

2018 Notice of Annual General Meeting

Date & Time of AGM: WEDNESDAY, 2 MAY 2018 at 11 AM (Sydney time)

**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 2018 Annual General Meeting of shareholders of Smartgroup Corporation Ltd ACN 126 266 831 (**Company**) will be held at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney, NSW on Wednesday 2 May 2018 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 2017 Annual Report, the Directors' Report and the Auditor's Report of the Company for the year ended 31 December 2017.

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 2017 be adopted and approved."

Item 3. Resolution 2: Re-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: Re-election of Director – Mr Andrew Bolam

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

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

Item 5. Resolution 4: Approval of the Company's Loan Funded Share Plan

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

"That all issues of securities under the Company's Loan Funded Share Plan within three years following the passing of this Resolution be approved as an exception to Listing Rule 7.1 pursuant to Exception 9 in Listing Rule 7.2, and for all other purposes."

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

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

"That, subject to Resolution 4 being passed, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 314,136 Shares to Mr Deven Billimoria, the Company's Managing Director and Chief Executive Officer, under the Company's Loan Funded Share Plan and otherwise on the terms and conditions outlined in the Explanatory Notes."

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

Item 7. Resolution 6: Approval of issue of shares to the vendors of Selectus Pty Ltd

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, approval be given for the issue of shares by the Company as described in section 8 of the Explanatory Notes accompanying and forming part of this Notice of Meeting."

Item 8. Resolution 7: Approval of issue of shares to the vendors of Fleet West Pty Ltd

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, approval be given for the issue of shares by the Company as described in section 9 of the Explanatory Notes accompanying and forming part of this Notice of Meeting."

Item 9. Resolution 8: Approval of issue of the Placement Shares

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, approval be given for the issue of the Placement Shares, being the issue of the shares by the Company as described in section 10 of the Explanatory Notes accompanying and forming part of this Notice of Meeting."

By order of the Board
28 March 2018



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 30 April 2018 (**Effective Time**), will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote at the Meeting.

Proxies and Representatives

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

A proxy need not be a Shareholder.

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

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

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

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

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

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

Proxy Forms, corporate representatives and powers of attorney granted by Shareholders must be received by the Company by no later than **11 am (Sydney time) on 30 April 2018** at the Company's share registry:

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

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 2017; 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 but it expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.

Resolution 4: Approval of the Company's Loan Funded Share Plan

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Deven Billimoria (being the only Director eligible to participate in the Loan Funded Share Plan) 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.

As Resolution 4 may be considered to relate to the remuneration of a member of the KMP for the Company, the Company will disregard all votes cast in favour of 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 that Resolution; 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 that Resolution but it expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.

Resolution 5 - Approval to issue Shares to Mr Deven Billimoria

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

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

Resolution 6 - Approval of issue of shares to vendors of Selectus Pty Ltd

The Company will disregard any votes cast in favour of Resolution 6 by a person who participated in the issue of Shares referred to in Resolution 6 (being the Selectus Vendors) and any of their respective associates.

However, the Company need not disregard a vote if:

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

Resolution 7 - Approval of issue of shares to vendors of Fleet West Pty Ltd

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

However, the Company need not disregard a vote if:

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

Resolution 8 - Approval of the Placement Shares

The Company will disregard any votes cast in favour of Resolution 8 by a person who participated in the issue of the Placement Shares referred to in Resolution 8 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 2018 ANNUAL GENERAL MEETING

These Explanatory Notes have been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney, NSW on Wednesday 2 May 2018 at 11:00am (Sydney time).

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

1. Items of business

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

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

2. Financial statements and reports

The 2017 Annual Report, which includes the Directors' Report and Auditor's Report for the financial year ended 31 December 2017, 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 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 2017 Annual Report. You may view the 2017 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 2018 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 2019 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 2019 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 adopted by a resolution of the Board. The Directors have resolved in favour of the Remuneration Report and recommend it to Shareholders for adoption.

Directors' recommendation

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

4. Resolution 2: Re-election of Director – Mr Michael Carapiet

Mr Michael Carapiet retires in accordance with the Constitution. Being eligible, Mr Carapiet offers himself for re-election as a Director.

Resolution 2 seeks Shareholder approval of the re-election of Mr Carapiet.

Mr Michael Carapiet

Mr Carapiet is the Chairman of the Company.

Mr Carapiet is also:

- Chairman of Link Group, a global provider of share registry, corporate market data analytics and asset management services;
- Chair of Insurance and Care NSW (icare NSW), which includes the activities of the NSW Workers Compensation Scheme, Lifetime Care and Support, Dust Diseases and the NSW Government's self-insurance activities;
- Chair of Adexum Capital, a private equity fund manager; and
- a Member of the IT and Innovation Committee and Member of the Human Resources and Remuneration Committee of the Company.

Previously Mr Carapiet held numerous senior roles at Macquarie Group, until his retirement from those roles in 2011.

Additional information

Information about Mr Carapiet can be found in the Directors' Report which accompanies, and forms part of the 2017 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: Re-election of Director – Mr Andrew Bolam

Mr Andrew Bolam retires in accordance with the Constitution. Being eligible, Mr Bolam offers himself for re-election as a Director.

Resolution 3 seeks Shareholder approval of the re-election of Mr Bolam.

Mr Andrew Bolam

Mr Bolam has more than 20 years of experience in financial and general management. He is currently the Chief Financial Officer of Fetch TV Pty Ltd. He was previously the Chief Financial Officer of Usaha Tegas, a private investment holding company based in Malaysia. He was also Commercial Director of Bumi Armada Berhad, an associate of Usaha Tegas group. Andrew was the Chief Financial Officer of Astro All Asia Networks plc (the then holding company of MEASAT Broadcast Network Systems Sdn Bhd which launched the Astro Pay-TV services) shortly following its launch in late 1996.

Mr Bolam is also a Member of the Audit and Risk Committee and Member of the IT and Innovation Committee of the Company.

Additional information

Information about Mr Bolam can be found in the Directors' Report which accompanies, and forms part of the 2017 Annual Report.

Directors' recommendation

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

6. Resolution 4: Approval of the Company's Loan Funded Share Plan

The Loan Funded Share Plan was adopted by the Company on 17 February 2015.

The Loan Funded Share Plan established an employee incentive scheme known as the *Smartgroup Corporation Ltd Loan Funded Share Plan* under which Shares are acquired by selected employees of the Company using a loan made to them by the Company. This plan creates a mechanism through which the Company may make loans to eligible employees as an incentive or reward for achieving certain performance objectives. The loans are subject to limited recourse and are interest-free¹. It is a tool which may allow the Company to enhance its retention of employees and attract new employees.

On 17 February 2015, the shareholders of the Company at the relevant time also approved, including for the purposes of sections 257B, 259B, 260C and 200B of the Corporations Act, ancillary aspects of the Loan Funded Share Plan, such as any ancillary buy-backs of Shares, the Company taking security over Shares or in the company that controls it, the Company providing financial assistance to Participants in the form of the loans and the Company providing a 'benefit' for the purposes of section 200B of the Corporations Act. There has been no change to any material terms of the Loan Funded Share Plan, and accordingly, those approvals continue to apply to the Loan Funded Share Plan.

Approval for the purposes of the ASX Listing Rules

Listing Rule 7.1 prohibits a listed entity from issuing or agreeing to issue equity securities if the number to be issued, when aggregated with all other equity securities the entity issued or agreed to issue in the previous 12 months, exceeds 15% of the number of ordinary shares that were on issue 12 months before the date of issue or agreement to issue the new equity securities. Shares issued under the Loan Funded Share Plan are considered equity securities for the purposes of Listing Rule 7.1.

Listing Rule 7.2 provides a number of exceptions to Listing Rule 7.1. In particular, Exception 9 in Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to equity securities issued by the listed entity under an employee incentive scheme if the issue of equity securities under that scheme, and under Exception 9 in Listing Rule 7.2, was

¹ As required by ASIC Class Order CO 14/1000 and consistent with ASIC's policy published in Regulatory Guide 49

approved by shareholders within three years before the issue date of those equity securities. As the Loan Funded Share Plan was last approved by the shareholders of the Company on 17 February 2015, the three year period provided by the previous approval has lapsed. Accordingly, for Exception 9 in Listing Rule 7.2 to apply to Shares which are to be issued under the Loan Funded Share Plan, Shareholder approval is being sought.

There has been no change to the number or terms of the securities to be issued, the mechanism for pricing or payment or any other material terms of the Loan Funded Share Plan.

Rationale for the LFSP

The Board believes that the LFSP will:

- encourage participants to focus on creating value for shareholders;
- link reward with the achievement of long-term performance in the Company;
- encourage participants to remain with the Company by providing them with the opportunity to hold a financial stake in the Company; and
- assist in the Company attracting high calibre employees.

Terms of the LFSP

A summary of the terms of the LFSP is set out in Appendix A to these Explanatory Notes.

Previous offers under the LFSP

Since the establishment of the LFSP in February 2015, the Board has issued 3,912,678 Shares under the LFSP to eligible employees of the Company. 313,507 shares were cancelled in 2017 due to the resignation of certain employee participants.

Directors' recommendation

The Board (with the exception of Mr Deven Billimoria, who declines to make a recommendation in relation to Resolution 4 on the basis that he is a Director who is eligible to participate in the Loan Funded Share Plan) recommends that Shareholders vote in favour of Resolution 4.

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

Background

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

ASX Listing Rule 10.14

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

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

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

Shareholder approval is sought under Listing Rule 10.14 under this Resolution 5. If this Resolution is passed, the issue of the LFSP Shares to Mr Billimoria will fall 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 will be put to Shareholders at this Annual General Meeting for approval.

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

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

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

Since the annual general meeting in May 2017, Mr Billimoria has received 338,628 Shares at an issue price of \$6.50 per Share.

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

EPS performance hurdle

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

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

The following method is used to calculate the EPS performance hurdle. It is based on the achievement of the Compound Annual Growth Rate (**CAGR**) of EPS (measured on the Company's underlying net profit after tax, adjusted to exclude the non-cash tax effected amortisation of intangibles (after tax) per Share (**NPATA**)) from the 2017 audited financial results, and adjusted to include the 2017 full year earnings of the acquisitions of AccessPay

Pty Ltd, Aspire Benefits Management, the Salary Solutions business and Fleet West (acquisitions that occurred in 2017). (That is, the actual base year NPATA is increased so the NPATA growth that must be achieved is higher than if the actual base year NPATA were used.)

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 2020*	Below 10.0%		NIL
		10.0%	\$0.745	50%
		Between 10.0% - 15.0%		Straight line between 50% - 100%
		15.0% or greater	\$0.852	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 200 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 2018 (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 200 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 2020*	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 314,136 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 314,136 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 on 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 Day immediately prior to the date of the AGM (that is, the 20 most recent Trading Days on the ASX).
Terms of any loan in relation to the acquisition of the LFSP Shares	<p>The LFSP provides for a limited-recourse, interest-free and fee-free, five year loan from the Company for the sole purpose of acquiring the LFSP Shares.</p> <p>Any dividend paid on the LFSP Shares while the LFSP 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 5, under the headings 'EPS performance hurdle', 'TSR performance hurdle' and 'Continuous employment condition'.
Vesting Period	The period of 3 calendar years ending 31 December 2020.
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 5.

Directors' recommendation

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

8. Resolution 6: Approval of Shares issued to the shareholders of Selectus Pty Ltd

Resolution 6 seeks the approval of the Shareholders, for the purposes of ASX Listing Rule 7.4, for the issue of Shares by the Company to the Selectus Vendors, more fully described in the background below.

Background

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

The number of equity securities that may be issued by a company under ASX Listing Rule 7.1 without shareholder approval is not affected by equity securities which are issued under an exception contained in ASX Listing Rule 7.2 or which have received shareholder approval. ASX Listing Rule 7.4 provides that an issue by a company of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with approval, if the issue did not breach ASX Listing Rule 7.1 when made and the company's shareholders subsequently approve it.

Issue of shares to Selectus vendors

The Board has decided to seek shareholder approval under ASX Listing Rule 7.4 (and for all other purposes) in relation to the Company's issue of 446,112 Shares in August 2017, as part of the consideration for the acquisition of Selectus Pty Ltd, further details of which are set out in the Company's announcements dated 25 July 2016 and 2 August 2016 (the **Deferred Shares**).

The Deferred Shares represented approximately 3.6% of the Company's total number of Shares on issue immediately prior to the issue of the Deferred Shares.

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

Why are we seeking shareholder approval?

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

The approval of Shareholders is being sought to provide the Company with the maximum flexibility to issue equity securities 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, including in relation to the raising of equity capital. It should be noted that, notwithstanding an approval by Shareholders of Resolution 6, any future equity raisings will remain subject to the limit set out in the ASX Listing Rules.

No decision has been made by the Board to undertake any further issue of equity securities in the event that approval is received from Shareholders in respect of Resolution 6. 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 Resolution

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

- (a) The Company confirms that the issue of the Deferred Shares at the relevant time did not breach ASX Listing Rule 7.1. As the Deferred Shares were issued as consideration for the acquisition of Selectus Pty Ltd, no cash proceeds were received (or will be received) by the Company for the issue of the Deferred Shares.
- (b) A total of 446,112 Shares were issued.
- (c) The Deferred Shares are fully paid ordinary shares of the Company which rank equally with all other Shares of the Company.
- (d) The Deferred Shares were issued to the Selectus Vendors in the following amounts:

Name of Selectus Vendor	No of shares issued	Notional issue price per share
Jeepster Pty Ltd	56,910	\$6.56
MDDL Investments Pty Ltd	52,433	
Double Happiness Financial Services Pty Ltd	113,180	
Double Happiness Super Services Pty Ltd	52,647	
Ride a White Swan Pty Ltd	39,432	
Rossmar Pty Ltd	131,510	
	Total: 446,112	

Directors' Recommendation

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

Accordingly, the Board recommends that Shareholders vote in favour of Resolution 6.

9. Resolution 7: Approval of Shares issued to the shareholders of Fleet West Pty Ltd

Resolution 7 seeks the approval of the Shareholders, for the purposes of ASX Listing Rule 7.4, for the issue of Shares by the Company to the Fleet West Vendor.

Background

The regulatory background to this Resolution is the same as is described under the heading "Background" for Resolution 6 above.

Issue of shares to Fleet West Vendor

The Board has decided to seek Shareholder approval under ASX Listing Rule 7.4 (and for all other purposes) in relation to the Company's issue of 99,236 Shares in January 2018, as part of the consideration for the acquisition of Fleet West Pty Ltd, further details of which are set out in the Company's announcement dated 14 December 2017 (the **FW Shares**).

The FW Shares represented approximately 0.8% of the Company's total number of Shares on issue immediately prior to the issue of the FW Shares.

The FW Shares were issued to the Fleet West Vendor in the amounts set out further below.

Why are we seeking Shareholder approval?

The reasons for seeking Shareholder approval are the same as described under the same heading for Resolution 6 above.

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

Information about the issue of the FW Shares is set out below with further details disclosed in information lodged by the Company with ASX and available at www.asx.com.au (including the Company's announcement dated 14 December 2017).

- (a) The Company confirms that the issue of the FW Shares at the relevant time did not breach ASX Listing Rule 7.1. As the FW Shares were issued as consideration for the acquisition of Fleet West Pty Ltd, no cash proceeds were received (or will be received) by the Company for the issue of the FW Shares.
- (b) A total of 99,236 FW Shares were issued to Tinkerbell Pty Ltd (the Fleet West Vendor) at an issue price of \$10.08.
- (c) The FW Shares are fully paid ordinary shares of the Company which rank equally with all other Shares of the Company.

Directors' Recommendation

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

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

10. Resolution 8: Approval of the issue of the Placement Shares

Resolution 8 seeks the approval of the Shareholders, for the purposes of ASX Listing Rule 7.4, for the Placement Shares.

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 a company's 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 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.

Placement of Shares to certain investors

The Board has decided to seek Shareholder approval under ASX Listing Rule 7.4 (and for all other purposes) in relation to the Company's issue of 6,787,331 Shares on 2 March 2018 to a number of sophisticated and/or institutional investors, being clients of, or investors identified by, Macquarie Capital (Australia) Limited or Morgans Corporate Limited.

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 issue equity securities 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, including in relation to the raising of equity capital. It should be noted that, notwithstanding an approval by Shareholders of Resolution 8, any future equity raisings will remain subject to the limit set out in the ASX Listing Rules.

The effect of passing Resolution 8 will be to refresh an equivalent proportion of the Company's 15% capacity under ASX Listing Rule 7.1 so that its capacity would be the same as if the Placement Shares had not been issued. Resolution 8, if passed, will increase the Company's financial flexibility in the future.

No decision has been made by the Board to undertake any further issue of equity securities in the event that approval is received from Shareholders in respect of Resolution 8. 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 Resolution 8

The Company confirms that the issue of the Placement Shares at the relevant time did not breach ASX Listing Rule 7.1.

Information about the 6,787,331 Placement Shares is set out below, with further details included in information lodged with ASX and available at www.asx.com.au (including the Company's announcements dated 26 February 2018 and 27 February 2018).

The following additional information is provided in connection with the approval sought under Resolution 8, in accordance with ASX Listing Rule 7.5:

- (a) The Placement Shares, being 6,787,331 Shares, were issued, each at a fixed price of \$11.05.
- (b) The Placement Shares are fully paid ordinary shares of the Company which rank equally with all other fully paid ordinary shares of the Company, including entitlement to the Company's fully franked final dividend declared and payable 29 March 2018 of 18.5 cents per share.
- (c) The Placement Shares were allotted and issued on 2 March 2018.
- (d) The Placement Shares were issued to a number of sophisticated and/or institutional investors, being clients of, or investors identified by, Macquarie Capital (Australia) Limited or Morgans Corporate Limited.
- (e) The proceeds of the issue of Placement Shares will be used to strengthen the Company's balance sheet and provide financial flexibility to support organic growth and pursue future acquisitions.

Board Recommendation

The Board considers that the approval of the issue of the Placement Shares is beneficial for the Company as it provides the Company with the flexibility to (should it be required) issue

up to the maximum number of equity securities permitted under ASX Listing Rules in the next 12 months (without further Shareholder approval).

Accordingly, the Board recommends that Shareholders eligible to do so vote in favour of Resolution 8.

GLOSSARY

2017 Annual Report means the financial report of the Company (and any relevant controlled entities) for the year ended 31 December 2017.

Annual General Meeting, AGM or Meeting means the 2018 annual general meeting of the Shareholders

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

Auditor means PriceWaterhouseCoopers.

Auditor's Report means the report of the Auditor regarding its audit of the Company (and any relevant controlled entities) which accompanies the 2017 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.

Board means the board of Directors.

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).

Deferred Shares has the meaning given to that phrase in Explanatory Note 8 in relation to Resolution 6.

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

Directors' Report means the report of the Directors which accompanies the 2017 Annual Report.

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

Fleet West means Fleet West Pty Ltd ACN 116 808 461.

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

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

FW Vendor means Tinkerbelle Pty Ltd, the vendor of shares in Fleet West.

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 the Company's key management personnel include the Directors and certain senior executives.

LFSP Shares means the 314,136 Shares which are proposed to be issued to Mr Deven Billimoria in accordance with the LFSP, and for which Shareholder approval is sought under Resolution 5.

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.

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

Placement Shares means the 6,787,331 Shares in the Company which were issued to certain institutional and/or sophisticated investors which occurred on 2 March 2018, including as described in the Company's ASX announcements dated 26 and 27 February 2018.

Proxy Form means the proxy form accompanying the Notice.

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

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

Selectus Vendors means:

Jeepster Pty Ltd
MDDL Investments Pty Ltd
Double Happiness Financial Services Pty Ltd
Double Happiness Super Services Pty Ltd
Ride a White Swan Pty Ltd
Rossmar Pty Ltd

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

Shareholder means a holder of at least one Share as shown on the register of members of the Company as at 7:00pm on 30 April 2018.

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 2020 (or such other date on which the Board makes a determination as to whether the Vesting Condition has been met).

Appendix A – Summary of the terms of the LFSP

Eligibility

Full-time and part-time employees and executives of the Company or any of its subsidiaries (**Participants**), who are selected by the Board, will be eligible to participate in the LFSP. For the avoidance of doubt this does not extend to associates. Offers of Shares under the LFSP are economically equivalent to an award of options.

Administration and Board discretion

The Board administers the LFSP, and it may delegate some or all of its powers and functions under the LFSP to a person or to a committee of two or more persons.

The Board may add to, repeal, amend, alter or vary any or all of the provisions of the LFSP rules (including with retrospective effect) in writing in any respect whatsoever, including the rights or obligations of the Participant, provided that no addition, repeal, amendment, alteration or variation of the LFSP terms will:

- without the Participant's consent in writing, materially reduce the Participant's accrued benefits or entitlements as they existed before the date of the amendment;
- without the Participant's consent in writing, impose additional obligations on the Participant in respect of his or her LFSP Shares;
- repeal, amend, alter or vary these protections,

unless the addition, repeal, amendment, alteration or variation is introduced primarily:

- for the purpose of complying with or conforming to present or future laws or regulating the maintenance or operation of the LFSP or like plans, including any relevant tax legislation;
- to correct any manifest error or mistake; or
- to enable the LFSP or the Company to comply with the Corporations Act, the Listing Rules or its Constitution.

Invitation

Participants may purchase a specified number of Shares which are subject to restrictions to be determined by the Board. An invitation may only be made if approved by the Board. It must be in writing and must be made in accordance with the LFSP rules.

Transaction costs

The Company may, but is not required to, bear all brokerage, commission or other transaction costs payable by a Participant in relation to acquisition of Shares under the LFSP.

Conditions

The Board may determine that Shares to be granted to Participants will be subject to:

- 'Vesting Conditions'; and
- 'Forfeiture Conditions'.

which must be detailed in the invitations made to Participants.

The nature and content of the 'Vesting Conditions' are determined by the Board and may include conditions relating to any or all of:

- continuing employment;
- performance of the Participant;
- performance of the Company; or
- the occurrence of specific events.

Unless determined otherwise by the Board, while Shares are held by a Participant under the LFSP, they are subject to forfeiture if any of the following 'Forfeiture Conditions' are satisfied:

- if the Participant breaches any term of the loan agreement between the Participant and the Company;
- if the Participant ceases employment, but only in certain circumstances set out in the rules of the LFSP; or
- if, in the opinion of the Board, any of the Vesting Conditions have not been or cannot be satisfied for any reason.

If the applicable 'Vesting Conditions' are satisfied, the Participant will be permitted to retain those Shares which have vested provided they repay the loan owing on those Shares. The Board may waive any or all of the Forfeiture Conditions.

On cessation of employment, the Board will have absolute discretion to determine whether the Participant is a 'Bad Leaver', a 'Good Leaver' or 'Leaver'. Together with the Vesting Conditions and Forfeiture Conditions, each of these classifications will have differing implications on whether, for example, a Participant unvested LFSP Shares, vested LFSP Shares and the terms of the Loan which applies to the LFSP Shares.

Loan terms

Participants will be invited to purchase Shares using loan funds under the loan agreement with the Company (**Loan**).

The Board may determine the value of the Loan that will be provided to Participant to facilitate the acquisition of the LFSP Shares, or the means by which that value will be calculated and shall state the value or means of calculation of the Loan value in the invitation from the Board.

A Participant who accepts a Loan irrevocably authorises the Company to apply the Loan funds on behalf of the Participant in payment of the total cost of the LFSP Shares to be acquired.

The Loan must always be repaid if the Participant wishes to benefit from the Shares. Participants only benefit from growth in share price.

The Loans to be made under the LFSP will be:

- limited recourse in nature, meaning that if the market value of the Shares is less than the loan value at the end of the term of the Loan, the Participant cannot be forced to repay the remaining Loan balance out of their own funds;
- interest-free and fee free; and
- repayable in full on the earlier of the termination date of the Loan (5 years from the date it is made) or the date on which the Shares are sold in accordance with the terms of the rules of the LFSP.

In the event that the Vesting Conditions are not met, or Shares do not vest for any other reason, the Shares may be bought-back by the Company and the proceeds used to repay the Loan, such that the Participant receives no gain from the LFSP.

Dividends and voting rights

A Participant is entitled to any rights which accrue (including voting rights and dividends) to LFSP Shares held by the Participant and may deal with those rights in accordance with the terms of the LFSP rules and the invitation from the Board in relation to those LFSP Shares.

If the Company pays dividends or make capital distributions, the after-tax value of any dividends paid or distributions made to a Participant will be applied to repay the Loan. The balance (ie the estimated value of the tax payable by the Participant on the dividend or distribution) is paid to the Participant to allow them to fund their tax liability on the dividend or distribution.

Transferability and dealings

A Participant must not sell, transfer, encumber or otherwise deal with a LFSP Shares unless otherwise permitted under the LFSP or determined by the Board.

At the end of the vesting period and subject to continuous employment, Participants can dispose of their Shares on repayment of any outstanding Loan balance.

Capital reconstruction

In the event of a capital reconstruction, subject to any provisions in the Listing Rules, the Board may adjust the number of LFSP Shares held by a Participant.

The Board may determine that LFSP Shares held by a Participant may be bought-back (in accordance with the requirements of the Constitution and the Corporations Act) in certain circumstances.