

THORN GROUP LIMITED
(ACN 072 507 147)
NOTICE OF 2018 ANNUAL GENERAL MEETING

NOTICE is hereby given of the 2018 Annual General Meeting of Shareholders of Thorn Group Limited (ACN 072 507 147) (the “**Company**”) (the “**Meeting**”) to be held:

Date: Wednesday 29 August 2018
Time: 11.00am (Sydney time)
Venue: Thorn Group’s offices, Level 1, 62 Hume Highway, Chullora, NSW 2190

BUSINESS

1. Chairman’s address and CEO’s review of operations

2. Receipt of Annual Financial Report

Receipt of the Company’s Financial Report, the Directors’ Report and the Auditor’s Report for the year ended 31 March 2018.

3. Adoption of Remuneration Report (Resolution 1)

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

“That for the purpose of Section 250R(2) of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the adoption of the Remuneration Report (which forms part of the Directors’ Report) for the year ended 31 March 2018.”

Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the “Voting Exclusions” section on pages 5 and 6 below.

4. Re-election of Ms Belinda Gibson as a director (Resolution 2)

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

“That Ms Belinda Gibson, who retires in accordance with rule 48(b) of the Company’s constitution and being eligible for re-election, be re-elected as a director of the Company.”

5. Appointment of Auditor (Resolution 3)

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

“That PricewaterhouseCoopers be appointed Auditor of the Company.”

6. Refreshment of placement capacity (Resolution 4)

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

“To approve and ratify (for all purposes including for the purposes of ASX Listing Rule 7.4) the prior issue of 3,791,997 Performance Rights to senior management in accordance with the terms of the Company’s Performance Rights Plan as detailed in the Explanatory Memorandum that accompanies this Notice of Meeting.”

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the “Voting Exclusions” section on pages 5 and 6 below.

7. Approval of future issues under the Performance Rights Plan (Resolution 5)

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

“That the Company’s Performance Rights Plan, as described in the Explanatory Memorandum accompanying this Notice of Meeting, be approved for the issue of securities under that Plan for the purpose of ASX Listing Rule 7.2, exception 9.”

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the “Voting Exclusions” section on pages 5 and 6 below.

8. Issue of ordinary shares to Mr Timothy Luce on vesting of Performance Rights (Resolution 6)

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

“That approval is given (for all purposes including for the purposes of ASX Listing Rule 10.14) for the issue of 598,803 ordinary shares to Mr Timothy Luce upon the vesting and exercise of 598,803 Performance Rights (Tranche 1), in accordance with the terms of the Company’s Performance Rights Plan and on the basis described in the Explanatory Memorandum accompanying this Notice of Meeting.”

Note: If approval is obtained under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1, as set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the “Voting Exclusions” section on pages 5 and 6 below.

9. Issue of ordinary shares to Mr Timothy Luce (Resolution 7)

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

“That approval is given for (for all purposes including for the purposes of ASX Listing Rule 10.14) for the issue of 598,803 ordinary shares to Mr Timothy Luce upon the vesting and exercise of 598,803 Performance Rights (Tranche 2), in accordance with the terms of the Company’s Performance Rights Plan and on the basis described in the Explanatory Memorandum accompanying this Notice of Meeting.”

Note: If approval is obtained under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1, as set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the “Voting Exclusions” section on pages 5 and 6 below.

10. Grant of Performance Rights to Mr Timothy Luce as Managing Director/CEO (Resolution 8)

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

“That approval is given for all purposes under ASX Listing Rule 10.14 for the grant to Mr Timothy Luce of 589,144 Performance Rights (Tranche 3) and either the issue or transfer of ordinary shares in the Company to Mr Luce upon the vesting and exercise of those Performance Rights, in accordance with the terms of the Company’s Performance Rights Plan and on the basis described in the Explanatory Memorandum accompanying this Notice of Meeting.”

Note: If approval is obtained under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1, as set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Please note that the Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the "Voting Exclusions" section on pages 5 and 6 below.

Dated: 16 July 2018

By order of the Board

A handwritten signature in blue ink, appearing to read 'David Lines', is written over a faint rectangular box.

David Lines
Company Secretary

VOTING BY PROXY

- (a) **(right to appoint):** Each Shareholder has the right to appoint a proxy to attend and vote for the Shareholder at this Meeting.
- (b) **(two proxies):** To enable a Shareholder to divide their voting rights, a Shareholder may appoint 2 proxies. Where 2 proxies are appointed:
- (i) a separate Proxy Form should be used to appoint each proxy; and
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and, if it does not do so, each proxy may exercise half of the votes.
- (c) **(who may be a proxy):** A Shareholder can appoint any other person to be their proxy. A proxy may be an individual or a body corporate and need not be a Shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held, for example, "the Chairman of the meeting".
- (d) **(signature(s) of individuals):** In the case of Shareholders who are individuals, the Proxy Form must be signed:
- (i) if the shares are held by one individual, by that Shareholder; or
 - (ii) if the shares are held in joint names, by any one of them.
- (e) **(signatures on behalf of companies):** In the case of a Shareholder who is a company, the Proxy Form must be signed:
- (i) if it has a sole director who is also sole company secretary, by that director in the appropriate box; or
 - (ii) in the case of any other company, by either 2 directors or a director and company secretary.
- (f) **(other authorised persons):** If the person signing the Proxy Form is doing so under power of attorney, or is an officer of a company outside of paragraph (e)(i) above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place or in the manner set out in paragraph (g)(i) below.
- (g) **(lodgement place and deadline):** A Proxy Form accompanies this Notice of Meeting.
- (i) To be effective, Proxy Forms (duly completed and signed) must be received by the Company:
 - (A) at Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001; or
 - (B) by facsimile (within Australia) on 1800 783 447 or (outside Australia) +61 3 9473 2555,no later than 11.00am (Sydney time) Monday 27 August 2018.
 - (ii) For custodians who are subscribers of Intermediary Online, please submit your votes electronically via www.intermediaryonline.com no later than 11.00am (Sydney time) Monday 27 August 2018.
- (h) **(online voting)** If you are unable to attend the Meeting, you can cast your vote online at www.investorvote.com.au. To use this facility, please follow the instructions on your enclosed Proxy Form.

A proxy is not revoked by the relevant Shareholder attending and taking part in the Meeting unless the Shareholder actually votes at the Meeting on the resolution for which the proxy is proposed to be used.

Shareholders who appoint a proxy should consider how they wish to direct the proxy to vote, that is, whether the Shareholder wishes the proxy to vote “for” or “against”, or abstain from voting, on each Resolution, or whether to leave the decision to the appointed proxy after discussion at the Meeting.

THE CHAIRMAN OF THE MEETING ACTING AS PROXY

You may appoint the Chairman of the Meeting as your proxy. The Chairman is deemed to be appointed where a signed Proxy Form is returned which does not contain the name of the proxy.

If you direct the Chairman how to vote on an item of business, on a poll, the Chairman must vote in accordance with the direction.

For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote all available proxies in favour of each of Resolutions 1 to 9 inclusive.

In relation to the remuneration-related Resolution (being Resolution 1), if the Chairman is appointed as your proxy, and you have not directed your proxy how to vote on the Resolution, please note that by completing and returning the Proxy Form you will be expressly authorising the Chairman to exercise your undirected proxy on this Resolution even though it is connected with the remuneration of the Company’s KMP.

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

For the purposes of this Meeting and in accordance with regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that a person’s entitlement to vote at the Meeting will be the entitlement of that person set out in the register of Shareholders as at 7.00pm (Sydney time) on Tuesday 28 August 2018.

VOTING EXCLUSIONS

The *Corporations Act 2001* (Cth) and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on certain Resolutions to be considered at the Meeting. These voting exclusions are described below.

Item 3 (Resolution 1)

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on Resolution 1:

- (i) any member of KMP whose remuneration details are included in the Remuneration Report (and any Closely related party of such a KMP, and any person voting on behalf of such a KMP or Closely related party), unless the person does so as a proxy and:
 - (i) the vote is not cast on behalf of any KMP whose remuneration details are included in the Remuneration Report (or any Closely related party of such KMP); and
 - (ii) either:
 - (i) that person is appointed as a proxy by writing that specifies how the proxy is to vote on the Resolution; or
 - (ii) that person is the Chairman and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP; and
- (ii) any KMP whose remuneration details are not included in the Remuneration Report (and any Closely related party of such a KMP) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the Resolution, unless:
 - (i) the proxy is the Chairman; and

- (ii) the proxy appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP.

Item 6 (Resolution 4)

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by any person who participated in the issue of Performance Rights or an associate of those persons.

However, the Company need not disregard a vote cast on Resolution 4 if:

- (a) 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
- (b) 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.

Item 7 (Resolution 5)

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by any Director (except one who is ineligible to participate in the Plan) and their associates.

However, the Company need not disregard a vote cast on Resolution 5 if:

- (a) 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
- (b) 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.

In addition, a vote must not be cast on Resolution 5 as a proxy by a member of the KMP, or a Closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting because the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the Resolution is connected, directly or indirectly, with the remuneration of the KMP.

Items 8, 9 and 10 (Resolutions 6, 7 and 8)

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 6, 7 and 8 by any Director who is eligible to participate in the Plan and their associates. Mr Timothy Luce is currently the only Executive Director of the Company and is therefore the only Director eligible to participate in the Plan, so therefore Mr Luce will be excluded from voting on Resolutions 6, 7 and 8.

Further, the Company need not disregard a vote cast on Resolutions 6, 7 and 8 if:

- (a) 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
- (b) 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.

In addition, a vote must not be cast on Resolutions 6, 7 and 8 as a proxy by a member of the KMP, or a Closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting because the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the Resolution is connected, directly or indirectly, with the remuneration of the KMP.

EXPLANATORY MEMORANDUM

In this Notice of Meeting, the terms below have the following meanings:

1. **ASX Listing Rule(s)** means the Listing Rules of ASX Limited.
2. **Board** means the board of directors of the Company.
3. **Chairman** means the chair of the Meeting appointed by the Directors in accordance with the Constitution.
4. **Closely related party** includes, but is not limited to, a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP, as defined in the Corporations Act.
5. **Company** means Thorn Group Limited.
6. **Constitution** means the constitution of the Company.
7. **Corporations Act** means the *Corporations Act 2001* (Cth).
8. **Director(s)** means the directors of the Company, and includes executive and non-executive directors.
9. **Equity Securities** has the meaning given to that term in chapter 19 of the ASX Listing Rules.
10. **KMP** stands for 'key management personnel', which means each of those persons having authority and responsibility for planning, directing and controlling the activities of the Thorn Group, either directly or indirectly, including any Directors.
11. **Meeting** means the 2018 Annual General Meeting of the Company.
12. **Plan** means the Company's Performance Rights Plan, initially adopted by the Company in 2010, which was last approved by Shareholders at the annual general meeting of the Company in 2014, and amended on 18 October 2017.
13. **Performance Rights** means any performance rights issued pursuant to the Plan.
14. **Shareholder** means a shareholder of the Company.
15. **Thorn Group** means the consolidated group of companies making up the Thorn corporate group.
16. **VWAP** means volume weighted average price.

BUSINESS

Item 1: Chairman's address and CEO's review of operations

The Chairman will make his address and the CEO will present a review of the Company's operations.

Item 2: Receipt of Annual Financial Report

As required by the Corporations Act, the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 31 March 2018 will be laid before the Meeting. There is no requirement for a formal resolution on this item. However, the Chairman will allow a reasonable opportunity for the Shareholders as a whole at the Meeting to ask questions about, or make comments on, those reports.

Shareholders should refer below in relation to asking questions directed to the auditor.

Item 3: Adoption of Remuneration Report (Resolution 1)

The Remuneration Report is set out, under the heading “Remuneration Report - Audited”, on pages 10 to 21 of the Company’s Annual Report for the year ended 31 March 2018. The Remuneration Report:

- (i) provides discussion of the Board’s policy on remuneration of Directors and senior managers of the Company and the relationship between such policy and the Company’s performance; and
- (ii) sets out prescribed information in relation to the Directors and senior managers of the Company, including their fixed remuneration and any performance related remuneration.

The Company’s approach to remuneration is framed by the strategy and operational demands of the business, the desire for superior sustained shareholder returns, the complex and onerous regulatory environment and high standards of governance. The remuneration structure has been designed to balance both shareholder and executive interests. It consists of a mix of fixed and ‘at-risk’ pay where the at-risk element seeks to balance both short and long term performance.

During the year, the board recognised that retaining the services of several of its key executives was essential to the ongoing success of the Group and accordingly a retention offer was made to those executives. The offer rewards continued employment to 1 September 2018 with shares to the value of \$200,000 for Peter Forsberg and \$120,000 each for Wendy Yip and David Lines with the value of the shares having been fixed at the 5 day VWAP before 1 December 2017. The board retains the right to award cash as an alternative payment mechanism. Further retention payment arrangements have been entered into subsequent to the year end with Mr Forsberg, Ms Yip and Mr Lines amounting to a combined \$230,000.

The Chairman will allow a reasonable opportunity for the Shareholders at the Meeting to ask questions about, or make comments on, the Remuneration Report.

Under section 250R(3) of the Corporations Act, the vote on the Resolution to adopt the Remuneration Report is advisory only and does not bind the Directors or the Company.

Recommendation

The Directors (other than Mr Timothy Luce) unanimously recommend that Shareholders vote in favour of Item 3 (Resolution 1).

Item 4: Re-election of Belinda Gibson as a director (Resolution 2)

Belinda Gibson was appointed by the Board as a non-executive director on 1 July 2016.

Belinda is a company director and corporate adviser with extensive experience of the securities and financial markets and particularly regulatory strategy, corporate transactions and governance arrangements.

She was a corporate and securities partner with global law firm, Mallesons Stephen Jaques, (now King & Wood Mallesons) for 20 years, then in 2007 became commissioner and subsequently deputy chairman of ASIC. In 2013, she left ASIC to establish her independent corporate advisory business.

Belinda is presently a non-executive director of Citigroup Pty Ltd, Brisbane Airport, Ausgrid and is a Trustee of the Australian Museum. She is a past director of Airservices Australia and of the charitable body, The Sir Robert Menzies Foundation. Belinda has a Bachelor of Economics and Laws from The University of Sydney and a Master of Laws from The University of Cambridge.

Recommendation

The Directors (other than Ms Belinda Gibson) unanimously recommend that Shareholders vote in favour of Item 4 (Resolution 2).

Item 5: Appointment of Auditor (Resolution 3)

KPMG, the Company's current auditor, has given notice of its intention to resign as auditor of the Company (under Section 329(5) of the Corporations Act).

Upon receipt of ASIC's consent to their resignation, KPMG 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 PricewaterhouseCoopers to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as **Annexure A**.

PricewaterhouseCoopers has given its written consent to act as the Company's auditor, subject to Shareholder approval and the resignation of KPMG.

If Resolution 3 is passed, the appointment of PricewaterhouseCoopers as the Company's auditor will take effect from the close of this Meeting.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Item 5 (Resolution 3).

Item 6: Refreshment of placement capacity (Resolution 4)

Since 26 August 2017 (the date upon which the Company's approval of the Plan under ASX Listing Rule 7.2 exception 9 expired), the Company has issued 3,791,997 Performance Rights to senior management under its placement capacity pursuant to ASX Listing Rule 7.1.

Under ASX Listing Rule 7.1, the Company is limited to issuing up to 15% of its issued capital in any 12 month period without Shareholder approval. However, ASX Listing Rule 7.4 allows an issue of securities made without the approval of Shareholders to be ratified by Shareholders, in order to refresh the placement capacity, provided that, at the time the issue was made, the issue was made within the Company's existing placement capacity.

The Company is seeking Shareholder approval to ratify the issue of 646,681 Performance Rights issued on 22 December 2017, 1,197,606 Performance Rights issued on 30 May 2018 and 1,947,710 Performance Rights issued on 1 July 2018, in order to refresh its placement capacity pursuant to ASX Listing Rule 7.4.

By ratifying the issue of these Performance Rights, the Company will retain the flexibility to issue 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.

Pursuant to, and in accordance with, ASX Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) 3,791,997 Performance Rights were issued;
- (b) the Performance Rights were issued for nil consideration;
- (c) each Performance Right is subject to certain vesting conditions, and entitles the participating employee to one fully paid ordinary share in the Company on vesting and exercise, pursuant to the terms and conditions as the Plan which has been summarised at **Annexure B** for the purposes of Resolutions 4 and 5.
- (d) the Performance Rights were granted as a long term incentive component of the remuneration packages of certain senior managers.

Recommendation

Your Directors (other than Mr Timothy Luce, who is a participant in the Plan) unanimously recommend that you vote in favour of Resolution 4.

Item 7: Approval of future issues under the Performance Rights Plan (Resolution 5)

The Plan has operated since 2010. It is designed to assist with the attraction, motivation and retention of relevant senior employees of the Thorn Group, align the interests of those employees and Shareholders by matching rewards with the long term performance of the Company and, accordingly, help drive the Company's performance.

The Plan was previously approved by Shareholders at the annual general meeting of the Company in 2014 for the purpose of an exception to ASX Listing Rule 7.1, which restricts (in certain circumstances) the issue of new securities in any 12 month period to 15% of issued shares without Shareholder approval.

The applicable exception sought in this Resolution is contained in ASX Listing Rule 7.2, exception 9. The effect of Shareholder approval under this exception is that any issues of securities under the Performance Rights Plan are treated as having been made with the approval of Shareholders for the purposes of ASX Listing Rule 7.1. Approval under this exception lasts for three years.

The Resolution in item 7 seeks to refresh Shareholder approval for three years so that securities issued pursuant to the Plan are not included within the limit of 15% of issued shares that can be issued without Shareholder approval.

In accordance with ASX Listing Rule 7.2, exception 9:

- (a) a summary of the key terms of the Plan is set out in **Annexure B** to this Explanatory Memorandum; and
- (b) since the date of the last approval for this item at the annual general meeting of the Company in 2014, 6,169,297 Performance Rights have been issued to senior employees of the Company.

The non-executive Directors believe that the Plan is an appropriately designed equity-based employee incentive scheme, having regard to the role of the Plan in the attraction, motivation and retention of relevant employees and in driving the performance of the Company.

The Board believes that the Plan is integral to the Company's financial growth due to:

- (a) its' role in assisting with the retention of key executives in a highly competitive and challenging retail industry;
- (b) the design of the Plan linking executive reward to increases in Shareholder value; and
- (c) the rigorous performance hurdles under the Plan.

Further details of the Plan are set out in the Company's Annual Report for the year ended 31 March 2018.

Recommendation

Your Directors (other than Mr Timothy Luce, who is a participant in the Plan) unanimously recommend that you vote in favour of Resolution 5.

Items 8 and 9: Issue of shares to Mr Timothy Luce (Resolution 6 and Resolution 7)

On 30 August 2017, the Board announced the appointment of Mr Timothy Luce as the new Managing Director and Chief Executive Officer of the Company. Mr Luce commenced employment with Thorn on 15 February 2018.

Most recently as Group Chief Operating Officer of Courts Asia Ltd, Mr Luce held P&L responsibility for the Courts Asia Group's business in Singapore, Malaysia and Indonesia working closely with local teams in areas of finance, marketing, operations and sales, merchandising, consumer finance, human resources, technology and supply chain and logistics functions. Since joining Courts in 2011, Mr Luce also held a dual role as Chief Marketing Officer for Courts Asia and Country CEO for Courts Malaysia, in addition to the roles of Group Retail Director and Country CEO in Singapore.

Mr Luce's remuneration package includes (i) a base salary of \$725,000 per annum (including superannuation) subject to annual review, (ii) short term incentives, and (iii) long term equity incentive (subject of Resolution 8); and (iv) a sign-on bonus of 1,197,606 Performance Rights (which were issued to Mr Luce without shareholder approval pursuant to the exception to ASX Listing Rule 10.14 contained in ASX Listing Rule 10.15B and which are the subject of Resolutions 6 and 7).

Issue of shares on vesting and exercise of 2018 Performance Rights (Tranches 1 and 2)

The 1,197,606 Performance Rights which were granted to Mr Luce on 30 May 2018 (with an effective date of 15 February 2018) were granted to Mr Luce as a sign-on bonus in recognition of foregone wages, bonuses and other benefits which he would have otherwise received had he remained employed at Courts Asia Ltd. These Performance Rights were issued by the Company to Mr Luce pursuant to an exception to ASX Listing Rule 10.14 which allows the grant of Performance Rights where the terms of the Performance Rights require the shares to be acquired on the exercise of the Performance Rights to be purchased on-market.

The number of Performance Rights issued to Mr Luce was calculated based on the volume weighted average price of the shares of the Company over the 5 trading days prior to the reference date for grant of 15 February 2018, being \$0.8350 per share, and based on a total value of \$1,000,000.

Why Shareholder approval is being sought

ASX Listing Rule 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of Shareholders by ordinary resolution (unless an exception applies). As the Performance Rights (Tranche 1) and the Performance Rights (Tranche 2) were issued to Mr Luce pursuant to an exception to ASX Listing Rule 10.14 on the basis that the Company is required to purchase the shares due to Mr Luce on vesting of the Performance Rights on-market, no shareholder approval was sought for the issue of these Performance Rights to Mr Luce.

The purpose of Resolution 7 and Resolution 8 is to have Shareholders approve the issue of shares to Mr Luce on the vesting and exercise of the Performance Rights under the Plan instead of the Company being required to acquire the shares on-market. If the Resolutions are not approved, then the Company will be required to satisfy its obligations to issue shares to Mr Luce on the vesting and exercise of the Performance Rights by purchasing those shares on-market.

In accordance with ASX Listing Rule 7.2 (Exception 14), if approval for the issue of shares on vesting and exercise of the Performance Rights is given under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

Vesting

The 1,197,606 Performance Rights issued to Mr Luce are divided into two equal tranches and will each vest according to the following conditions:

- (a) the first tranche of 598,803 Performance Rights (Tranche 1) will be capable of vesting on 15 February 2019, being 12 months from Mr Luce's date of employment. Any shares acquired by Mr Luce on vesting and exercise of these Performance Rights will be subject to a 2 year holding lock (the subject of Resolution 6); and

- (b) the second tranche of 598,803 Performance Rights (Tranche 2) will be capable of vesting and exercise on 15 February 2020, being 24 months from Mr Luce's date of employment (the subject of Resolution 7),

in each case provided that Mr Luce remains employed by the Thorn Group in his current role as Group Chief Executive Officer. There are no other performance hurdles which apply to either tranche of Performance Rights.

Recommendation

Your Directors (other than Timothy Luce) unanimously recommend that you vote in favour of Resolution 6 and Resolution 7.

Item 10: Performance Rights grant to Mr Timothy Luce (Resolution 8)

2018 Performance Rights (Tranche 3)

The 589,144 Performance Rights proposed to be granted to Mr Luce have been calculated based on the volume weighted average price of the shares of the Company over the 5 trading days prior to the reference date for grant of 1 July 2018, being \$0.6153 per share, and based on a total value of \$362,500. This amount represents 50% of Mr Luce's fixed remuneration of \$725,000 per annum.

Why Shareholder approval is being sought

ASX Listing Rule 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of Shareholders by ordinary resolution.

The purpose of Resolution 8 is to have Shareholders approve the proposed grant of Performance Rights under the Plan to the Company's Managing Director and Chief Executive Officer, Mr Timothy Luce.

Even if Shareholders approve the grant of Performance Rights, the vesting will still be subject to the vesting conditions, as outlined below.

The purpose of the Performance Rights (Tranche 3) grant is to incentivise a focus on the achievement of superior and sustainable long term performance for Shareholders. Issuing Performance Rights (and other forms of Equity Securities) to senior executives is a well-established and standard component of the Company's remuneration structures and the Directors, other than Mr Luce (in view of his personal interest in the Resolution), believe it is appropriate for Shareholders to approve the grant of Performance Rights as contemplated by Resolution 8.

In accordance with ASX Listing Rule 7.2 (Exception 14), if approval for the issue of Performance Rights is given under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

Vesting, Performance Period and Exercise Period

The 589,144 Performance Rights proposed to be issued to Mr Luce under the Plan will be capable of vesting on 1 July 2021 (**Test Date**).

The Test Date follows a 3 year period (from 1 July 2018 to 30 June 2021) (**Performance Period**) over which the performance hurdles described below are tested.

Subject to the performance hurdles being met during the Performance Period, Mr Luce can exercise any Performance Rights which become vested (if any) after the Test Date and until the end of the Exercise Period or they lapse in accordance with the terms of the Plan Rules.

Performance Hurdles

The Performance Rights proposed to be issued to Mr Luce are comprised of two equal tranches which are subject to a different performance hurdle:

- (a) based on the compound EPS growth rate of the Company (**EPS Performance Hurdle**); and
- (b) the TSR Ranking of the Company (the **TSR Performance Hurdle**).

In summary, vesting of the proposed Performance Rights is subject to:

- (c) the Company achieving at least a 5% compound EPS growth rate over the Performance Period; and
- (d) the TSR Ranking of the Company over the Performance Period against 21 comparable companies (**TSR Ranking Group**) being equal to or greater than the 50th percentile.

Further details of the performance hurdles are set out below.

EPS Performance Hurdle

Of the 589,144 Performance Rights proposed to be granted to Mr Luce:

- (iii) 50% of the number of Performance Rights are subject to the EPS Performance Hurdle (**EPS Eligible Rights**).

If, for the Performance Period, the compound EPS growth rate of the Company is:

- (i) **less than 5%**, then the EPS Performance Hurdle will not have been met and the number of EPS Eligible Rights that will become vested as at the Test Date is zero; and
- (ii) **equal to or greater than 5%**, then the EPS Performance Hurdle will have been met and the number of EPS Eligible Rights that become vested as at the Test Date is as set out in the following table:

Compound EPS growth rate	% of Performance Rights subject to the EPS Performance Hurdle that vest
Equal to 5%	50% will become vested
Equal to or greater than 10%	100% will become vested
Greater than 5% and less than 10%	Straight line vesting between 50% and 100%

The **compound EPS growth** (which is a measure of EPS performance over a 3 year period using (2.3) cents as the EPS for the base year and the EPS in cents for FY 2021 as the end year) is a percentage calculated using the following formula:

$$A = \left[\left[\frac{B}{C} \right]^{1/3} - 1 \right] \times 100$$

where:

A is compound EPS growth over the Performance Period;

B is the EPS for Year 3 of the Performance Period;

C is (2.3) cents;

(rounded to not less than 3 decimal places), with such calculation to be determined by the Board.

The Performance Rights proposed to be granted to Mr Luce which are subject to the EPS Performance Hurdle will vest in accordance with the table above, irrespective of whether the TSR Performance Hurdle is satisfied.

The Board has set the EPS Performance Hurdle at 5% compound EPS growth of the Company. The Board reserves the right in its absolute discretion to change the applicable EPS Performance Hurdle % at any time. For example, the EPS Performance Hurdle % may need to be revised as a result of structural changes within the Company, or strategic decisions taken by the Board (such as capital raisings or Company refinancing) that may affect the EPS calculation and growth. Material changes in legislation or accounting standards may also result in the Board exercising its discretion to vary the EPS Performance Hurdle %.

TSR Performance Hurdle

TSR is the total shareholder return (including dividends) over the Performance Period, and the Company’s TSR Ranking is the percentage ranking of the Company and each entity comprising the TSR Ranking Group, ranked in descending order, from highest to lowest, according to their respective TSRs for the Performance Period.

Of the 589,144 Performance Rights proposed to be granted to Mr Luce:

- (a) 50% of the number of Performance Rights are subject to the TSR performance hurdle (**TSR Eligible Rights**).
- (b) If, for the Performance Period, the TSR growth rate of the Company is:
 - i. **less than 50%**, then the TSR Performance hurdle is not met and the number of TSR Eligible Rights that become Vested Rights as at the Test Date is zero; and
 - ii. **equal to or greater than 50%**, then the TSR performance hurdle is met and the number of TSR Eligible Rights that become Vested Rights as at that Test Date is as per the categories defined in the following table:

TSR Ranking	% of Performance Rights subject to the TSR Performance Hurdle that vest
Equal to 50 th percentile	50% will become vested
Equal to or greater than 75 th percentile	100% will become vested
Between 50 th percentile and 75 th percentile	Straight line vesting between 50% and 100%

The Performance Rights proposed to be granted to Mr Luce which are subject to the TSR Performance Hurdle will vest in accordance with the table below, irrespective of whether the EPS Performance Hurdle is satisfied.

A list of the 21 comparable companies in the TSR Ranking Group can be located on the Company’s website http://www.thorn.com.au/irm/PDF/2461_0/performance-rights-plants-rankings-group.

The number of Performance Rights that vest at the Test Date (if any) depends upon the extent to which each of the performance hurdles have been met over the Performance Period.

Lapse of Performance Rights/Board discretion

Unless the Exercise Period expires at an earlier date, Mr Luce's Performance Rights will lapse, subject to rule 10.2 of the rules of the Plan, on the date the Board (acting reasonably and in good faith) determines that the applicable vesting condition(s) cannot be met or otherwise on:

- (a) the expiry of 12 months after Mr Luce's death;
- (b) the expiry of 1 month after Mr Luce's Last Employment Date where Mr Luce ceases to be employed by a Group Company due to Total and Permanent Disablement or, if after 31 October 2021, Mr Luce's Retirement, redundancy or termination of employment by the relevant Group Company (other than termination by that Group Company for misconduct or breach of employment contract);
- (c) Mr Luce's Last Employment Date where he ceases to be employed by a Group Company in any other circumstances (including resignation); and
- (d) if the Board extends the time during which the Performance Rights may be exercised under rule 10.3 of the rules of the Plan, the expiry of that time,

provided however that if the Board issues a notice advising Mr Luce that a Performance Right (whether vested or unvested) has lapsed, the Performance Right is deemed to have lapsed on Mr Luce's last employment date with the Company and the Company has no obligation to issue or cause to be transferred any shares to which the Performance Right relates following any purported exercise of the Performance Right.

The Board has discretion to determine that Performance Rights will vest and may be exercised by Mr Luce in any period determined by the Board (including if there is a change of control or takeover of the Company).

Recommendation

Your Directors (other than Timothy Luce) unanimously recommend that you vote in favour of Resolution 8.

Additional information

The following additional information is provided in accordance with ASX Listing Rule 10.15 and 10.15A in connection with the approval sought under Resolutions 6, 7 and 8 in this Notice of Meeting.

(a) Maximum number of securities

The maximum number of shares (Resolutions 6 and 7) to be issued pursuant to ASX Listing Rule 10.14 is 1,197,606, made up two tranches of 598,803 shares.

The maximum number of Performance Rights to be issued (Resolution 8) pursuant to ASX Listing Rule 10.14 is 589,144.

(b) Price of securities

No amount will be payable to the Company for the issue of shares.

No amount will be payable to the Company for the grant of Performance Rights, including if the Performance Rights are granted to the approved nominee of the participant. The exercise price per Performance Right is nil if the Performance Rights are exercised.

(c) Persons who received securities under the Plan since the last approval

The following grants under the Plan have been made to persons to which ASX Listing Rule 10.14 applies since the Plan was last approved by Shareholders at the annual general meeting of the Company in 2014:

2015	66,556 Performance Rights to J Marshall*
2016	103,695 Performance Rights to J Marshall*
2017	218,410 Performance Rights to J Marshall*
2018	1,197,606 Performance Rights to T Luce
TOTAL	1,586,267 Performance Rights issued to persons to which ASX Listing Rule 10.14 applies since the Plan was last approved at the annual general meeting of the Company in 2014.

* J Marshall was the former Managing Director, resigned 21/04/2017.

(d) Eligible participants

Mr Timothy Luce is currently the only Executive Director of the Company, and is therefore the only Director eligible to participate in the Plan.

(e) No loans given to acquire securities

There is no amount payable in respect of the issue of the shares, or the grant or exercise of the Performance Rights under the Plan. Thus, no loan has been or will be given relating to the proposed grant or exercise of Performance Rights.

(f) Issue of Shares and Performance Rights

If approved, the Company will:

- (i) Issue the shares on exercise of the Performance Rights (Tranche 1) as soon as practicable after the date of exercise, and in any event no later than 12 months from the date of this Meeting
- (ii) Issue the shares on the exercise of the Performance Rights (Tranche 2) as soon as practicable after the date of exercise, and in any event no later than 3 years from the date of this Meeting, and details of any shares issue to Mr Luce will be published in the annual report of the Company relating to the period in which the shares have been issued and that the approval for the issue of the shares was obtained under ASX Listing Rule 10.14; and
- (iii) issue the Performance Rights (Tranche 3) proposed to be granted to Mr Timothy Luce as soon as practicable following this Meeting, and in any event prior to the date which is 12 months after the date of this Meeting.

QUESTIONS AND COMMENTS ON MANAGEMENT OF THE COMPANY AND ITEMS OF BUSINESS

The Chairman will allow a reasonable opportunity for the Shareholders at the Meeting to ask questions about, or make comments on, the management of the Company and the items of business set out in the Notice of Meeting.

In addition, Shareholders may submit written questions to the Company no later than the fifth business day before the day on which the Meeting is held.

QUESTIONS TO THE AUDITOR

Any Shareholder may submit to the Company a written question directed to the Company's auditor, KPMG, if the question is relevant to:

- (a) the content of the Auditor's Report to be considered at the Meeting; or
- (b) the conduct of the audit of the annual Financial Report to be considered at the Meeting.

Any relevant written question must be received by the Company no later than the fifth business day before the day on which the Meeting is held.

The Chairman will allow a reasonable opportunity for the Shareholders as a whole at the Meeting to ask the auditor or the auditor's representatives questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditor's Report;
- (c) the accounting policies adopted by the Company in relation to preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

ANNEXURE A – NOMINATION OF AUDITOR

5 July 2018

David Lines, Company Secretary
Thorn Group Limited
Level 1, 62 Hume Highway
Chullora, NSW, 2190

Dear Mr Lines,

NOMINATION OF PRICEWATERHOUSECOOPERS AS AUDITOR OF THORN GROUP LIMITED (ABN 54 072 507 147)

I, Wendy Yip, being a shareholder of Thorn Group Limited, nominate PricewaterhouseCoopers for the appointment as auditor of Thorn Group Limited at its 2018 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an attachment to the Notice of Meeting and Explanatory Memorandum for the 2018 Annual General Meeting of Thorn Group Limited as required by section 328B(3) of the Corporations Act 2001 (Cth).

Yours faithfully,



Wendy Yip

ANNEXURE B – SUMMARY OF THE COMPANY'S 2018 PERFORMANCE RIGHTS PLAN

(See Items 5 and 7, Resolutions 4 and 5)

- (i) Under the Plan, the Board may grant Performance Rights to eligible employees (including Executive Directors) of the Company (or any of its subsidiaries) determined by the Board.
- (ii) The Board may determine the number and value of any Performance Rights to be granted under the Plan. Without limiting its discretion, the Board may also determine the exercise price, vesting conditions, exercise conditions, exercise period and any other terms applicable to a particular grant of Performance Rights in an invitation to an eligible employee.
- (iii) Each Performance Right which has vested and not lapsed or expired entitles the participating employee to one fully paid ordinary share in the Company on exercise. Subject to the terms of grant, the Company may issue new shares or arrange a transfer or purchase of existing shares.
- (iv) The Board may elect to use an employee share trust for the purpose of holding Shares before or after the exercise or delivery of a Performance Right.
- (v) Without the prior approval of the Board, Performance Rights cannot be transferred, disposed of or be dealt with by a participant.
- (vi) Shares to be delivered upon exercise of a Performance Right may be subject to disposal restrictions or forfeiture conditions determined by the Board at the time of grant.
- (vii) Unless the exercise period set by the Board expires at an earlier date or the Board determines otherwise in an invitation, Performance Rights will lapse on the latest of:
 - (i) expiry of 12 months after the participant's death, if death occurs before the Performance Rights would otherwise lapse;
 - (ii) expiry of 6 months after the date the participant ceases to be employed due to total and permanent disablement or redundancy;
 - (iii) expiry of 3 months after the date the participant's employer ceases to be a subsidiary of the Company;
 - (iv) the date the participant ceases to be employed for any other reason; or
 - (v) if the Board extends the time during which the Performance Right may be exercised (which cannot be later than the expiry of the exercise period), the expiry of that time.
- (viii) Unexercised Performance Rights will also lapse if in the opinion of the Company, the participant has acted fraudulently or dishonestly.
- (ix) Performance Rights do not carry entitlements to participate in new issues of securities made by the Company, until the participant has validly exercised the Performance Rights and become a Shareholder of the Company prior to the record date for the new issue. However, subject to the ASX Listing Rules, adjustments may be made to the number of shares to which Performance Rights relate or the exercise price to take into account changes to the capital structure of the Company that occur by way of a pro rata issue or bonus issue respectively.
- (x) In any reorganisation of the Company's issued capital, the number of Performance Rights may be adjusted to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital.

- (xi) The Board may determine that any Performance Rights will become vested and may be exercised in any period, whether or not any or all applicable exercise conditions have been satisfied, including if there is a change of control of or takeover of the Company.
- (xii) Subject to paragraph (xi), a Performance Right may only be exercised if:
 - (i) where the participant is an employee at the time of exercise, the Performance Right has vested at the time of exercise;
 - (ii) where:
 - (i) the Participant's employment with a Thorn Group company ceases due to death, total and permanent disablement, redundancy or retirement; or
 - (ii) the Participant's employer (being a company other than the Company) ceases to be a Thorn Group company, whether or not after the cessation the Participant remains an employee of that company,the Performance Right will vest on the date on which the employment ceases in respect of (A). or the date with the company ceases to be a Thorn Group company in the case of (B);
 - (iii) if at the time of exercise:
 - (i) the exercise period has commenced;
 - (ii) the Performance Right has not lapsed;
 - (iii) the exercise price (if any) has been paid; and
 - (iv) each exercise condition (if any) has been satisfied or waived; and
 - (iv) where the Participant is an individual, the Participant is not bankrupt and has not committed an act of bankruptcy and where the Participant is deceased, the Participant's estate is not bankrupt.