

Notice of 2012 Annual General Meeting

Thorn Group Limited
ACN 072 507 147

NOTICE is hereby given of the 2012 Annual General Meeting of members of Thorn Group Limited ACN 072 507 147 (**the Company**) to be held:

Date: Thursday 23 August 2012

Time: 11.00am (AEST)

Venue: Four Points by Sheraton (Darling Harbour), 161 Sussex Street, Sydney, New South Wales

Ordinary Business

1. Chairman's address and Managing Director/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 2012.

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 purposes of Section 250R(2) of the Corporations Act, and for all other purposes, approval is given for the adoption of the Remuneration Report for the year ended 31 March 2012."

Note: This is an advisory resolution and does not bind the directors or the Company.

Voting Exclusion Statement

In accordance with section 250R of the Corporations Act 2001 (Cth) (**Corporations Act**), the Company will disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of a member of the Company's key management personnel whose remuneration details are included in the Remuneration Report, or their closely related parties. However, the Company need not disregard a vote by such person if either:

- (i) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting voting an undirected proxy which expressly authorises the chair to vote the proxy on a resolution connected with the remuneration of a member of the Company's key management personnel,

and in each case the vote is not cast on behalf of a member of the Company's key management personnel whose remuneration details are included in the Remuneration Report or their closely related parties.

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4. Re-election of Peter Henley as a director (Resolution 2)

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

'That Peter Henley, who retires and being eligible offers himself for re-election, be re-elected as a director of the Company.'

5. Re-election of Joycelyn Morton as a director (Resolution 3)

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

'That Joycelyn Morton, who was appointed a director on 1 October 2011, retires and being eligible offers herself for re-election, be re-elected as a director of the Company.'

Special Business

6. Performance Rights allocation to John Hughes as Managing Director/CEO (Resolution 4)

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

'That for all purposes under the Corporations Act and the ASX Listing Rules, including for the purposes of ASX Listing Rules 10.14 and 10.15, approval is given for the issue of 569,620 Performance Rights to John Hughes on the terms as set out in the Explanatory Memorandum accompanying this Notice of 2012 Annual General Meeting and the issue of fully-paid ordinary shares in the Company to John Hughes on the exercise of some or all of those Performance Rights.'

Voting Exclusion Statement

- (a) The Company will disregard any votes cast on Resolution 4 by:
- John Hughes or any Director of the Company (except one who is ineligible to participate in the Performance Rights Plan); and
 - an associate of any of the above persons.
- (b) However, the Company need not disregard a vote if:
- it is cast by a person as proxy for a person who is entitled to vote and it is cast in accordance with the directions on the voting form; or
 - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote and it is cast in accordance with a direction on the voting form to vote as the proxy decides.

Please refer to the accompanying Explanatory Memorandum attached to this Notice of 2012 Annual General Meeting in relation to agenda items 1 to 6.

By order of the Board



Peter Eaton
Company Secretary
Date: 19 July 2012

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 the 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 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 chair 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 shareholders who are companies, 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

(e) 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 in (g) below.

- (g) **(lodgment place and deadline)**: A Proxy Form accompanies this notice. To be effective, Proxy Forms (duly completed and signed) must be received by the Company at its registered office:
- (i) at Computershare Investor Services Pty Limited, GPO Box 242 Melbourne VIC 3001; or
 - (ii) by facsimile (within Australia) on 1800 783 447 or (outside Australia) +61 3 9473 2555,
 - (iii) for custodians who are subscribers of Intermediary Online, please submit your votes electronically via www.intermediaryonline.com

no later than 11.00am (AEST) Tuesday
21 August 2012.

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 members as at 7.00pm (AEST) on Tuesday 21 August 2012.

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Explanatory Memorandum

Ordinary Business

Item 1: Chairman's address and Managing Director/CEO's Review of Operations

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

Item 2: Receipt of Annual Financial Report

As required by the Corporations Act 2001 (Cth) ('Corporations Act'), the Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 March 2012 will be laid before the meeting. There is no requirement for a formal resolution on this item. However, the chair of the meeting 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', on pages 6 to 15 of the Company's Annual Report for the year ended 31 March 2012. The Remuneration Report:

- (a) provides discussion of the board's policy on remuneration of directors and senior managers and the relationship between such policy and the Company's performance; and
- (b) sets out prescribed information in relation to the directors and senior managers, including their fixed remuneration and any performance related remuneration.

The chair of the meeting will allow a reasonable opportunity for the shareholders as a whole 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.

As a result of amendments to the Corporations Act known generally as the 'two strikes rule', the result of the vote on this resolution may affect the Company's 2013 Annual General Meeting. If 25% or more of votes cast on this resolution are voted against the resolution (constituting the 'first strike'), a resolution on whether to hold a further meeting to spill the Board (a 'spill resolution'), as required by the Corporations Act, would be put to shareholders if a 'second strike' were to occur at the 2013 Annual General Meeting. Such a spill resolution would be included in the 2013 Notice of Meeting.

Your Directors unanimously recommend that you vote in favour of the resolution in Item 3

Item 4: Re-election of Peter Henley as a director (Resolution 2)

Peter Henley has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held senior management positions with AGC, Nissan Finance and most recently GE Money. Peter is a non-executive director and member of the Audit and Risk Committee of the ASX listed AP Eagers Limited (from 2006).

Peter is a non-executive director, deputy chairman and a member of the Audit and Risk Committee of MTA Insurance Ltd and a Fellow of the Australian Institute of Management. He has also been a Director of GE Motor Solutions Australia and GE Money, Singapore.

Peter Henley was appointed as a Director on 21 May 2007.

Mr Henley is an independent non-executive Director, and is a member of the Remuneration and Nomination Committee.

Your Directors (other than Mr Henley) unanimously recommend the re-election of Mr Peter Henley.

Item 5: Re-election of Joycelyn Morton as a director (Resolution 3)

Joycelyn Morton has extensive business experience in Australia and internationally, as well as having held senior positions in the accounting profession. She is a non-executive director of ASX listed companies Argo Investments Limited and Noni B Limited. During 2011 Joycelyn was, prior to their takeover, also a non-executive director of Crane Group Limited and Count Financial Limited. Joycelyn began her career with Coopers & Lybrand (now PwC), before joining Woolworths Limited and later the Shell Group. Her roles with Shell encompassed a variety of senior tax and accounting positions, culminating in Vice President Accounting Services for Shell International B.V., based in the Netherlands.

Joycelyn is a director of the Divisional Board of the Business School of the University of Sydney. She was Australia's representative from 2005 – 2011 of the global professional body, the International Federation of Accountants. Other prior appointments included Deputy Chair of Australia's Professional Standards Council and National President of CPA Australia. Joycelyn holds a Bachelor of Economics Degree from the University of Sydney, is a Life Member and Fellow of CPA Australia, a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and Chartered Secretaries Australia.

Joycelyn Morton was appointed as a Director on 1 October 2011.

Ms Morton is an independent non-executive Director, and is the Chairperson of the Audit, Risk and Compliance Committee.

Your Directors (other than Ms Morton) unanimously recommend the re-election of Ms Joycelyn Morton.

Special Business

Item 6: Performance Rights allocation to John Hughes as Managing Director/CEO (Resolution 4)

6.1 Background

Item 6 relates to the proposed participation of the Managing Director/CEO, John Hughes, in the Company's Long Term Incentive Plan, as part of his remuneration by the Company.

At the Company's 2010 Annual General Meeting, shareholder approval was given to allocate to John Hughes 815,291 Performance Rights ("**2010 Invitation**") under the Company's Performance Rights Plan (which was also approved at that meeting), which are rights to receive the Company's shares if specific performance hurdles are met. The last Test Date at which those Performance Rights granted in 2010 may vest occurs next year on 15 May 2013.

Shareholder approval is now being sought to allocate to John Hughes a further 569,620 Performance Rights under the Performance Rights Plan ("**2012 Invitation**") and the issue of fully paid ordinary shares in the Company on the exercise of some or all of those Performance Rights.

Under his current Service Agreement with the Company, the remuneration of the Company's Managing Director/CEO consists of fixed remuneration, discretionary short-term incentive (STI) payable in cash, and long-term incentive (LTI) payable in Performance Rights. The Board considers that the issue of Performance Rights to John Hughes is an important component of his overall remuneration package (please see page 8 of the Annual Report). His participation is designed to provide him with an incentive to strive for high performance personally and at the Company level, and to align his remuneration over an extended period with the financial interests of shareholders.

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6.2 Change to Board’s policy on Vesting Periods

In response to shareholder feedback following the 2011 Annual General Meeting, the Board has changed its policy on the minimum vesting period for future Performance Rights awarded to executives. Previously, and under the 2010 Invitation to John Hughes, the vesting of Performance Rights commenced 1 year from the date of grant, with further vesting of Performance Rights potentially occurring in the second and third years after the date of grant (assuming the Performance Rights also met the applicable Performance Hurdles at the relevant Test Dates). Under the Board’s new policy, and under the 2012 Invitation to John Hughes, the first tranche of Performance Rights granted to a Company executive will vest, at the earliest, in the third year following the date of grant, with further vesting of Performance Rights potentially occurring in the fourth and fifth years after the date of grant (again assuming the Performance Rights also meet the applicable Performance Hurdles at the relevant Test Dates). The Board agrees with the feedback received from shareholders, and believes it is consistent with current market practice, that a longer 3 to 5 year vesting period more appropriately aligns this component of each participating Company executive’s pay with the interests of the Company and its shareholders.

6.3 Test Dates and Vesting

Accordingly, the Performance Rights proposed to be issued to John Hughes under the 2012 Invitation will be capable of vesting at four dates, being 1 June 2015, 1 June 2016, 1 June 2017 and 1 December 2017 (each a “**Test Date**”), with a Reference Date for grant of 1 April 2012.

The Board has also implemented an additional Performance Hurdle before Performance Rights may vest on a Test Date, based on a measure of the Return on Capital Employed (“**ROCE**”) of the Company. See section 6.4 (“Performance Hurdles”) below.

The proposed grant of Performance Rights to John Hughes under the 2012 Invitation has been divided into three equal tranches. One tranche will be eligible for vesting on each of the first three Test Dates, with a retesting of any unvested Performance Rights on the next Test Date (including the final Test Date of 1 December 2017). The percentage of vesting applicable to each tranche at each Test Date is shown in the table below:

At Test Date:

Total Shareholder Return (“ TSR ”) less than 50%	Performance Rights vested = Nil.
TSR 50% or more	The number of Performance Rights that will vest increases on a straight line basis, provided that the ROCE of the Company over the relevant performance period is at least 15%.
TSR 90% or more	Performance rights vest = 100%, provided that the ROCE of the Company over the relevant performance period is at least 15%.

Performance Rights that do not vest at the Test Date applicable to that tranche will be carried forward and eligible for retesting at the next Test Date (including on the final Test Date of 1 December 2017). Once vested, shares may be issued or purchased on market by the Company.

6.4 Performance Hurdles

Performance Hurdles based on Total Shareholder Return (TSR), in combination with a hurdle based on Return on Capital Employed (ROCE) of the Company, has been determined as appropriate and in keeping with prevailing best practice. Accordingly, vesting of the Performance Rights is subject to the TSR Ranking of the Company versus 30 comparable companies over the relevant performance period, as well as the Company achieving a minimum 15% ROCE over the relevant performance period

as determined by the Board. TSR is the return to shareholders provided by share price appreciation over the period of measurement plus dividends. TSR reflects the increase in value delivered to shareholders over the performance period. ROCE is a measure of the profitability of the Company's capital investments over the relevant period.

In response to shareholder requests, a list of the 30 comparable companies used to calculate the Company's TSR ranking can be located on the Company's website www.thorn.com.au.

6.5 Lapse of Performance Rights/ Board discretion

If John Hughes resigns or his employment with the Company otherwise terminates before 1 June 2015, all Performance Rights that have not vested on the date on which he ceases to be an employee of the Company will lapse. However, under the rules of the Performance Rights Plan and the terms of the 2012 Invitation, Performance Rights may be retained:

- (a) for 12 months in the event of the death of the participant; or
- (b) in the event of total and permanent disability and, if after 1 June 2015, in the event of retirement, redundancy and termination (other than termination by the Company for misconduct or breach of employment contract), to the expiry of 1 month after the next Test Date. The number of Performance Rights which may be exercised in such circumstances will be reduced pro-rata to reflect the period in which the participant remained employed during the 12 month period ending on the next Test Date (or in respect of the final Test Date, the six month period ending on the final Test Date).

The Board has discretion to determine that Performance Rights will vest and may be exercised by John Hughes at any time, including in circumstances where the Performance Hurdles have not been satisfied (such as may occur upon a change of control of the Company).

6.6 Additional Information

The following additional information is provided in accordance with ASX Listing Rules and in connection with the approval sought under Item 6 in this Notice of 2012 Annual General Meeting.

- (a) Maximum number of securities:
The maximum number of securities to be allocated as Performance Rights is 569,620. This is calculated 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 April 2012, being \$1.58 per share based on a total value of \$900,000.
- (b) Price of securities:
The exercise price per Performance Right is nil if the rights are exercised by the individual. Should the Performance Rights be exercised by the individual's superannuation fund, 1% of the value of the Performance Rights is payable.
- (c) Capital reconstruction and new issues:
The Performance Rights Plan rules provide for adjustments as applicable in the event of capital reconstruction or new issues.
- (d) Persons who received securities under incentive plans since the last approval:
Details of allocations of Performance Rights since listing in December 2006 have been provided in the Annual Reports for the years 2007 to 2012 inclusive.
- (e) Eligible participants:
John Hughes is the only Executive Director of the Company and is the only director eligible to participate in the Performance Rights Plan.
- (f) No loans given to acquire securities:
No loan has been or will be given to John Hughes relating to allocation of Performance Rights under the Performance Rights Plan.
- (g) Issue of Shares:
The Company will issue the Performance Rights to John Hughes shortly after this 2012 Annual General Meeting, and by no later than 12 months after the meeting.

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(h) Additional statements:

Details of any Performance Rights issued under the Performance Rights Plan will be published in each annual report relating to a period in which Performance Rights have been issued, and that approval for the issue of Performance Rights was obtained, if required, under ASX Listing Rule 10.14.

Any additional people who become entitled to participate in the Performance Rights Plan after this resolution is approved will not participate until approval is obtained, if required, under ASX Listing Rule 10.14.

Questions and comments on management of the Company and items of ordinary and special business

The chair of the meeting will allow a reasonable opportunity for the shareholders as a whole at the meeting to ask questions about, or make comments on, the management of the Company and the items of ordinary and special business set out in the Notice of 2012 Annual General 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 chair of the meeting 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 the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.