
TFS CORPORATION LTD

ABN 97 092 200 854

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9:00 am (WST)

DATE: 28 November 2014

PLACE: Grand River East Room
Pan Pacific Hotel
207 Adelaide Terrace
PERTH WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on (08) 9386 3299.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 9am on 28 November 2014 at:

Grand River East Room
Pan Pacific Hotel
207 Adelaide Terrace
Perth WA 6000

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4pm (WST) on 26 November 2014.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 2014 together with the declaration of the Directors, the Director's report, the Remuneration Report and the Auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2014.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

- (c) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JULIUS MATTHYS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Julius Matthys, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 –ELECTION OF DIRECTOR – MR DALTON GOODING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Dalton Gooding, a Director who was appointed as an additional Director on 16 October 2014, retires, and being eligible, is elected as a Director.”

5. **RESOLUTION 4 – ELECTION OF DIRECTOR – MR JOHN GROPPOLI**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr John Groppoli, a Director who was appointed as an additional Director on 10 October 2014, retires, and being eligible, is elected as a Director.”

6. **RESOLUTION 5 – NON-EXECUTIVE DIRECTOR’S REMUNERATION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.7 of the Constitution, ASX Listing Rule 10.17 and for all other purposes, Shareholders approve an increase of the maximum total aggregate amount of fees payable to non-executive Directors from \$500,000 per annum to \$800,000 per annum in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. **RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 42,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 7 – APPOINTMENT OF AUDITOR AT AGM TO FILL VACANCY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of section 327B of the Corporations Act and for all other purposes, Ernst & Young having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with effect from the close of the Meeting.”

9. RESOLUTION 8 – ADOPTION OF TFS CORPORATION LIMITED LONG TERM INCENTIVE PLAN

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

“That for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt the TFS Corporation Limited Long Term Incentive Plan and for the issue of any equity securities under the TFS Corporation Limited Long Term Incentive Plan, on the terms which are described in the Explanatory Statement, during the three years following the date of this meeting.”

Voting Exclusion:

The Company will disregard any votes cast on this Resolution by any Director of the Company who is eligible to participate in any employee incentive scheme in relation to the Company, and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

10. RESOLUTION 9 – GRANT OF PERFORMANCE RIGHTS TO THE EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

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

“That, subject to the passing of Resolution 8, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of performance rights to the value of \$769,000 to Frank Wilson (or his nominee) in relation to the FY15 grant under the TFS Corporation Limited Long Term Incentive Plan, on the terms summarised in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast on Item 10 (Grant of Performance Rights to the Executive Director and Chief Executive Officer) by Mr Frank Wilson, any other Director of the Company who is eligible to participate in the employee incentive scheme, and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

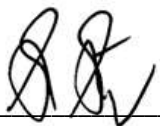
- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Dated: 24 October 2014

By order of the Board



Simon Storm

Company Secretary

EXPLANATORY STATEMENT

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

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 2014 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.tfsltd.com.au

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the Directors of the company.

The remuneration report sets out the company's remuneration arrangements for the Directors and senior management of the company. The remuneration report is part of the Directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of Directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors of the company who were in office when the Directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the Managing Director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the company is approved will be the Directors of the company.

Previous voting results

At the Company's 2013 annual general meeting the votes cast against the remuneration report considered at that annual general meeting was more than 25% resulting in a second strike. Accordingly, a Spill Resolution was put to the vote at that meeting in accordance with the Corporations Act and the votes cast were less than 50% resulting in the resolution being lost.

For the avoidance of any doubt, as a result of the Spill Resolution being put to the vote at the Company's 2013 annual general meeting, in the event that at least 25% of the votes cast on the remuneration report resolution are voted against adoption of the remuneration report at this meeting, the Company will not be required to put another Spill Resolution to this meeting.

Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directed	Undirected
Key Management Personnel ¹	Voted	Not voted ³
Chair ²	Voted	Voted at discretion of Proxy ⁴
Other	Voted	Voted at discretion of Proxy

Notes:

- 1 Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
- 2 Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).
- 3 Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
- 4 The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JULIUS MATTHYS

ASX Listing Rule 14.4 provides that a Director of an entity must not hold office (without re-election) past the third AGM following the Director's appointment or 3 years, whichever is the longer.

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) In determining the number of Directors to retire, no account is to be taken of:
 - (i) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and/ or
 - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

Mr Julius Matthys, the Director longest in office since his last election, retires by rotation and seeks re-election.

A biography on Mr Matthys is included in the 2014 Annual Report.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR DALTON GOODING

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Dalton Gooding having been appointed on 16 October 2014 will retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Mr Dalton Gooding B.Bus, FCA holds non-executive Director and chairs positions on a number of public and private company boards, including RAC Group, St Ives Group and Brierty Ltd.

Mr Gooding was formerly a long standing partner at Ernst & Young and is a Fellow of the Institute of Chartered Accountants in Australia. He has over 25 years experience and is currently the Managing Partner of Gooding Partners where he advises a wide range of businesses with an emphasis on taxation and accounting issues, due diligence, feasibilities and general business advice.

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MR JOHN GROPPOLI

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr John Groppoli, having been appointed on 10 October 2014 will retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Mr John Groppoli LLB, BJuris, FAICD has been a non-executive Director of Automotive Holdings Group (“AHG”) for the last 8 years, and is a member of their Remuneration and Nomination Committees. AHG is an ASX200 Company with a market capitalisation of approximately \$1.2 billion.

Mr Groppoli was a partner of national law firm Deacons (now Norton Rose) from 1987 to 2004 where he specialised in franchising (and related wholesale and retail distribution networks), mergers and acquisitions, and corporate governance. He was Managing Partner of the Perth office of Deacons from 1998 to 2002.

Mr Groppoli left private practice in 2004 and is currently Managing Director of RGM Equity whose business operations consist of the marketing and distribution of premium international homewares, optical products and accessories, occupational health and safety products and the provision of niche third party logistics/warehousing.

He is also a Director of the Senses Foundation, a leading disability service provider in Western Australia.

6. RESOLUTION 5 – NON-EXECUTIVE DIRECTORS' REMUNERATION

ASX Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of Directors' fees payable to all of its non-executive Directors without the approval of holders of its ordinary securities.

Clause 13.7 of the Constitution also requires that remuneration payable to the non-executive Directors will not exceed the sum initially set by the Constitution and subsequently increased by ordinary resolution of Shareholders in general meeting.

The maximum aggregate amount of fees payable to all of the non-executive Directors is currently set at \$500,000. Resolution 5 seeks Shareholder approval to increase this figure by \$300,000 to \$800,000.

This amount includes superannuation contributions made by the Company for the benefit of non-executive Directors and any fees which a non-executive Director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out of pocket expenses, genuine "special exertion" fees paid in accordance with the Constitution, or securities issued to a non-executive Director under ASX Listing Rule 10.11 or 10.14 with approval of Shareholders.

The maximum aggregate amount of fees proposed to be paid to the non-executive Directors per annum has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

Whilst it is not envisaged that the maximum amount sought will be utilised immediately, the proposed limit is requested to ensure that the Company:

- (a) maintains its capacity to remunerate both existing and any new non-executive Directors joining the Board;
- (b) remunerates its non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates; and
- (c) has the ability to attract and retain non-executive Directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.

In the past 3 years, the Company has not issued non-executive Directors any shares with prior Shareholder approval under ASX Listing Rules 10.11 and 10.14.

Given the interest of the non-executive Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

7. RESOLUTION 6– RATIFICATION OF PRIOR ISSUE – SHARES

7.1 General

On 27 May 2014, the Company issued 42,000,000 Shares at an issue price of \$1.60 per Share to raise \$67,200,000.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 42,000,000 Shares were issued;
- (b) the issue price was \$1.60 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investors introduced by Canaccord Genuity (Australia) Limited. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used to progress a number of value accretive opportunities consistent with the strategy to increase the scale of owned plantations.

8. RESOLUTION 7 – APPOINTMENT OF AUDITOR AT AGM TO FILL VACANCY

Bentleys, which is the Company's current auditor, has given notice of its intention to resign as auditor of the Company to ASIC (under section 329(5) of the Corporations Act).

Upon receipt of ASIC's consent to their resignation, Bentleys has advised that it will submit a notice of resignation to the Company in accordance with section 329(5) of the Corporations Act, such resignation to take effect from the date of the Meeting.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a Shareholder for Ernst & Young to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Schedule 1.

Ernst & Young has given its written consent to act as the Company's auditor, subject to Shareholder approval and the resignation of Bentleys.

If Resolution 7 is passed, the appointment of Ernst & Young as the Company's auditors will take effect from the close of the Annual General Meeting.

9. RESOLUTION 8 – ADOPTION OF TFS CORPORATION LIMITED LONG TERM INCENTIVE PLAN

Background

The 2013 resolution regarding a new Long Term Incentive Plan was withdrawn prior to the 2013 AGM. In consideration of contemporary market practice, shareholder views, and business requirements, the Company subsequently undertook a comprehensive review of its executive remuneration practices. As part of the review, the Board considered it appropriate to refine the long term incentive plan approach, with awards under this plan forming a key component of the Company's total remuneration framework for key management personnel (**KMP**) and other eligible executives.

The new TFS Corporation Limited Long Term Incentive Plan (**Plan**) is intended to be the Company's principal vehicle for granting long term incentive awards, comprising Performance Rights which vest based on ongoing employment and the achievement of specifically selected performance hurdles over the relevant performance period.

The primary objectives of the Plan are to:

- assist in the attraction, retention and motivation of key individuals;
- link the reward of KMP and other eligible executives to performance and the creation of shareholder value;
- encourage increased alignment between reward outcomes and shareholder interests by providing an opportunity to receive an equity interest and build their shareholding in the Company, and the ability to share in future growth in Company value;
- drive long term shareholder value creation; and
- ensure enhanced focus on the Company's long term performance and strategic direction.

Approvals sought

Resolution 8 seeks Shareholders approval for the adoption of the employee incentive scheme titled the TFS Corporation Limited Long Term Incentive Plan in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that an ASX listed entity must not subject to specified exceptions issue or agree to issue equity securities during any 12 month period that total more than 15% of its fully paid ordinary shares in a 12 month period without shareholder approval (**15% Rule**).

Under Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to the 15% Rule. If such approval is obtained, any Performance Rights granted under the Plan (and shares allocated upon vesting of those Performance Rights) would not be counted towards the Company's capacity to issue securities under the 15% Rule.

This approval continues for three years, at which time it must be renewed, or it will expire. In the absence of such an approval, issues of securities under the Plan may still be made, but must fall within the 15% Rule at the time of issue.

In the Board's opinion, the resolution will assist the Company in managing its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary and appropriate.

Key terms

A summary of the key terms of the Plan are set out below.

TERM	DETAIL
Purpose	The Plan will operate to allow the Board to grant equity awards in the form of Performance Rights as part of the long term incentive component of remuneration, as determined by the Board from time to time.
Performance Rights	Each Performance Right is a right to acquire one ordinary share in the Company (or an equivalent cash amount) upon satisfaction of the vesting conditions, as determined by the Board. Each grant will specify the minimum and maximum number or value of shares in the Company that the participant may receive if the vesting conditions are satisfied.

TERM	DETAIL
Eligible participants	The Board may grant Performance Rights to executives and other selected employees of the Company. In general, the Board will invite those executives and employees who have capacity to impact the long term performance of the Company. However, for the avoidance of doubt, eligible participants may include executive Directors, full-time and part-time employees, and any other person the Board considers eligible, as determined appropriate by the Board (other than non-executive Directors who will not be eligible to participate in the Plan). The individual participants will be selected on the basis that their role enables them to influence the achievement of the Company's long-term strategic objectives. The Company will seek shareholder approval for participation of any executive Directors in the Plan (refer Item 9).
Vesting conditions	The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before the Performance Rights vest. The vesting conditions will be measured and tested over a vesting period determined by the Board. For the first grant under this Plan, it is intended that grants will be made in two equal tranches, one with a vesting period of three years and the other with a vesting period of four years. <u>Performance conditions for the initial grant</u> After careful consideration of both shareholder feedback and the strategy direction of the Company over the relevant performance period (above), the Board determined the performance conditions for the initial grant to be as follows: (1) 50% of the grant will vest based on Basic cash earnings per share (EPS) performance, based on the Company's growth in Basic cash EPS over the performance period and measuring the earnings generated by the Company attributable to each share on issue (50%). (2) 50% of the grant will vest based on total shareholder return (TSR) performance based on the Company's growth in TSR over the performance period and measuring the growth in the Company's share price together with the value of dividends during the relevant performance period, assuming that all dividends are re-invested into new shares (50%). The performance conditions are independent and will be tested separately. The applicable Basic cash EPS and TSR performance targets and relevant vesting schedules will be the same for all participants in the Plan, including the Executive Director and Chief Executive Officer. Details in respect of the performance targets and vesting schedules for the initial

TERM	DETAIL
	grant are therefore contained within the Explanatory Notes to Item 9 – Grant of Performance Rights to the Executive Director and Chief Executive Officer. Note that the Plan provides the Board with the ability to review and adjust the performance conditions, targets and vesting schedules on a grant-by-grant basis, ensuring they remain appropriate and sufficiently challenging.
Other terms	The Board may determine the terms of the Performance Rights, including whether any price is payable for the grant or upon exercise, and any other lapsing conditions.
Entitlements	Performance Rights do not carry any dividend or voting rights. Performance Rights are non-transferable, except in limited circumstances or with the consent of the Board.
Allocation of shares upon vesting	The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested Performance Rights. The Company may operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan. No trading restriction will be placed on shares allocated following vesting, subject to the Company Share Trading Policy, unless the Board determines otherwise.
Cessation of employment	Where a participant ceases employment with the Company prior to Performance Rights vesting, the treatment will depend on the circumstances of cessation. Where the participant ceases employment due to resignation or termination for cause (including gross misconduct), all unvested Performance Rights will lapse at cessation. Where a participant ceases employment for any other reason prior to Performance Rights vesting, a pro-rata portion of unvested Performance Rights (based on the period of time employed during the vesting period) will generally continue on-foot and be tested at the original vesting date against the relevant vesting conditions. However, where a participant ceases employment within 12 months of the start of the relevant performance period for any reason, all unvested Performance Rights granted in respect of that performance period will lapse upon cessation, subject to Board discretion to determine otherwise. The Board also has a broader discretion to apply any another treatment that it deems appropriate in the circumstances (including that another number of Performance Rights may vest either at cessation or at the end of the original vesting date, or that some or all of the Performance Rights lapse).

TERM	DETAIL
Change of control	Where a change of control event occurs, the Board has discretion to determine whether any unvested Performance Rights should ultimately vest, lapse, become subject to different vesting conditions, or be settled in Shares, cash or securities other than Shares. In making such a determination, the Board may have regard to any factors that the Board considers relevant, including the performance period elapsed at the time of the event, the extent to which the vesting conditions have been satisfied at the time of event and the circumstances of the event. The Company also has specific rules in relation to divestments, with the Board having the discretion to determine an appropriate treatment for participants in the event of the divestment of a “material” part of the business.
Clawback	In the event of fraud, dishonesty or material misstatement of financial statements, the Board may make a determination, including lapsing unvested Performance Rights or ‘clawing back’ shares allocated upon vesting, to ensure that no unfair benefit is obtained by a participant.
Adjustment of awards	The Board has discretion to adjust the number of Performance Rights in the event of a variation of capital or other corporate transaction to ensure participants do not enjoy a windfall gain or suffer a material detriment as a result of the variation, and in accordance with the ASX Listing Rules.
Administration of Plan	The Plan may be administered either by the Board or an external party, including using a trust to acquire, hold, or provide shares to satisfy the awards. The Board is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the Performance Rights granted under it as it considers appropriate.

A copy of the Plan Rules will be available for inspection at the Company’s registered office during normal business hours.

As this is a new Plan, no Performance Rights have been issued under it to date. Separate shareholder approval is being sought for the grant of Performance Rights to the Executive Director and Chief Executive Officer (see Explanatory Statement for Item 10 below).

A voting exclusion statement, applicable to Resolution 8, is set out in the Notice of Meeting.

RECOMMENDATION

The Board unanimously recommends that shareholders vote in favour of Resolution 8.

10. RESOLUTION 9 – GRANT OF PERFORMANCE RIGHTS TO THE EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Company has agreed, subject to obtaining Shareholder approval and the passing of Resolution 8 to issue Performance Rights to Mr Frank Wilson (or his nominee) under the TFS Corporation Limited Long Term Incentive Plan and on the terms and conditions set out below.

The Performance Rights are being issued to Mr Wilson (or his nominee).

Overview of Performance Rights grant under LTI component of remuneration

The Company has recently established the TFS Corporation Limited Long Term Incentive Plan (**LTI**) as part of its executive remuneration strategy (as described in Item 9). Under the LTI plan, eligible executives are offered Performance Rights to acquire shares in the Company, subject to the satisfaction of certain vesting conditions over the relevant performance period.

An overview of the Plan can be found in the Explanatory Statement to Item 9 – Adoption of TFS Corporation Limited Long Term Incentive Plan.

Why is shareholder approval being sought?

ASX Listing Rule 10.14 requires shareholder approval in order for a Director to be issued equity securities in the Company under an employee incentive scheme.

As the Board intends to issue new securities in satisfaction of vested Performance Rights under the TFS Corporation Limited Long Term Incentive Plan (Plan), shareholders are asked to approve the grant of Performance Rights to Mr Wilson, to the value of up to \$769,000, on the terms and conditions of the Plan as set out in the Explanatory Statement.

Approval of this resolution will also result in the Performance Rights granted to Mr Wilson being an exception to ASX Listing Rule 7.1 (refer Item 9 – Adoption of TFS Corporation Limited Long Term Incentive Plan).

Further details of Mr Wilson’s executive remuneration package can be found in the Remuneration Report in the 2014 Annual Report.

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company’s members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (ii) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights constitutes giving a financial benefit and Mr Wilson is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Wilson who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Performance Rights because the agreement to grant the Performance Rights, reached as part of the remuneration package for Mr Wilson, is considered reasonable remuneration in the circumstances and was negotiated on an arm’s length basis.

Key terms of the Performance Rights grant

A brief overview of the key terms of the proposed grants to Mr Wilson is set out below.

TERM	DETAIL
Details of the proposed LTI grant	No LTI grant was able to be made to Mr Wilson for FY 2014 as shareholder approval had not yet been received in respect of the Plan, nor approval sought and received for the grant of Performance Rights to Mr Wilson under the Plan. As a result, the total value of the proposed FY 2015 LTI grant to Mr Wilson will be in respect of the LTI component of Mr Wilson's remuneration package for both FY 2014 and FY 2015, and will total \$769,000 (LTI Grant Value). This amount consists of: • FY 2014 opportunity of \$375,000 (50% of fixed remuneration); and • FY 2015 opportunity of \$394,000 (50% of fixed remuneration). The relevant opportunity levels, as a percentage of fixed remuneration, have been approved by the Board. The exact number of Performance Rights proposed to be granted will be calculated at the time of grant by dividing the LTI grant value by the volume weighted average price of the company's shares over the five trading days immediately prior to the date of grant.
Entitlements	Each Performance Right is a right to acquire one share in the Company (or an equivalent cash amount), subject to the achievement of the performance conditions set out below. Performance Rights do not carry any dividend or voting rights. Performance Rights are non-transferable, except in limited circumstances or with the consent of the Board.
Date of grant	If shareholder approval is obtained, the Performance Rights will be granted to Mr Wilson as soon as practicable after the AGM, but in any event, within 3 months of the AGM.
Performance hurdles	The Performance Rights are subject to two performance hurdles which are independent and will be tested separately. (1) Earnings per share performance 50% of the Performance Rights will be subject to a Basic cash EPS hurdle, based on the Company's growth in Basic cash EPS over the relevant performance period (EPS Hurdle) (see below for detail of the performance periods for this grant). Broadly, EPS measures the earnings generated by the Company attributable to each share on issue. The compound annual growth in the Company's EPS over the Performance Period will be measured by comparing the underlying Basic cash EPS in the base year (being 6.54 cents per Share for FY14) and final year Basic cash EPS results in FY18. The percentage of Performance Rights subject to the EPS Hurdle that vest, if any, will be determined by reference to the EPS achieved over the Performance Period compared to the Company's targets, as follows:

TERM	DETAIL	
	Compound annual growth in Basic cash EPS over the relevant period	Performance Rights subject to Basic cash EPS Hurdle that vest (%)
	Maximum % or above	>12.5% p.a. 100%
	Between threshold % and maximum %	7.5% to 12.5% p.a. Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)
	Less than the threshold %	<7.5% p.a. 0%
While the Board believes the above targets and vesting schedule strike an appropriate balance between being achievable yet sufficiently challenging, given forecasted performance of the Company, the Board retains a discretion to adjust the Basic cash EPS performance hurdle as required to ensure that Mr Wilson (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that materially affect Basic cash EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals). (2) Total shareholder return performance 50% of the Performance Rights will be subject to a TSR hurdle, based on the Company's growth in TSR over the relevant performance period (TSR Hurdle) (see below for detail of the performance periods for this grant). Broadly, TSR measures the growth in the company's share price together with the value of dividends during the period, assuming that all dividends are re-invested into new shares. The percentage of Performance Rights subject to the TSR Hurdle that vest, if any, will be determined by reference to annual TSR growth over the relevant Performance Period compared to the Company's targets, as follows:		
	Compound annual growth in TSR performance over the relevant period	Performance Rights subject to TSR Hurdle that vest (%)
	Maximum % or above	>12.5% p.a. 100%
	Between threshold % and maximum %	7.5% to 12.5% p.a. Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)
	Less than the threshold %	<7.5% p.a. 0%
While the Board believes the above targets and vesting schedule strike an appropriate balance between being achievable yet sufficiently challenging, given forecasted performance of the Company, the Board retains discretion to adjust the TSR Hurdle to		

TERM	DETAIL
	ensure that Mr Wilson (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that affect achievement of the hurdle.
Performance period and vesting	The grant will be made in 2 equal tranches, each with a different performance period. For each performance condition, the tranches will be as follows: • Tranche 1 – 3 year performance period, commencing 1 July 2014 and ending on 30 June 2017; and • Tranche 2 – 4 year performance period, commencing 1 July 2014 and ending on 30 June 2018. However, as the Company's full-year results are not typically announced to the market until September each year, Performance Rights vesting will not be tested until or after this time. Any Performance Rights that do not vest following testing of the performance hurdles at the end of the performance period in respect of each tranche will lapse.
Allocation of shares upon vesting	Following testing of the applicable performance conditions and determination of the level of vesting of Performance Rights, one fully paid share in the Company will be allocated in relation to each Performance Right which vests. The Company's obligation to allocate shares on vesting may be satisfied by issuing new shares, acquiring shares on market or transferring shares from an employee share trust.
Trading restrictions	Shares allocated on vesting of Performance Rights will not be subject to any further trading restrictions, subject to complying with the Company's Share Trading Policy.
Price payable for securities	No amount will be payable in respect of the allocation of Performance Rights, nor in respect of any shares granted upon vesting of the Performance Rights.
Cessation of employment	If Mr Wilson ceases employment with the Company before the end of the performance period, the treatment will depend on the date as well as the circumstances of cessation. Where Mr Wilson ceases employment before his Performance Rights vest due to resignation, termination for cause or gross misconduct, all of his unvested Performance Rights will lapse at cessation. Where Mr Wilson ceases employment for any other reason, a pro-rata portion of unvested Performance Rights (ignoring any service related conditions) will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, where Mr Wilson ceases employment prior to 12 months of the start of the Performance Period for any reason, all of his unvested Performance Rights will lapse. The Board also has a broader discretion to apply any another treatment that it deems appropriate in the circumstances.

TERM	DETAIL
Other information	No other Director of the Company is eligible to participate in the Plan or any other employee incentive scheme of the Company. As the Plan is a newly established Plan, no Performance Rights have been granted under the Plan. There is no loan scheme in relation to the grant of Performance Rights under the Plan.

Shareholder Approval (ASX Listing Rule 10.15)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) the related party is Mr Frank Wilson and he is a related party by virtue of being a Director;
- (a) the issue price of the Shares will be the volume weighted average price of the Company's Shares over the five trading days immediately prior to the date of grant (**Issue Price**);
- (b) the maximum number of Performance Rights (being the nature of the financial benefit being provided) to be granted to Mr Wilson will be determined by dividing the LTI Grant Value (defined above) (at the time of grant) by the Issue Price;
- (c) the vesting conditions are set out in the Key Terms of the Performance Rights above;
- (d) no Performance Rights have previously been issued under the Plan;
- (e) persons entitled to participate in the Performance Rights Plan are set out in the Eligible Participants under item 9;
- (f) the Performance Rights will be issued to the Related Party no later than 3 months after the date of the Meeting.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights as approval is being obtained under ASX Listing Rule 10.14 and Exception 9(b) of ASX Listing Rule 7.2. The issue of Performance Rights to the Related Party will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

A voting exclusion statement applicable to Item 10 is set out in the Notice of Meeting.

RECOMMENDATION

The Board (other than Mr Frank Wilson who abstains from making a recommendation because of his interest in the resolution) unanimously recommends that shareholders vote in favour of Resolution 9.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means TFS Corporation Ltd (ACN 092 200 854).

Constitution means the Company's constitution.

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

Directors mean the current Directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 2014.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – NOMINATION OF AUDITOR LETTER

22 October 2014

The Company Secretary
TFS Corporation Limited
169 Broadway
Nedlands
WA 6009

Dear Sir

I, Travis Smith and Jamie Cathcart being the trustees of the Retire Phat Superannuation Fund, nominate Ernst & Young in accordance with section 328B(1) of the *Corporations Act 2001* (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Yours faithfully



Travis Smith



Jamie Cathcart

Retire Phat Superannuation Fund
14 Dartmouth Ave
City Beach
WA 6015