolution 6 by Mr Anton Gaudry, Ms Jenny Gaudry 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 2016 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 Thursday 5 May 2016 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 5 (being Resolutions 1 to 4) will be proposed as ordinary resolutions. Item 6 (being Resolution 5) will be proposed as a special resolution.

2. Financial statements and reports

The 2015 Annual Report, which includes the Directors' Report and Auditor's Report for the financial year ended 31 December 2015, is available on the Company's website: (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 2015 (**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 2015 Annual Report. You may view the 2015 Annual Report by visiting the Company's website (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 2016 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 2017 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 2017 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 to adopt the Remuneration Report.

4. Resolution 2: Election of Director – Mr Michael Carapiet

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

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

Mr Michael Carapiet

In addition to his role as Chairperson of Smartgroup Corporation Ltd, Mr Carapiet is also Chairman of Link Group.

Mr Carapiet is Chairperson of icare NSW, Chairperson of Adexum Capital, and is a board member of Infrastructure Australia.

Mr Carapiet is a member of the advisory board of Norton Rose Australia. He was previously the Chairperson of SAS Trustee Corporation, the trustee entity for NSW State Super, and a non-executive director of Southern Cross Media Limited.

Mr Carapiet is a member of both the Chairman's Council of the Australian Chamber Orchestra, and of the Sydney Theatre Company.

Mr Carapiet retired from Macquarie Group in 2011. He was a member of Macquarie Group's Executive Committee since 2005 and Chairman of Macquarie Capital and Macquarie Securities Group.

Additional information

Information about Mr Carapiet can be found in the Directors' Report which accompanies, and forms part of the 2015 Annual Report.

Directors' recommendation

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

5. Resolution 3: Election of Director – Dr Ian Watt AO

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 Dr Ian Watt as a Director on 1 July 2015 to fill a casual vacancy. Resolution 3 seeks Shareholder approval of the election of Dr Ian Watt.

Being eligible, Dr Ian Watt offers himself for election as a Director.

Dr Ian Watt AO

Dr Ian Watt has worked for nearly 20 years at the highest levels of the Australian public service. His most recent appointment was as Secretary of the Department of Prime Minister and Cabinet and head of the Australian Public Service, a position he held from 2011 until 2014.

Prior to that he was Secretary of the Departments of Defence, Finance and Communications, Information Technology and the Arts between 2001 and 2011. Before that he was Deputy Secretary of the Department of the Prime Minister and Cabinet.

Dr Watt is currently the Chair of the National Innovation and Science Agenda Implementation Committee, and of the International Centre for Democratic Partnerships.

Dr Watt is on the boards of Citigroup Pty Ltd, the Grattan Institute (University of Melbourne) and O'Connell Street Associates Pty Ltd. He is a member of the Australian National Audit Office Audit Committee. Dr Watt is also a member of Male Champions of Change.

Additional information

Information about Dr Ian Watt can be found in the Directors' Report which accompanies, and forms part of the 2015 Annual Report.

Directors' recommendation

The continuing Directors unanimously support the election of Dr Ian Watt and recommend that Shareholders vote in favour of Resolution 3.

6. Resolution 4: Approval to issue Shares to Mr Deven Billimoria

Background

Resolution 4 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 4. 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 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 2015 annual general meeting, Mr Billimoria received 1,032,449 Shares at an issue price of \$1.65 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.

The EPS performance hurdle, based on achievement of Compound Annual Growth Rate (**CAGR**) of EPS (measured on the Company's net profit after tax, adjusted to exclude the non-cash tax effected amortization of intangibles (after tax) per Share) from the 2015 audited financial results, and adjusted to include the 2015 full year earnings of the acquisitions of Advantage Salary Packaging, Trinity Management Group and 50% of Health-e Workforce Solutions, will be determined as follows:

EPS PERFORMANCE HURDLE <i>Applies to a maximum of 75% of the total number of LFSP Shares</i>				
Measure	Vesting Period	EPS CAGR	EPS Target	LFSP Shares subject to vesting (expressed as percentage of 75% of the total number of LFSP Shares)
EPS CAGR	The period of 3 calendar years ending 31 December 2018*	Below 10.0%		NIL
		10.0%	\$0.41	50%
		Between 10.0% - 15.0%		Straight line between 50% - 100%
		15.0% or greater	\$0.47	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 2016 (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):

TSR PERFORMANCE HURDLE <i>Applies to a maximum of 25% of the total number of LFSP Shares</i>			
Measure	Vesting Period	Smartgroup TSR performance compared to Index	Percentage of LFSP Shares subject to vesting (expressed as percentage of 25% of the total number of LFSP Shares)
Relative TSR (ranking)	The period of 3 calendar years ending 31 December 2018*	0 to 49 th percentile	NIL
		50 th percentile	50%
		51 st to 74 th percentile	Straight line between 50% - 100%
		75 th to 100 th 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:

Maximum number of Shares to be issued and loan value	Mr Billimoria will be issued the LFSP Shares, being 353,652 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 353,652 multiplied by the 'Issue Price', which is to be determined as set out below.
Date by which the Company will issue the LFSP Shares	The Board has resolved to issue the Shares to Mr Billimoria the second business day after the AGM.
Price at which the LFSP Shares will be issued	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 Days immediately prior to the date of issue of the LFSP Shares (that is, the 20 most recent Trading Days on the ASX).
Terms of any loan in relation to the acquisition of the LFSP Shares	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>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>
Vesting conditions	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 4, under the headings 'EPS performance hurdle', 'TSR performance hurdle' and 'Continuous employment condition'.
Vesting Period	The period of 3 calendar years ending 31 December 2018.
Trading restrictions	The LFSP Shares are restricted until the end of the Vesting Period and until the loan has been repaid.
Cessation of employment	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.
Information required under ASX Listing Rules 10.15.4 and 10.15.4A	<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>
Directors' interest in the outcome of this Resolution	Other than Mr Billimoria, no other Director has an interest in the outcome of Resolution 4.

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 4.

7. Resolution 5: Approval of financial assistance by Salary Packaging Solutions Pty Ltd

Resolution 5 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 Advantage, a subsidiary of the Company, to assist the acquisition by the Company of all of the shares in Advantage.

Background

On 17 December 2015, Smartsalary Group Pty Ltd, a subsidiary of the Company completed the acquisition of all of the shares in Advantage. Accordingly, Advantage is currently a subsidiary of the Company.

Details of the Advantage Acquisition were announced to ASX on 11 December 2015 and 17 December 2015.

Prior to the Advantage Acquisition, the Company (as borrower) was a party to the "A\$ facilities agreement (Facility Agreement)" originally dated 21 May 2012 between the Company, certain subsidiaries of the Company (as guarantors) and Australia and New Zealand Banking Group Limited (ABN 11 005 357 222) (**Lender**), as amended and restated pursuant to a deed dated 30 May 2014 (**Facilities Agreement**).

The obligations of the Company under the Facilities Agreement are guaranteed by certain subsidiaries of the Company (namely Smartsalary Group Pty Ltd, Smartsalary Pty Ltd, Smartfleet Management Pty Ltd, PBI Benefit Solutions Pty Ltd, SeQoya Pty Ltd (together, the **Guarantors**)) (the **Group Guarantee**). Each Guarantor has also granted security in favour of the Lender (together with the Group Guarantee, the **Group Security**).

In order to assist in funding the purchase price for the Advantage Acquisition, the Company (as borrower) amended and restated the Facilities Agreement such that, amongst other matters, the Lender provided financial accommodation to Smartsalary Group Pty Ltd in relation to the Advantage Acquisition (**Advantage Financing Arrangement**).

A condition of the Advantage Financing Arrangement is that, in addition to the Group Security, Advantage enters into a guarantee and indemnity and general security agreement in favour of the Lender (together, the **Advantage Security**) upon receiving requisite shareholder approvals, including approval of the Shareholders now being sought, and in any event, by no later than 30 days after the Annual General Meeting.

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

- (a) execute, or accede or consent to, any document referred to in, or incidental or related to, the 'Security' (as defined in the Advantage Financing Arrangement) or the Advantage Financing Arrangement and other transaction documents referred to in the Security or Advantage Financing Arrangement including any document to be entered into at any time for the purpose of amending, varying, replacing, restating, transferring, novating or supplementing such documents or the Advantage Financing Arrangement (together, along with the Advantage Financing Arrangement, Group Security and Advantage Security, the **Finance Documents**);
- (b) make available directly or indirectly its cash flows or other resources in order to enable the Company and its subsidiaries including Advantage (together, the **Group**) 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 Group companies in the event of any future refinancing of the Advantage Financing Arrangement, including:

- (a) amending the existing Advantage Financing Arrangement 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 Group company's obligations under any amended Advantage Financing Arrangement or new loan agreement (however described).

The financial assistance

The entry by Advantage into the Advantage Security, and entry by Advantage into any of the other transactions listed or contemplated above (including, without limitation, any refinancing of the Advantage Financing Arrangement) (together, the **Financial Assistance**) will have the effect of Advantage 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 Advantage has become a subsidiary of a listed holding corporation (ie. the Company) immediately after the Advantage 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 Financial Assistance has been, or will be, approved by a unanimous resolution of the sole ordinary shareholder of Advantage (ie. Smartsalary Group Pty Ltd) in accordance with section 260B(1) of the Corporations Act. Accordingly, it is proposed that the 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 vote on the resolution.

Effect of the Financial Assistance

The substantial effect of the Financial Assistance is that Advantage 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 Advantage will also be restricted by the representations and undertakings given by them under the Finance Documents. This equally applies 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 Advantage under each Finance Document are significant, as outlined above, and include guarantees, indemnities and the granting of security interests.

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

- (a) the Company and other members of the Group 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 Lender in connection with the Advantage Financing Arrangement; and
- (c) each relevant Group member will continue to have the benefit of each finance facility provided to the Group in connection with the Advantage Financing Arrangement.

On the other hand, the disadvantages of the Financial Assistance for Advantage 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 Lender may require immediate repayment of all amounts outstanding under the Finance Documents and enforce the Group Security and Advantage Security and the Lender accordingly may become entitled to procure the sale of the assets of Advantage and each other Guarantor. It is possible that such enforcement could materially prejudice the interests of the Group companies or their shareholders - for example the sale of assets of Advantage on enforcement may yield a return to Advantage (and ultimately its shareholders) significantly lower than could have been achieved by Advantage 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 Group companies.

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

The Directors and the directors of Advantage have considered the giving of the 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, Advantage and each other Group company. This is on the basis that following the Advantage Acquisition, Advantage has inherited committed shareholders who will be focused on the performance of Advantage and its 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 5, 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 Advantage and recommend that Shareholders vote in favour of Resolution 5.

8. Resolution 6: Approval of securities issued to Anton Gaudry and Jenny Gaudry

Resolution 6 seeks the approval of the Shareholders, for the purposes of ASX Listing Rule 7.4, for the issue of securities by the Company to Anton Gaudry and Jenny Gaudry, 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 impacted 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 in relation to the Company's issue of 2,808,989 Shares in March 2016, as part of the consideration for the acquisition of Advantage Salary Packaging, further details of which are set out in the Company's announcements dated 11 December 2015 and 17 December 2015 (the **Consideration Shares**).

The Consideration Shares represented approximately 2.6% 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 Anton Gaudry and Jenny Gaudry, in the amounts set out 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 6, 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 Item 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 included in information lodged with ASX and available at www.asx.com.au.

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 Advantage Salary Packaging, no cash proceeds were received (or will be received) by the Company for the issue of the Consideration Shares.

Details of the securities issued for which approval is sought under this item, the issue price and the allottees are set out below:

- (a) a total of 2,808,989 Shares were issued;
- (b) the Consideration Shares are fully paid ordinary shares of the Company which rank equally with all other Shares of the Company; and
- (c) the Consideration Shares were issued to Anton Gaudry and Jenny Gaudry in the following amounts:
 - (i) 1,123,596 shares were issued to Anton Gaudry at a notional issue price of \$3.56 per Share; and
 - (ii) 1,685,393 shares were issued to Jenny Gaudry at a notional issue price of \$3.56 per Share.

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 eligible to do so vote in favour of the special resolution in Item 7.

GLOSSARY

2015 Annual Report means the financial report of the Company (and any relevant controlled entities) for the year ended 31 December 2015.

Annual General Meeting, AGM or Meeting means the 2016 annual general meeting of the shareholders of the Company.

Auditor's Report means the report of the Auditor regarding its audit of the Company (and any relevant controlled entities) which accompanies the 2015 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.

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.

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 2015 Annual Report.

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

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

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.

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 353,652 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 4.

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.

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 3 May 2016.

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 2018 (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

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: +61 1300 554 474

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

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 **11:00am on Thursday, 5 May 2016 at the Wesley Conference Centre, 220 Pitt Street, Sydney, NSW** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 1: 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 Resolution 1, even though the Resolution is 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 .

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of financial assistance by Salary Packaging Solutions Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Director – Mr Michael Carapiet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of securities issued to Anton Gaudry and Jenny Gaudry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Director – Dr Ian Watt AO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval to issue Shares to Mr Deven Billimoria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* 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

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 PRX1601C



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 Resolution is 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.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Tuesday, 3 May 2016**, 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

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 front of the 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 into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



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



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

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**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.**