

**Thorn Group Limited
and its Controlled Entities
ACN 072 507 147**

**Annual Financial Report
31 March 2013**

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I. Directors' Report

The directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as the 'consolidated entity') for the financial year ended 31 March 2013 and the auditor's report thereon.

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I. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, special responsibilities, qualifications and other directorships
<p>David Carter Chairperson Independent Non-Executive Director</p> <p>Appointed: 3 November 2006</p>	<p>David Carter is a lawyer and corporate advisor who was previously a partner of a major international law firm. David currently runs his own legal and corporate advisory practice. David has significant experience in corporate governance, M&A, commercial and international law.</p> <p>He has been a board member of a number of ASX listed companies and is currently a director of Glutagen Pty Ltd an early stage biotech. David holds a Bachelor of Economics, Bachelor of Law (Hons), Masters of Law, and a Bachelor of Civil Law (Oxon). David is a Member of the Australian Institute of Company Directors. David was appointed Chairperson on 1 October 2011.</p>
<p>John Hughes CEO Managing Director</p> <p>Appointed: 3 November 2006</p>	<p>Prior to joining the Company, John was Managing Director of ASX listed Ruralco Holdings Limited until its merger with Tasmanian based Roberts Limited in 2006. He was previously Managing Director of Thorn EMI Rentals Australasia ("Thorn") and led the reshaping of that company into a highly successful consumer electronics and financial services organisation.</p> <p>He was previously Managing Director of Dominos Pizza Australia and has over 35 years experience as a senior executive in a number of leading Australian and international companies including Sharp Corporation, Competitive Foods and Grace Bros. John holds a Bachelor of Commerce degree from the University of New South Wales, is Chairman of NF Australia and a Fellow of the Australian Institute of Company Directors.</p>
<p>Peter Henley Independent Non-Executive Director</p> <p>Appointed: 21 May 2007</p>	<p>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).</p> <p>Peter is also non-executive director, deputy chairman of MTA Insurances Ltd and Chairman of their investment committee. Peter is a Fellow of the Australian Institute of Management. He has also been Chairman of GE Motor Solutions Australia and a director GE Money, Singapore and Malaysia.</p>

Name and independence status	Experience, special responsibilities, qualifications and other directorships
<p>Paul Lahiff Independent Non-Executive Director</p> <p>Appointed: 21 May 2007</p>	<p>Paul Lahiff is Chairman of LIXI Pty Ltd, a Director of the Cancer Council NSW and operates his own consultancy firm specializing in financial services strategy. He has over 30 years experience in the financial services industry including roles as Managing Director of the ASX listed Mortgage Choice (from 2003 to 2009), Permanent Trustee, Heritage Building Society and WD Scott, as well as senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector.</p> <p>Paul holds a Bachelor of Science Degree from University of Sydney and is a Fellow of the Financial Services Institute of Australia (FINSIA) and is a member of the Australian Institute of Company Directors (AICD).</p>
<p>Joycelyn Morton Independent Non-Executive Director</p> <p>Appointed: 1 October 2011</p>	<p>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, Chair of Noni B Limited and unlisted company Snowy Hydro Limited. Joycelyn has also been a Board Member of other ASX listed companies. Joycelyn began her career with Coopers & Lybrand (now PwC), before joining Woolworths Limited and later the Shell Group in Australia and the Netherlands.</p> <p>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. 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.</p>

2. Company Secretary

Peter Eaton joined the Company in 1999 and was the Company's Finance Manager before assuming the role of Group Financial Controller in 2005 and the positions of Chief Financial Officer and Company Secretary in August 2006. Peter has a detailed understanding of the business and its drivers. Peter's role encompasses Finance, Information Technology and Risk Management. Peter holds a Bachelor of Commerce degree from the University of Western Sydney and is a member of CPA Australia.

3. Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are detailed below.

Director	Board Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B
John Hughes	13	13	5 ^a	5 ^a	2 ^a	3 ^a
David Carter	13	13	5	5	3	3
Peter Henley	13	13	4 ^c	5 ^c	3	3
Paul Lahiff	13	13	5	5	3	3
Joycelyn Morton	13	13	5	5	3 ^b	3 ^b
A – Number of meetings attended						
B – Number of meetings held during the time the director held office during the year						

- (a) Mr Hughes was not a member of the Audit Risk and Compliance Committee or the Remuneration and Nomination Committee but attended the meetings by invitation.
- (b) Ms Morton was not a member of the Remuneration and Nomination Committee but attended all meetings by invitation.
- (c) Mr Henley was not a member of the Audit Risk and Compliance Committee but attended the meetings by invitation.

4. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1. Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

In order to ensure that the Board functions and responsibilities are clearly identified, the Company has adopted a formal Board Charter.

A copy of the Board Charter is located on the Company's website (www.thorn.com.au).

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit, Risk and Compliance Committee and a Remuneration and Nomination Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds scheduled meetings each year, 10-14 per annum, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. The Board Charter requires the full Board to meet at least once per year to review the performance of the directors, committees, and senior executives, as well as, the relationship between the Board and management and matters of general corporate governance.

The agenda for Board meetings is prepared in conjunction with the Chairperson, Managing Director and Company Secretary. Standing items include the divisional report, finance report, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director and Executive Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Company, and the expectations of the Company concerning performance of directors. In addition, Directors are also educated regarding meeting arrangements and director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit the Company's facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Company also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Company structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with consultation. A copy of the advice received by the director is made available to all other members of the Board.

Composition of the Board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out on pages 4 and 5 of this report. The composition of the Board is determined using the following principles:

- a minimum of three directors, with a broad range of expertise both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the Company's industries, and/or extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- a non-executive independent director as Chairperson;
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- directors are subject to re-election every three years (except for the Managing Director).

The Board considers the mix of skills and diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential directors' skills to ensure they have appropriate industry expertise in the Company's operating segments.

The Board considers the diversity of existing and potential directors to ensure they are in line with the geographical and operational segments of the Company. The Board's policy is to seek a diverse range of directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Company operates.

An independent director is a director who is not a member of management (a non-executive director) and who:

1. holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or a related body corporate or has become a director within three years of ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Company member or an employee materially associated with the service provided;
4. is not a material supplier or customer of the Company or another member of the consolidated entity, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
5. has no material contractual relationship with the Company or a related body corporate other than as a director of the Company; and
6. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least ten per cent of the relevant segment's or the director-related business' revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

Applying these criteria, the Board is satisfied that David Carter, Paul Lahiff, Peter Henley and Joycelyn Morton are independent. In accordance with the ASX Corporate Governance Guidelines, the Chairperson is an independent director, and the positions of Managing Director and Chairperson are held by different directors.

4.2. Remuneration and Nomination Committee

The Remuneration and Nomination Committee has a documented charter, approved by the Board. All members are non-executive directors with a majority being independent. The Remuneration and Nomination Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- remuneration packages of senior executives, non-executive directors and executive directors;
- share option schemes and incentive performance packages;
- executive contracts;
- recruitment, retention and termination policies relating to the Board and senior executives; and
- monitoring the size and composition of the Board.

The members of the Remuneration and Nomination Committee during the year were:

- David Carter (Chairperson) – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive

Joycelyn Morton, Independent Non-Executive Director, was invited to Remuneration and Nomination Committee meetings during the year. Joycelyn Morton became a member of the Remuneration and Nomination Committee on 1 April 2013.

The Managing Director, John Hughes, is also invited to Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

From time to time, the Committee takes advice from external consultants to identify potential candidates for the Board. The Committee makes recommendations to the Board on the candidates, which votes on them. The Board then appoints the most suitable candidates. Board candidates must stand for election at the general meeting of shareholders immediately following their appointment. No consultancy fees were incurred in this regard during the financial year.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all Board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Remuneration and Nomination Committee meets three times a year and as required. The Committee met three times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 6.

4.3 Remuneration Report - Audited

4.3.1. Principles of remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the consolidated entity.

Remuneration levels for key management personnel and the secretary of the Company and the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. Independent advice is obtained on the appropriateness of remuneration packages of both the Company and the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant performance; and
- the consolidated entity's performance including:
 - the consolidated entity's earnings;
 - the growth in share price and delivering constant returns on shareholder wealth; and
 - the amount of incentives within each key management person's compensation.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Services From Remuneration Consultants

The Remuneration and Nomination Committee engaged Executive Research Services (ERC) as remuneration consultant to the Board to review the amounts and elements of the key management personnel remuneration and provide recommendations in relation thereto. Consultant fees incurred totalled \$15,400 for the financial year.

The Board is satisfied that the remuneration recommendations were made by ERC free from undue influence by members of the key management personnel about whom the recommendations may relate.

Performance Linked Remuneration

Performance linked remuneration includes both short-term incentives and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an “at risk” bonus provided in the form of cash, while the long-term incentive (LTI) is provided as performance rights over ordinary shares of Thorn Group Limited under the rules of the Performance Rights Plan.

Short-Term Incentive

Each year, the Board sets key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the consolidated entity, the relevant segment, and the individual, and may include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the consolidated entity and to its strategy and performance.

The financial performance objective for 2013 is ‘profit after tax’ as compared to the budgeted amount. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety, customer satisfaction and staff development.

At the end of the financial year, the Remuneration and Nomination Committee assesses the actual performance of the consolidated entity, and individual against the KPI's set at the beginning of the financial year. In determining the bonus pool, a percentage of the pre-determined maximum amount is awarded depending on results, between 30 percent for minimum performance and 100 percent for stretch performance. The pre-determined maximum amount is the base salary at the balance date. Individual performance is then assessed against KPI's set at the beginning of the financial year to determine how much of the bonus pool is payable. The performance evaluation in respect of the year ended 31 March 2013 has taken place in accordance with this process.

The Remuneration and Nomination Committee recommends the cash incentive to be paid to the individuals for approval by the Board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance.

Long-Term Incentive

The Company has a long-term incentive plan in the form of performance rights. The plan is directly linked to criteria that relate to the performance of the Company, to ensure appropriate alignment to shareholder value over a specified timeframe. Performance rights provide the right to receive shares only if and when particular performance based hurdles are achieved. The holders of the performance rights are entitled to receive one ordinary share per performance right.

Performance Rights Plan: 2010 Invitation Performance Hurdle

The performance hurdle for instruments granted under the long-term incentive plan 2010 invitation is the company's total shareholder return (“TSR”) performance measured against 20 comparable ASX listed securities.

Where the Company's TSR performance is rated below the 50th percentile, no performance rights vest. Staggered vesting occurs if the company is ranked at or above the 50th percentile until the 90th percentile, when 100% of the rights vest.

Performance Rights Plan: 2012 Invitation Performance Hurdles

There are two performance hurdles for the instruments granted under the long-term incentive plan 2012 invitation.

Performance hurdle 1

The average Return on Capital Employed ("ROCE") for the measurement period must be equal to or greater than 20%. No performance rights vest when ROCE is below 20%.

Performance hurdle 2

The company's TSR performance measured against 30 comparable ASX listed securities. Where the Company's TSR performance is rated below the 50th percentile, no performance rights vest. Staggered vesting occurs if the company is ranked at or above the 50th percentile until the 90th percentile, when 100% of the rights vest.

In the event that a participant's employment is terminated, any unvested performance rights will lapse.

The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.

The ROCE performance criteria was chosen as it is a key indicator of the quality and efficiency of the returns the consolidated entity is achieving and is aligned to shareholder wealth.

In assessing whether the performance criteria have been met, the Board will obtain performance data which provides the Company's and comparative companies' TSR performance. The Board will use the audited ROCE for the measurement period.

Consequences of Performance on Shareholder's Wealth

In considering the consolidated entity's performance and benefits for shareholder's wealth, the Board have regard to the following indices in respect of the current financial year and the four previous financial years.

	2013	2012	2011	2010	2009
Profit attributable to owners of the Company	\$28,021,000	\$27,849,000	\$22,038,000	\$19,495,000	\$12,320,000
Dividends paid	\$14,656,000	\$12,272,000	\$9,464,000	\$7,059,000	\$5,594,000
Change in share price	0.49	(0.62)	1.07	0.63	(0.06)
Return on capital employed ¹	24.78%	30.34%	35.02%	30.72%	25.83%

¹ Calculated as total earnings before interest and tax divided by the average capital employed.

Profit is considered as one of the financial performance targets in setting the STI plan. Dividends and changes in share price are included in the TSR calculation which is the key performance criteria assessed for the LTI plan. In addition, return on capital employed is used as a key performance hurdle under the 2012 LTI invitation. The overall level of key management personnel's compensation takes into account the performance of the consolidated entity over several years.

In relation to share based payments offered as part of remuneration, the company prohibits entering into arrangements to limit exposure to losses that would result from share price decreases.

Other Benefits

Key management personnel can receive additional non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles, payment of telephone bills and similar benefits. The consolidated entity pays fringe benefits tax on these benefits. The consolidated entity does not provide retirement benefits to any of the directors or executives, other than statutory superannuation.

Service Contracts

John Hughes, Managing Director, has a contract of employment dated 15 May 2013 with the Company, with an expiry date 31 March 2015. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and Managing Director will early in each financial year, consult and agree objectives for achievement during that year.

At any time the service contract can be terminated either by the Company or John Hughes providing six months' notice. The Company may make a payment in lieu of notice of six months, equal to six months of base salary. On termination of John Hughes' employment, he is entitled to a termination payment of \$300,000 and is subject to various non-compete obligations for a period of six months.

The Managing Director has no entitlement to a termination payment in the event of removal for misconduct.

This payment represents market practice at the time the terms were agreed.

Peter Eaton, Company Secretary, has a contract of employment dated 4 December 2006 with the Company, with no specific expiry date. This contract is capable of termination on three months' notice plus any amounts payable under the Company's redundancy policy.

The Company Secretary has no entitlement to a termination payment in the event of removal for misconduct.

The consolidated entity has entered into service contracts with all other key management persons that are unlimited in term but capable of termination on four to twelve weeks notice. The consolidated entity retains the right to terminate a contract immediately by making payment equal to four weeks to twelve weeks pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the key management person but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Non-Executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2010 AGM, is not to exceed \$550,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

The Chairperson's fee is presently \$166,000 (2012: \$140,000) and Directors' fees are presently up to \$83,000 per annum (2012: \$70,000). Fees presently cover all main Board and Committee activities. The Chairperson of the Audit, Risk and Compliance Committee receives an additional fee of \$15,000 per annum.

In 2012, Directors' fees covered all main Board activities. Additional Committee fees were paid. \$5,000 was paid to members of the Audit Risk and Compliance Committee and \$15,000 to the Chairperson. \$2,500 was paid to members of the Remuneration and Nomination Committee.

Non-executive directors do not receive performance-related remuneration and do not participate in employee share based payment schemes.

4.3.2 Directors' and Executive Officers' Remuneration (Company and Consolidated – Audited)

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the consolidated entity are:

In AUD		Short-term				Post-employment	Long-term benefits	Termination benefits \$	Share-based payments	Total \$	Proportion of remuneration related %	Value of performance rights as proportion of remuneration %
		Salary & fees \$	STI cash bonus \$(A)	Non-monetary benefits \$(B)	Total	Super-annuation benefits \$	Long Service Leave \$		Options and rights \$(C)			
Directors Non-Executive Directors												
David Carter	2013	147,500	-	-	147,500	13,275	-	-	-	160,775	-	-
	2012	117,538	-	-	117,538	10,578	-	-	-	128,116	-	-
Peter Henley	2013	72,577	-	-	72,577	6,532	-	-	-	79,109	-	-
	2012	74,654	-	-	74,654	6,719	-	-	-	81,373	-	-
Paul Lahiff	2013	77,346	-	-	77,346	6,961	-	-	-	84,307	-	-
	2012	72,154	-	-	72,154	6,494	-	-	-	78,648	-	-
Joycelyn Morton ¹	2013	89,539	-	-	89,539	8,059	-	-	-	97,598	-	-
	2012	34,615	-	-	34,615	3,115	-	-	-	37,730	-	-
Executive Directors												
John Hughes	2013	591,025	200,000	3,556	794,581	16,283	-	-	108,793	919,657	34%	12%
	2012	593,999	192,250	1,597	787,846	15,469	-	-	159,574	962,889	37%	17%
Total directors remuneration	2013	977,987	200,000	3,556	1,181,543	51,110	-	-	108,793	1,341,446	-	-
	2012	892,960	192,250	1,597	1,086,807	42,375	-	-	159,574	1,288,756	-	-

In AUD		Short-term				Post-employment	Long-term benefits	Termination benefits \$	Share-based payments	Total \$	Proportion of remuneration related %	Value of performance rights as proportion of remuneration %
		Salary & fees \$	STI cash bonus \$(A)	Non-monetary benefits \$(B)	Total	Super-annuation benefits \$	Long service leave \$		Options and rights \$(C)			
Executives												
Peter Eaton <i>Chief Financial Officer and Company Secretary</i>	2013	267,371	105,000	13,387	385,758	16,283	7,235	-	36,264	445,540	32%	8%
	2012	265,568	88,655	13,369	367,592	15,469	13,947	-	53,192	450,200	32%	12%
James Marshall <i>GM Rental</i>	2013	236,506	93,000	11,414	340,920	16,283	2,191	-	31,354	390,748	32%	8%
	2012	233,052	76,332	11,399	320,783	15,469	11,371	-	37,234	384,857	30%	10%
Ian Scott <i>GM Risk</i>	2013	189,486	72,000	1,845	263,331	15,932	-	-	11,937	291,200	29%	4%
	2012	168,826	50,260	3,233	222,319	15,469	-	-	-	237,788	21%	-
Antoine Laval ² <i>GM Equipment Finance</i>	2013	189,486	31,000	-	220,486	16,844	-	-	11,937	249,267	17%	5%
	2012	156,456	57,321	-	213,777	12,912	-	-	-	226,689	25%	-
Brenton Glaister ³ <i>GM NCML</i>	2013	192,291	25,000	1,089	218,380	16,389	3,618	-	11,937	250,324	15%	5%
	2012	7,346	332	27	7,705	560	268	-	-	8,533	4%	-
Richard Shepherd ⁴ <i>GM Financial Services</i>	2013	77,064	28,000	-	105,064	5,701	-	-	-	110,765	25%	-
	2012	-	-	-	-	-	-	-	-	-	-	-
Former												
Andrea Rooke ⁵ <i>GM Human Resources</i>	2013	56,717	-	4,347	61,064	6,148	-	47,830	-	115,042	-	-
	2012	155,103	44,705	10,330	210,138	15,469	-	-	-	225,607	20%	-
Total executives remuneration	2013	1,208,921	354,000	32,082	1,595,003	93,580	13,044	47,830	103,429	1,852,886	-	-
	2012	986,351	317,605	38,358	1,342,314	75,348	25,586	-	90,426	1,533,674	-	-
Total directors and executive officer remuneration	2013	2,186,908	554,000	35,638	2,776,546	144,690	13,044	47,830	212,222	3,194,332	-	-
	2012	1,879,311	509,855	39,955	2,429,121	117,723	25,586	-	250,000	2,822,430	-	-

¹ The remuneration for Joycelyn Morton for 2012 reflects remuneration during the period from 1 October 2011, the date of her appointment.

² The remuneration for Antoine Laval for 2012 reflects remuneration during the period from 9 May 2011, the date of his appointment.

³ The remuneration for Brenton Glaister for 2012 reflects the remuneration during the period from 15 March 2012, the date of his promotion.

⁴ The remuneration for Richard Shepherd for 2013 reflects remuneration during the period from 20 November 2012, the date of his appointment.

⁵ The remuneration for Andrea Rooke for 2013 reflects remuneration during the period to 27 July 2012, the date of her resignation.

Notes in relation to the Table of Directors' and Executive Remuneration

- A. The short term incentive bonus for 2013 is for performance during the financial year.
- B. Non-monetary benefits as disclosed in both tables includes cost of providing a motor vehicle and any fringe benefits tax attributable thereto.
- C. The fair value of the performance rights is calculated at the date of grant using a Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to the expected vesting date. The value disclosed is the portion of the fair value of the performance rights allocated to this reporting period. In valuing the performance rights, market conditions have been taken into account. The following factors and assumptions were used in determining the fair value of performance rights at grant date.

Grant Date	Initial Test Date	Expiry Date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
1 April 2010	15 Dec 2010	15 May 2013	\$0.85	Nil	\$1.085	48.4%	5.2%	8.2%
1 April 2010	15 Dec 2011	15 May 2013	\$0.77	Nil	\$1.085	48.4%	5.2%	8.2%
1 April 2010	15 Dec 2012	15 May 2013	\$0.69	Nil	\$1.085	48.4%	5.2%	8.2%
7 Dec 2012	1 Jun 2015	31 Dec 2017	\$1.40	Nil	\$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2016	31 Dec 2017	\$1.28	Nil	\$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2017	31 Dec 2017	\$1.15	Nil	\$1.910	32.0%	2.7%	6.0%

4.3.3 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and key management personnel are detailed below.

Short Term Incentive Bonus			
	Included In Remuneration \$ (a)	% Vested In Year	% Forfeited In Year (b)
Directors			
John Hughes	200,000	32%	68%
Executives			
Peter Eaton	105,000	34%	66%
James Marshall	93,000	33%	67%
Ian Scott	72,000	31%	69%
Antoine Laval	31,000	15%	85%
Brenton Glaister	25,000	12%	88%
Richard Shepherd	28,000	12%	88%

- (a) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria.
- (b) The amounts forfeited are due to the performance or service criteria not being fully met in relation to the current year.

4.3.4 Equity Instruments

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Years In Which Grant Vests	Values Yet To Vest \$	
	Number	Date		Min (a)	Max (b)
Director					
John Hughes	189,873	7 Dec 2012	2015 – 2018	Nil	N/A
	189,873	7 Dec 2012	2016 – 2018	Nil	N/A
	189,874	7 Dec 2012	2017 – 2018	Nil	N/A
Executive					
Peter Eaton	63,291	7 Dec 2012	2015 – 2018	Nil	N/A
	63,291	7 Dec 2012	2016 – 2018	Nil	N/A
	63,291	7 Dec 2012	2017 – 2018	Nil	N/A
James Marshall	63,291	7 Dec 2012	2015 – 2018	Nil	N/A
	63,291	7 Dec 2012	2016 – 2018	Nil	N/A
	63,291	7 Dec 2012	2017 – 2018	Nil	N/A
Ian Scott	37,975	7 Dec 2012	2015 – 2018	Nil	N/A
	37,975	7 Dec 2012	2016 – 2018	Nil	N/A
	37,974	7 Dec 2012	2017 – 2018	Nil	N/A
Antoine Level	37,975	7 Dec 2012	2015 – 2018	Nil	N/A
	37,975	7 Dec 2012	2016 – 2018	Nil	N/A
	37,974	7 Dec 2012	2017 – 2018	Nil	N/A
Brenton Glaister	37,975	7 Dec 2012	2015 – 2018	Nil	N/A
	37,975	7 Dec 2012	2016 – 2018	Nil	N/A
	37,974	7 Dec 2012	2017 – 2018	Nil	N/A

Analysis of performance rights available for vesting

Details of the performance rights available for vesting to each director of the Company and other key management personnel are detailed below:

	Performance Rights Granted		% Vested In Current Year	% Forfeited In Year	Financial Years In Which Grant Vests	Values Yet To Vest \$	
	Number	Date		(c)		Min (a)	Max (b)
Director							
John Hughes	6,369	1 Apr 2010	68.8%	-	2011 – 2014	Nil	N/A
	101,912	1 Apr 2010	68.8%	-	2012 – 2014	Nil	N/A
	271,763	1 Apr 2010	68.8%	-	2013 – 2014	Nil	N/A
Executive							
Peter Eaton	2,123	1 Apr 2010	68.8%	-	2011 – 2014	Nil	N/A
	33,971	1 Apr 2010	68.8%	-	2012 – 2014	Nil	N/A
	90,588	1 Apr 2010	68.8%	-	2013 – 2014	Nil	N/A
James Marshall	1,486	1 Apr 2010	68.8%	-	2011 – 2014	Nil	N/A
	23,780	1 Apr 2010	68.8%	-	2012 – 2014	Nil	N/A
	63,411	1 Apr 2010	68.8%	-	2013 – 2014	Nil	N/A

- (a) The minimum value of the performance rights to vest is nil as the performance rights criteria may not be met and consequently the performance rights may not vest.
- (b) The maximum value of the performance rights yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised.
- (c) No performance rights were forfeited in the period. The performance rights that did not vest will be retested at the next vesting date.

Analysis of Movements in Performance Rights

The movement during the reporting period, by value, of performance rights over ordinary shares in Thorn Group Limited held by each Company director and key management personnel are detailed below:

Value of Performance Rights

	Granted in year ^(a)	Exercised in year ^(b)	Forfeited in year ^(c)
	\$	\$	\$
John Hughes	727,215	519,947	-
Peter Eaton	242,405	173,317	-
James Marshall	242,405	121,320	-
Ian Scott	145,443	-	-
Antoine Laval	145,443	-	-
Brenton Glaister	145,443	-	-
	1,648,354	814,584	-

- (a) The fair value of the performance rights is calculated at the date of the grant based upon the Monte Carlo simulation model.
- (b) The value of performance rights exercised during the year is calculated as the market price of shares of the Company as at close of trade on the date the performance rights were exercised. The market price as at the close of trade on 24 December 2012 was \$1.99, the date the performance rights were exercised and ordinary shares were allotted.
- (c) The value of the performance rights forfeited during the year is calculated as the market price of the share of the Company as at the close of trade on the date the performance rights were forfeited.

Performance Rights Over Equity Instruments Granted

The movement during the year in the number of performance rights over ordinary shares in Thorn Group Limited held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 April 2012	Granted as Compensation	Exercised	Lapsed during the year	Held at 31 March 2013	Vested during the year
John Hughes	380,044	569,620	261,280	-	688,384	261,280
Peter Eaton	126,682	189,873	87,094	-	229,461	87,094
James Marshall	88,677	189,873	60,965	-	217,585	60,965
Ian Scott	-	113,924	-	-	113,924	-
Antoine Laval	-	113,924	-	-	113,924	-
Brenton Glaister	-	113,924	-	-	113,924	-

4.4 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee has a documented charter, approved by the Board. The charter is available on the Company's website. All members are non-executive directors with a majority being independent. The Chairperson may not be the Chairperson of the Board. The Audit, Risk and Compliance Committee advises the Board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The members of the Audit, Risk and Compliance Committee during the year were:

- Joycelyn Morton (Chairperson) – Independent, Non-Executive
- David Carter – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive

Peter Henley, Independent Non-Executive Director, was invited to the Audit, Risk and Compliance Committee meetings during the year. Peter Henley became a member of the Audit, Risk and Compliance Committee on 1 April 2013.

The Company Secretary, Peter Eaton, acts as Secretary to the Committee.

The internal and external auditors, the Managing Director and the Chief Financial Officer are invited to Audit, Risk and Compliance Committee meetings at the discretion of the Committee. The Committee is required to meet at least twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 6.

The external auditor met with the Audit, Risk and Compliance Committee twice during the year without management being present.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2013 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The responsibilities of the Audit, Risk and Compliance Committee include:

- reviewing the annual and half year financial reports and other financial information distributed externally;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- assessing the performance and objectivity of the internal audit function;
- establishing procedures for selecting, appointing and if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporation Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards; and

- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Audit, Risk and Compliance Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the external audit, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

4.5 Risk Management

Oversight of the Risk Management System

The Board oversees the establishment, implementation and review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the consolidated entity (including sustainability risk). The Managing Director and the Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk Profile

Management provide the risk profile on a six monthly basis to the Audit, Risk and Compliance Committee that outlines the material business risks to the Company. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The Audit, Risk and Compliance Committee reports the status of material business risks to the Board on a regular basis.

Material business risks for the Company may arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of products and sales, difficulties in sourcing supply of products, environment, workplace health and safety, property, financial reporting and the purchase, development and use of information systems.

Risk Management and Compliance and Control

The Company strives to ensure that its products and services are of the highest standard. The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude errors and irregularities. The Board's policy on internal control is comprehensive.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled;
- workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and Integrity of Personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial Reporting

The Managing Director and the Chief Financial Officer have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental Legislation

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The directors are of the belief that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any of those environmental requirements as they apply to the consolidated entity.

Internal Audit

The internal auditors assist the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The results of internal audits are reported on a monthly basis to the Board.

4.6 Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and consolidated entity. In order to promote ethical and responsible decision making, the Company has implemented a Code of Conduct to guide the directors and senior executives. Further, the Company has implemented a formal Securities Trading policy in order to formalise the Company's position on employees trading in the Company's securities. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Code of Conduct and processes are in place to promote and communicate these policies. Both of these policies are available on the Company's website.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of director-related entity transactions with the Company and the consolidated entity are set out in note 29 to the financial statements.

Code of Conduct

The Company's Code of Conduct aims to maintain appropriate core Company values and objectives. The Company has advised each director, manager and employee that they must comply with the Code of Conduct.

The Company's Code of Conduct covers issues such as delivering shareholder value, managing conflicts of interest, confidentiality, fair and honest dealings, workplace health and safety, equal opportunity and compliance with laws. The Code encourages reporting of unethical behaviour. The Company has a Whistleblower policy and a confidential whistleblowing service which provides its staff with an avenue to report suspected unethical, illegal or improper behaviour.

Securities Trading Policy

The Company and the consolidated entity has a Securities Trading policy, which sets out the circumstances under which directors, senior executives, and employees of the Company and the consolidated entity may deal in securities with the objective that no director, senior executive or other employee will contravene the requirements of the Corporations Act 2001 or the ASX Listing Rules.

The policy outlines the restricted trading periods for the Company as the month immediately before the release of the Company's half yearly and yearly results.

The policy is reproduced in full on the Company's website.

Diversity Policy

The Board is committed to having an appropriate blend of diversity on the Board and senior executive positions. The Board has established a policy regarding gender, age, ethnic and cultural diversity.

The consolidated entity's performance against the diversity policy objectives are as follows:

Gender Representation	2013 Male	2013 Female	2012 Male	2012 Female
Board Representation	80%	20%	80%	20%
Key Management Personnel Representation	100%	-	83%	17%
Group Representation	52%	48%	51%	49%

4.7. Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases. The Continuous Disclosure policy is available on the Company's website.

In summary, the Continuous Disclosure policy operates as follows:

- the policy identifies information that needs to be disclosed;
- the Managing Director, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX;
- the full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX;
- proposed major changes in the consolidated entity which may impact the share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The Company does not have a formal shareholder communication policy, however it provides information to shareholders via the Company's website, which has links to recent Company announcements and past annual reports, results presentations and various ASX pages, including the current share price.

The Board supports full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5. Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the leasing of household products, leasing of motor vehicles, the provision of unsecured cash loans, equipment finance and the provision of receivables management services.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

5.1. Operating and Financial Review

Review of financial position

Increases were achieved in both revenue and profit for the 2013 financial year with total revenues growing from \$188,351,000 to \$203,203,000, a 7.9% improvement.

Revenue in the Consumer Leasing segment grew 7.7%, from \$157,817,000 to \$170,020,000 due to increases in operating lease and finance lease revenue. Operating lease revenue growth was primarily attributable to significant increases in furniture installations. Finance lease revenue growth was driven by the introduction of a 24 month contract term, via which mobile phones and tablets were leased.

A decrease in revenue of \$2,254,000, or 10.7% was incurred in the Credit Management segment. Collection revenue was lower than the prior year due to the loss of the ATO contract and PDL revenue was impacted by the age of the portfolio.

Revenue for Thorn Equipment Finance grew 112.4%, from \$2,885,000 to \$6,129,000. The revenue growth is attributable to the increase in settlements, which increased 156.7% from \$12,916,000 to \$33,161,000. Equipment financed during the year included IT, telephony, poker machines, audio visual and industrial and commercial equipment.

An increase in revenue was achieved by Thorn Financial Services during the period of \$1,818,000, or 29.8%. The revenue increase was driven by a 25.6% increase in loan receivables, from \$17,324,000 to \$21,754,000.

Operating expenses increased due to salary and rent reviews, projects relating to tax and funding, and investment in new business resources.

This resulted in profit before income tax increasing 1.5%, from \$40,191,000 to \$40,788,000. Net profit after tax increased 0.6%, from \$27,849,000 to \$28,021,000.

Cash Flows

Net cash from operating activities increased from \$71,758,000 to \$93,328,000 due to the growth in units on rent in the consumer lease segment, the associated payments from customers and a decrease in tax paid due to a benefit relating to the acquisition of NCML. Increases in net cash from operating activities were invested in Rental Assets, up 10.3% to \$60,463,000 and Thorn Equipment Finance settlements, up 156.7% to \$33,161,000.

Funding

Debt facilities were renewed. The facility limit was increased to \$50,000,000 and the term of the facility extended to 31 July 2016. The consolidated entity also agreed to a \$50,000,000 securitisation facility to enable continued expansion of Thorn Equipment Finance. It is expected that funding on this facility will commence in June 2013. Establishment and legal fees were incurred.

The company paid dividends of \$14,656,000 and introduced a Dividend Reinvestment Plan (DRP), resulting in the issue of 800,838 new ordinary shares.

Legislative changes

The consolidated entity continued to be involved in discussions with the Federal Treasury in relation to the enhancements to the National Consumer Credit Protection legislation, which primarily involves more disclosure around financial service products.

Likely developments in operations

New products are expected to be launched by Thorn Financial Services, including larger loans on a secured and unsecured basis. Within Consumer Leasing, a new invigorated look and new offerings are expected to penetrate new demographics. These offerings are likely to include extended length contracts, savings club, interest free and take home layby.

New client wins in the second half of FY13 and additional PDL purchases will positively impact the earnings of the Credit Management segment in FY14. Thorn Equipment Finance will continue to focus on increasing settlements and maintaining impairment losses to grow earnings.

The implementation of these new products, and the further expansion of each operating segment continues the consolidated entity's strategy of becoming a broader based financial services organisation.

5.2. Shareholder returns

	2013	2012	2011	2010	2009
Profit attributable to owners of the company	\$28,021,000	\$27,849,000	\$22,038,000	\$19,495,000	\$12,320,000
Basic EPS	19.11c	19.24c	16.84c	15.12c	9.61c
Dividends paid	\$14,656,000	\$12,272,000	\$9,464,000	\$7,059,000	\$5,594,000
Dividends per share	10.00c	8.95c	7.30c	6.32c	4.79c
Change in share price	0.49	(0.62)	1.07	0.63	(0.06)
Return on capital employed ¹	24.78%	30.34%	35.02%	30.72%	25.83%

¹ Calculated as total earnings before interest and tax divided by the average capital employed.

5.3. Review of Financial Information

Capital structure and treasury policy

The company introduced a DRP as part of the Company's Capital Management Strategy. The DRP was active for the payment of the Interim Dividend at a discount of 2.5%. On 17 January 2013, the Company issued 800,838 new ordinary shares at \$2.01 per share under the DRP.

Liquidity and funding

The consolidated entity renewed and extended its debt facility with Westpac Banking Corporation in December 2012. The facility was renewed to 31 July 2016 and extended to \$50,000,000. The consolidated entity has unused funding facilities as at 31 March 2013 of \$21,100,000 and has sufficient funds available to finance its operations.

Net cash flows from operating activities were \$93,328,000 as compared to \$71,758,000 in the prior year.

Impact of Legislation and other external requirements

There has been no impact on the operations of the business from legislation changes.

6. Dividends

Dividends paid by the Company to members during the financial year were:

	<i>Cents per share</i>	<i>Total amount</i>	<i>Franked / unfranked</i>	<i>Date of payment</i>
		\$		
Final 2012	5.50	8,050,614	Franked	18 July 2012
Interim 2013	4.50	6,605,287	Franked	17 January 2013
Total amount		<u>14,655,901</u>		

Franked dividends declared as paid during the year were fully franked at the corporate tax rate of 30%.

Declared after end of year

After balance date the following dividend was proposed by the directors. The dividend has not been provided and there are no income tax consequences.

	<i>Cents per share</i>	<i>Total amount</i>	<i>Franked / unfranked</i>	<i>Expected date of payment</i>
		\$		
Final 2013	6.00	8,855,093	Franked	18 July 2013
Total amount		<u>8,855,093</u>		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 March 2013 and will be recognised in subsequent financial reports.

7. Events Subsequent To Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

8. Likely Developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

For further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, refer to section 5.1, the Operating and Financial Review on page 28.

9. Directors' Interests

The relevant interest of each director in the shares and performance rights over shares as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Thorn Group Limited

	Ordinary shares	Performance Rights over ordinary shares
David Carter	241,300	Nil
John Hughes	3,347,463	688,384
Peter Henley	60,278	Nil
Paul Lahiff	35,157	Nil
Joycelyn Morton	34,000	Nil

The Company has not granted any options over its shares.

10. Performance rights

Performance rights granted to directors and officers of the Company

During the financial year, the Company has granted performance rights over unissued ordinary shares in the Company to six officers of the Company. Page 20-22 provides the details of those performance rights which have not vested at the date of the report.

Unissued shares under options

At the date of this report there are no unissued ordinary shares of the Company under option.

11. Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current, former and subsequent directors and officers of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

During the financial year the Company has paid insurance premiums of \$43,884 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving misconduct.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

12. Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence; and
- as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 5.

13. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 34 and forms part of the directors' report for financial year ended 31 March 2013.

I 4. Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "David Carter". The signature is written in a cursive, flowing style.

David Carter
Chairperson

Dated at Sydney
21 May 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Thorn Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Greg Boydell
Partner

Sydney

21 May 2013

3. Statement of Comprehensive Income

<i>In thousands of AUD</i>	Note	2013	2012
Revenue	3	203,203	188,351
Employment benefits expense	4	(42,837)	(41,443)
Depreciation and amortisation expense		(32,259)	(28,873)
Finance lease cost of sales		(26,118)	(22,255)
Impairment losses on loans and receivables		(11,023)	(9,701)
Marketing expenses		(10,395)	(10,018)
Property expenses		(8,957)	(8,316)
Transport expenses		(6,202)	(6,113)
Communication and IT expenses		(3,844)	(3,522)
Finance expenses		(1,807)	(1,587)
Travel expenses		(1,325)	(1,170)
Other expenses		(17,648)	(15,162)
Profit before income tax		40,788	40,191
Income tax expense	6	(12,767)	(12,342)
Profit for the period		28,021	27,849
Other comprehensive income		-	-
Total comprehensive income for the year		28,021	27,849
Basic earnings per share (cents)	21	19.11	19.24
Diluted earnings per share (cents)	21	19.09	19.01

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 39 to 71.

4. Statement of Financial Position

<i>In thousands of AUD</i>	Note	2013	2012
Assets			
Cash and cash equivalents	7	4,871	5,870
Trade and other receivables	8	58,463	45,540
Total current assets		63,334	51,410
Trade and other receivables	8	67,139	44,759
Deferred tax assets	11	2,898	5,525
Property, plant and equipment	12	7,163	5,398
Rental assets	13	52,929	48,478
Intangible assets	14	27,893	29,719
Total non-current assets		158,022	133,879
Total assets		221,356	185,289
Liabilities			
Trade and other payables	15	26,117	23,415
Employee benefits	17	4,719	4,790
Income tax payable	10	4,520	1,260
Provisions	18	502	133
Total current liabilities		35,858	29,598
Loans and borrowings	16	28,900	14,000
Employee benefits	17	338	339
Provisions	18	887	1,141
Total non-current liabilities		30,125	15,480
Total liabilities		65,983	45,078
Net assets		155,373	140,211
Equity			
Issued capital		95,483	93,898
Reserves		2,769	2,557
Retained earnings		57,121	43,756
Total equity		155,373	140,211

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 39 to 71.

5. Statement of Changes in Equity

<i>In thousands of AUD</i>	Share capital	Equity remuneration reserve	Retained earnings	Total equity
Balance at 1 April 2011	64,517	2,307	28,179	95,003
Total comprehensive income				
Net profit for the year	-	-	27,849	27,849
Other comprehensive income	-	-	-	-
Issue of ordinary shares	29,381	-	-	29,381
Share based payments transactions	-	250	-	250
Dividends to shareholders	-	-	(12,272)	(12,272)
Balance at 31 March 2012	93,898	2,557	43,756	140,211
Balance at 1 April 2012	93,898	2,557	43,756	140,211
Total comprehensive income				
Net profit for the year	-	-	28,021	28,021
Other comprehensive income	-	-	-	-
Issue of shares under dividend reinvestment plan	1,585	-	-	1,585
Share based payments transactions	-	212	-	212
Dividends to shareholders	-	-	(14,656)	(14,656)
Balance at 31 March 2013	95,483	2,769	57,121	155,373

The statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 39 to 71.

6. Statement of Cash Flows

<i>In thousands of AUD</i>	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers		222,660	200,048
Cash paid to suppliers and employees		(120,612)	(114,363)
Cash generated from operations		102,048	85,685
Interest paid		(1,807)	(1,587)
Interest received on bank deposits		260	355
Income tax paid		(7,173)	(12,695)
Net cash from operating activities	27	93,328	71,758
Cash flows from investing activities			
Proceeds from sale of assets		1,126	1,050
Acquisition of property, plant and equipment and software		(3,658)	(3,335)
Acquisition of rental assets		(60,463)	(54,834)
Thorn Equipment Finance settlements		(33,161)	(12,916)
Net cash used in investing activities		(96,156)	(70,035)
Cash flows from financing activities			
Proceeds from borrowings		18,900	3,000
Repayment of borrowings		(4,000)	(25,000)
Proceeds from the issue of ordinary shares		-	29,381
Dividends paid		(13,071)	(12,272)
Net cash from / (used in) financing activities		1,829	(4,891)
Net increase / (decrease) in cash and cash equivalents		(999)	(3,168)
Cash and cash equivalents at 1 April		5,870	9,038
Cash and cash equivalents at 31 March	7	4,871	5,870

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 39 to 71.

7. Notes to the Consolidated Financial Statements

I. Significant Accounting Policies

Thorn Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 47 Rickard Road, Bankstown, NSW, 2200. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2013 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity were the leasing of household products, leasing of motor vehicles, the provision of unsecured cash loans, equipment finance and the provision of receivables management services.

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 21 May 2013.

(b) Basis of Preparation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except where assets are carried at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the following:

(b) Basis of Preparation (continued)

(i) Valuation of goodwill and other intangibles

Judgements are made with respect to identifying and valuing intangible assets on acquisition of new businesses.

(ii) Impairment of goodwill

Note 14 contains information about the assumptions and their risk factors relating to goodwill impairment. The consolidated entity assesses whether goodwill is impaired at least annually. The calculations include an estimation of the recoverable amount of the cash generating unit to which the goodwill is allocated.

(iii) Rent Try Buy® asset depreciation

Where assets are installed on Rent Try Buy® contracts and their standard estimated useful life is greater than the period at which a similar item can be purchased for \$1, an estimate of the number of assets expected to be purchased for \$1 is made and additional depreciation is expensed based on the average cost of assets installed.

(iv) Impairment of finance lease receivables

Note 20 contains information about the credit risk associated with finance lease receivables. The consolidated entity assesses the impairment of finance lease receivables monthly. The calculations include an assessment of the expected rates of disconnections and the estimate of collateral.

(v) Purchased debt ledgers

Fair values of PDLs are determined using a discounted cash flow valuation technique. Cash flow forecasts are based on the estimated future cash flows of the portfolio based on experience on similar portfolios, observed collections to date, payment arrangements and other known factors.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Revenue

Revenues are measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. The major components of revenue are recognised as follows:

Lease Rental Revenue

The consolidated entity derives revenue from finance and operating leases.

Finance leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset pass to the lessee. Finance lease sales revenue is recognised at the time the rental contract is entered into based on the fair value of the leased item, with interest income recognised over the life of the lease.

Operating leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset remain with the lessor. Payments under operating leases are due and payable on a monthly basis in advance.

Operating lease rental revenue is recognised on a straight line basis over the lease term, net of discounts. Revenue also arises from charges such as late fees, termination fees and damage liability reduction fees. These revenues are recognised when due and payable.

Collection Revenue

Revenue from collection services rendered is recognised upon delivery of the services to the customers.

Purchased Debt Ledgers Revenue

Revenue from purchased debt ledgers represents income derived from the application of the effective interest method net of any changes in fair value. The effective interest rate is the implicit interest rate based on forecast collections derived at the time of acquisition of an individual PDL. Fair value is determined based on the present value of expected future cashflows.

Interest

Interest revenue is calculated and charged on the average outstanding cash loan balance and recognised on an accrual basis using the effective interest method.

(e) Cost of Sales

Finance lease costs of sales comprise the cost of the item sold less any accumulated depreciation.

(f) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Thorn Group Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Thorn Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

Thorn Group Limited recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(f) Income Tax (continued)

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(g) Finance expenses

Finance expenses comprise interest expense on borrowings, and the unwinding of the discount on provisions. All borrowing costs are recognised in the profit or loss using the effective interest rate method.

(h) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Other Intangibles

Other intangibles acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition.

Amortisation

Amortisation is provided on all intangible assets excluding goodwill. Amortisation is calculated on a straight line basis so as to write-off the cost of each intangible asset over its estimated useful life. The estimated useful lives in the current and comparative periods are as follows:

- Customer relationships 5 years
- Software 3 – 10 years

The residual value, the useful life and the amortisation method applied to an intangible asset are reassessed at least annually.

(i) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments excluding financial assets at fair value through profit and loss are recognised initially at fair value plus transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less impairment losses.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the consolidated entity's obligation specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

The consolidated entity recognises its financial assets at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification of financial assets that the consolidated entity held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Financial assets recognised at amortised cost are measured using the effective interest method, net of any impairment loss.

Financial assets other than those classified as financial assets recognised at amortised cost are measured at fair value with any changes in fair value recognised in profit or loss. Financial assets designated at fair value comprise purchased debt ledgers.

(j) Trade and Other Receivables

Finance lease receivables are recognised at the present value of the minimum lease payments less impairment losses. The present value is calculated by discounting the minimum lease payments due, at the interest rate implicit in the lease.

Trade and other receivables are stated at their amortised cost less impairment losses, with the exception of purchased debt ledgers which are designated at fair value.

(k) Loans and Borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

(l) Rental Assets

Recognition and Measurement

Rental assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of rental assets are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within “Other Income” or “Other Expenses” in profit or loss.

Depreciation

Depreciation is provided on rental assets and is calculated on a straight line basis so as to write-off the net cost of each asset over its estimated useful life. Where assets are installed on Rent Try Buy® contracts and their estimated useful life is greater than the period at which a similar item can be purchased for \$1, an estimate of the number of assets expected to be purchased for \$1 is made and additional depreciation expensed based on the average cost of assets installed.

The estimated useful lives in the current and comparative periods are 3 to 6 years.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(m) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within “Other Income” or “Other Expenses” in profit or loss.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write-off the net cost of each asset over its estimated useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives in the current and comparative periods are as follows:

- Freehold Buildings 20 years
- Leasehold Property The lease term, to a maximum of 5 years
- Plant and Equipment 3 – 10 years

(m) Property, Plant and Equipment (continued)

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(n) Impairment

Non-Financial Assets

The carrying amounts of the consolidated entity's assets, other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at each balance date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating units"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial Assets

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of receivables that are not assessed as impaired individually is performed by placing them into portfolios with similar risk profiles and undertaking a collective assessment of impairment, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

(n) Impairment (continued)

Reversals of Impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Employee Benefits

(i) Defined Contribution Superannuation Funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss in the periods during which services are rendered by employees.

(ii) Long Service Leave

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Wages, Salaries, Annual Leave and Non-Monetary Benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date including on-costs, such as workers compensation insurance and payroll tax.

(iv) Share-based Payment Transactions

The Performance Rights Plan allows certain consolidated entity employees to receive shares of the Company. The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance rights.

The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest except where the rights have not vested due to share prices not achieving the threshold for vesting.

(o) Employee Benefits (continued)

(v) Termination Benefits

Termination benefits are recognised as an expense when the consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the retirement date.

(p) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation that can be measured reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Make good costs for leased property

A provision for make good costs for leased property is recognised when a make good obligation exists in the lease contracts.

The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the reporting period. The unwinding of the discounting is recognised as a finance cost.

(q) Trade and Other Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing.

(r) Lease Payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

(s) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Earnings Per Share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

(u) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and performance rights are recognised as a deduction from equity net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Dividend Reinvestment Plan

The consolidated entity has implemented a DRP during the financial year. An issue of shares under the dividend investment plan results in an increase in issued capital. The DRP allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally to with the Company's ordinary shares, which has been applied to dividends payable from January 2013. All holders of the Company ordinary shares are eligible to participate in the plan.

The issue price for the shares acquired under the DRP will be a price derived from the arithmetic average of the daily volume weighted average market price per Company shares during the five trading days commencing on the second trading day following the Record Date for the relevant dividend, less any discount the directors may determine from time to time and announce to the Australian Stock Exchange.

(v) Segment Reporting

The consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO, who is the consolidated entity's chief operating decision maker.

(w) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. The consolidated entity will apply the standards and amendments for the reporting periods beginning on the operative dates set out below. An initial assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the consolidated entity's financial statements or accounting policies. The consolidated entity does not plan to adopt these standards early.

- AASB 2010-7 Amendments to AASB 9 outlines that a financial asset is to be measured at amortised cost only if it is held within business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. The amendments,

(w) New Standards and Interpretations Not Yet Adopted (continued)

which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities* changes the definition of control and requires that it be applied to all entities to determine whether control exists. The new definition focuses on the need for both power and exposure to variability of returns in order for control to be present and the new disclosure standard increases the disclosure requirements for both consolidated and unconsolidated entities. The new standards, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a material impact on the financial statements.
- AASB 13 *Fair Value Measurement* replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. AASB 13 applies to all assets and liabilities measured at fair value, not just financial instruments. The new standards, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a material impact on the financial statements.
- AASB 119 *Employee Benefits (2011)* changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The consolidated entity may need to assess the impact of this change in relation to the Employee Benefits Provision. The new standards, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a material impact on the financial statements.
- AASB 2011-4 *Amendments to Australian Accounting Standards* amends AASB 124 '*Related Party Disclosures*' by removing the disclosure requirements for individual key management personnel. The adoption of these amendments will remove the duplication of information in the notes to the financial statements and the Directors' Report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the financial statements. These amendments are mandatory for the consolidated entity's 31 March 2015 financial statements and early adoption of this standard is not available.

2. Segment Reporting

The Board and CEO (the chief operating decision maker) monitor the operating results of four reportable segments, which are the Consumer Leasing division, the Credit Management division, the Thorn Equipment Finance division and the Thorn Financial Services division for the purpose of making decisions about resource allocation and performance assessment.

The Consumer Leasing division conducts the business of leasing of household products and leasing of motor vehicles.

The Credit Management division is comprised of the NCML business. NCML provides receivables management, debt recovery, credit information services, debt purchasing and other financial services.

Thorn Equipment Finance division conducts the business in equipment financing for small and medium enterprises.

The Thorn Financial Services division conducts the business of the provision of personal loans.

Segment performance is evaluated based on operating profit or loss. Interest and income tax expense are not allocated to operating segments, as this type of activity is managed on a group basis.

For the twelve months ended 31 March 2013

	Consumer Leasing		Credit Management		Thorn Equipment Finance		Thorn Financial Services		Consolidated	
<i>In thousands of AUD</i>	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	170,020	157,817	18,874	21,128	6,129	2,885	7,920	6,102	202,943	187,932
Operating expenses	(122,022)	(111,202)	(15,204)	(16,616)	(5,078)	(2,451)	(6,283)	(5,091)	(148,587)	(135,360)
Profit before interest, tax, depreciation and amortisation	47,998	46,615	3,670	4,512	1,051	434	1,637	1,011	54,356	52,572
Depreciation and amortisation	(1,337)	(1,143)	(2,198)	(2,492)	(48)	(12)	(13)	(21)	(3,596)	(3,668)
Profit before interest and tax	46,661	45,472	1,472	2,020	1,003	422	1,624	990	50,760	48,904
Capital Expenditure	63,822	55,422	299	233	33,161	12,916	-	-	97,282	68,571
Segment Assets	142,676	134,478	24,519	23,078	34,996	12,704	19,165	15,029	221,356	185,289
Segment Liabilities	(63,789)	(42,882)	(2,194)	(2,196)	-	-	-	-	(65,983)	(45,078)

2. Segment Reporting (continued)

Reconciliation of reportable segment profit or loss

<i>In thousands of AUD</i>	2013	2012
Profit before interest and tax for reportable segments	50,760	48,904
Unallocated amounts:		
Other corporate expenses	(8,425)	(7,481)
Net financing costs	(1,547)	(1,232)
Profit before tax	40,788	40,191
Income tax expense	(12,767)	(12,342)
Profit After Tax	28,021	27,849

Reconciliation of reportable revenue

<i>In thousands of AUD</i>	2013	2012
Revenue for reportable segments	202,943	187,932
Other revenue	260	419
Revenue	203,203	188,351

3. Revenue

<i>In thousands of AUD</i>	2013	2012
Operating leases	102,191	93,562
Finance lease sales	37,876	33,826
Interest	44,023	39,635
Collection revenue	15,801	16,013
PDL revenue ¹	3,073	5,115
Other income	239	200
	203,203	188,351

¹ PDL revenue

<i>In thousands of AUD</i>	2013	2012
PDL interest	2,964	3,218
Change in fair value	109	1,897
	3,073	5,115

4. Employment Benefits

<i>In thousands of AUD</i>	2013	2012
Wages and salaries	39,163	37,897
Contributions to defined contribution superannuation funds	2,930	2,792
Increase in liability for annual leave	69	134
Increase in liability for long service leave	54	66
Termination benefits	409	304
Equity settled share-based payment transactions	212	250
	42,837	41,443

5. Auditors' Remuneration

	2013	2012
Audit services		
<i>KPMG Australia:</i>		
Audit and review of financial reports	327,000	315,500
	327,000	315,500
Other services		
<i>KPMG Australia</i>		
Taxation services – compliance	115,000	131,000
Taxation services – advice	175,000	-
Other services	5,000	4,000
	295,000	135,000

6. Income Tax Expense

Recognised in the Income Statement	2013	2012
<i>In thousands of AUD</i>		
Current tax expense		
Current year	10,245	8,112
Adjustment for prior years	(105)	(305)
Deferred tax expense		
Origination and reversal of temporary differences	2,627	4,535
Total income tax expense in income statement	12,767	12,342

Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In thousands of AUD</i>	2013	2012
Profit before tax	40,788	40,191
Prima facie income tax using the domestic corporation tax rate of 30% (2012: 30%)	12,236	12,057
Change in income tax expense due to:		
Non-deductible expenses	636	590
(Over) / Under provided in prior years	(105)	(305)
Income tax expense on pre-tax accounting profit	12,767	12,342

7. Cash and Cash Equivalents

<i>In thousands of AUD</i>	2013	2012
Bank balances	4,761	5,756
Call deposits	110	114
Cash and cash equivalents	4,871	5,870

8. Trade and Other Receivables

<i>In thousands of AUD</i>	2013	2012
Current		
Trade receivables	4,504	3,675
Finance lease receivables	28,815	23,250
Loan receivables	12,744	10,595
Purchased debt ledgers	3,697	3,161
Lease deposits	584	526
Other receivables and prepayments	8,119	4,333
	58,463	45,540
Non-current		
Finance lease receivables	56,119	36,783
Loan receivables	6,422	4,434
Purchased debt ledgers	4,598	3,542
	67,139	44,759

Trade receivables are shown net of provision for impairment losses amounting to \$894,000 (2012: \$903,000).

Finance lease receivables are shown net of provision for impairment losses amounting to \$8,069,000 (2012: \$6,270,000).

Loan receivables are shown net of provision for impairment losses amounting to \$2,588,000 (2012: \$2,295,000).

The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 20.

9. Purchased Debt Ledgers

<i>In thousands of AUD</i>	2013	2012
Current	3,697	3,161
Non-current	4,598	3,542
Total	8,295	6,703

Purchased Debt Ledgers (PDLs) are measured at fair value.

The following summarises the assumptions used in these calculations:

Input	Assumption and/or basis for assumption
Term which collections will be yielded	Maximum 72 months from start date of PDL acquisition
Effective interest rate	Based on the effective interest rate for each PDL recognised at the time of acquisition
Forecast collections	Forecasts are based on each PDLs collections to date, the performance of equivalent PDLs and allowances for other known factors

10. Current Tax Liabilities

The current tax liability for the consolidated entity of \$4,520,000 (2012: \$1,260,000) represents the amount of income taxes payable in respect of current and prior financial periods.

11. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Rental assets	21,094	16,455	-	-	21,094	16,455
Property, plant and equipment	94	-	-	(34)	94	(34)
Trade, loan and other receivables	1,019	924	-	-	1,019	924
Finance lease receivables	-	-	(22,086)	(17,067)	(22,086)	(17,067)
Accruals	1,746	1,950	-	-	1,746	1,950
Provisions	1,130	1,232	-	-	1,130	1,232
PDL liability	-	2,065	(99)	-	(99)	2,065
Tax assets / (liabilities)	25,083	22,626	(22,185)	(17,101)	2,898	5,525

12. Property, Plant and Equipment

<i>In thousands of AUD</i>	Land and Buildings	Leasehold Improvements	Plant and Equipment	Total
Cost				
Balance at 1 April 2011	70	6,930	8,186	15,186
Additions	-	938	2,397	3,335
Disposals	-	(69)	(969)	(1,038)
Balance at 31 March 2012	70	7,799	9,614	17,483
Balance at 1 April 2012	70	7,799	9,614	17,483
Additions	-	1,203	2,347	3,550
Balance at 31 March 2013	70	9,002	11,961	21,033
Depreciation and Impairment Losses				
Balance at 1 April 2011	48	4,778	6,428	11,254
Depreciation charge for the year	2	936	926	1,864
Disposals	-	(69)	(964)	(1,033)
Balance at 31 March 2012	50	5,645	6,390	12,085
Balance at 1 April 2012	50	5,645	6,390	12,085
Depreciation charge for the year	2	883	900	1,785
Balance at 31 March 2013	52	6,528	7,290	13,870
Carrying amounts				
At 1 April 2011	22	2,152	1,758	3,932
At 31 March 2012	20	2,154	3,224	5,398
At 1 April 2012	20	2,154	3,224	5,398
At 31 March 2013	18	2,474	4,671	7,163

13. Rental Assets

<i>In thousands of AUD</i>	2013	2012
Opening balance	48,478	41,178
Acquisitions	60,463	54,834
Disposals	(2,908)	(2,442)
Depreciation	(28,540)	(25,037)
Transfers to finance leases	(26,328)	(22,182)
Transfers from finance leases	1,764	2,127
Balance at 31 March	52,929	48,478

Carrying amounts	Total
At 1 April 2011	41,178
At 31 March 2012	<u>48,478</u>
At 1 April 2012	48,478
At 31 March 2013	<u>52,929</u>

14. Intangible Assets

<i>In thousands of AUD</i>	Goodwill	Customer Relationships	Software	Total
Cost				
Balance at 1 April 2011	29,350	8,797	1,274	39,421
Balance at 31 March 2012	<u>29,350</u>	<u>8,797</u>	<u>1,274</u>	<u>39,421</u>
Balance at 1 April 2012	29,350	8,797	1,274	39,421
Additions	-	-	108	108
Balance at 31 March 2013	<u>29,350</u>	<u>8,797</u>	<u>1,382</u>	<u>39,529</u>
Amortisation and impairment losses				
Balance at 1 April 2011	7,074	-	656	7,730
Amortisation charge for the year	-	1,760	212	1,972
Balance at 31 March 2012	<u>7,074</u>	<u>1,760</u>	<u>868</u>	<u>9,702</u>
Balance at 1 April 2012	7,074	1,760	868	9,702
Amortisation charge for the year	-	1,760	174	1,934
Balance at 31 March 2013	<u>7,074</u>	<u>3,520</u>	<u>1,042</u>	<u>11,636</u>
Carrying amounts				
At 1 April 2011	22,276	8,797	618	31,691
At 31 March 2012	<u>22,276</u>	<u>7,037</u>	<u>406</u>	<u>29,719</u>
At 1 April 2012	22,276	7,037	406	29,719
At 31 March 2013	<u>22,276</u>	<u>5,277</u>	<u>340</u>	<u>27,893</u>

14. Intangible Assets (continued)

Impairment tests for Cash Generating Units (CGU) containing goodwill

The following units have significant carrying amounts of goodwill:

In thousands of AUD

	2013	2012
Consumer Leasing	15,604	15,604
Credit Management	6,672	6,672
Total	22,276	22,276

The recoverable amount of the above CGU's are determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period and terminal value. The cash flow projections have been approved by the Board.

Key assumptions used for value-in-use calculations

Consumer Leasing

During the forecast period, revenue is assumed to grow at an average of 3% p.a. and the pre-tax Weighted Average Cost of Capital (WACC) is assumed at 9.42% (2012: 12.88%). A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2%. The value in use calculation in 2013 was determined on a similar basis to the 2012 calculation.

Credit Management

During the forecast period, revenue is assumed to grow at an average of 3% p.a. and the pre-tax WACC is assumed at 9.42% (2012: 12.25%). A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2%. The value in use calculation in 2013 was determined on a similar basis to the 2012 calculation.

The WACC in 2013 reduced to 9.42% due to:

- a reduction in the risk free rate in line with 10 year government bond rate;
- a reduction in the beta applied reflecting the company's share price stability; and
- a reduction in the cost of debt due to a lower base debt rates.

The recoverable amount of the CGU's exceeds their carrying value at 31 March 2013.

Management believes that any reasonable change in the key assumptions on which the estimates and/or the WACC are based, including increasing the WACC above the 2012 level, would not cause the carrying amount of the CGU to exceed its recoverable amount.

15. Trade and Other Payables

<i>In thousands of AUD</i>	2013	2012
Current		
Trade payables	16,517	15,548
Other creditors and accruals	6,810	5,269
Deferred rental revenue	2,359	2,333
Property lease accrual	431	265
	26,117	23,415

16. Loans and Borrowings

<i>In thousands of AUD</i>	2013	2012
Non-current liabilities		
Secured bank loans	28,900	14,000
	28,900	14,000

Financing Facilities

<i>In thousands of AUD</i>	2013	2012
Bank facility available	50,000	30,000
	50,000	30,000
Bank facility utilised at balance date	28,900	14,000
	28,900	14,000
Bank facility not utilised at reporting date	21,100	16,000
	21,100	16,000

Financing arrangements

Bank loans

Thorn Australia Pty Limited has a loan provided by the Westpac Banking Corporation. The loan is denominated in Australian dollars.

Security is provided to Westpac Banking Corporation by way of a fixed and floating charge over the assets of the consolidated entity.

On 10 December 2012, the consolidated entity refinanced the loan facility with Westpac Banking Corporation. The facility limit was increased by \$20,000,000 to \$50,000,000 and the term extended to 31 July 2016.

For more information about the consolidated entity's exposure to interest rate risk and liquidity risk see note 20.

17. Employee Benefits

<i>In thousands of AUD</i>	2013	2012
Current		
Salaries and wages accrued	1,079	1,274
Liability for long service leave	1,437	1,382
Liability for annual leave	2,203	2,134
	<u>4,719</u>	<u>4,790</u>

Non-Current		
Liability for long service leave	338	339
	<u>338</u>	<u>339</u>

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was \$2,930,000 for the financial year ended 31 March 2013 (2012: \$2,792,000).

18. Provisions

<i>In thousands of AUD</i>	Make Good	Total
Balance at 1 April 2012	1,274	1,274
Provisions made during the year	189	189
Provisions used during the year	(69)	(69)
Unwind of discount	(5)	(5)
Balance at 31 March 2013	<u>1,389</u>	<u>1,389</u>
Current		502
Non-current		887
		<u>1,389</u>

Make Good

A provision for make good costs in respect of leased property is recognised when a make good obligation exists in the lease contracts. The provision is initially recognised at the inception of the lease.

19. Capital and Reserves

Share Capital

In thousands of shares

	2013	2012
On issue at the beginning of year	146,374	129,859
Issue of new shares on vesting of performance rights	409	283
Issue of ordinary shares	-	16,232
Issue of shares under dividend investment plan	801	-
On issue at the end of year	<u>147,584</u>	<u>146,374</u>

- Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.
- In the event of the winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.
- The Company does not have authorised capital or par value in respect of its issued shares.

Reserves

Equity Remuneration Reserve

The equity remuneration reserve represents the value of performance rights issued under the Company's long-term incentive plan.

Dividends

Dividends recognised in the current year by the Company are:

	<i>Cents per share</i>	<i>Total amount</i>	<i>Franked / unfranked</i>	<i>Date of payment</i>
		<i>\$'000s</i>		
2013				
Final 2012	5.50	8,051	Franked	18 July 2012
Interim 2013	4.50	6,605	Franked	17 January 2013
Total amount		<u>14,656</u>		
2012				
Final 2011	4.95	6,428	Franked	22 July 2011
Interim 2012	4.00	5,844	Franked	20 January 2012
Total amount		<u>12,272</u>		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Dividend Reinvestment Plan (DRP)

The Company implemented a DRP during the period. In accordance with the Company's DRP, 800,838 new ordinary shares totalling \$1,609,000 were issued. Costs incurred in undertaking the DRP were \$24,000. The net impact on Shareholder Equity was \$1,585,000.

Details of the DRP are disclosed in Note I.

19. Capital and Reserves (continued)

After the balance sheet date, the following dividend was proposed by the directors.

	Cents per share	Total amount	Franked/unfranked	Expected date of payment
Final ordinary	6.00	8,855,093	Franked	18 July 2013

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2013 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by \$3,795,040 (2012: \$3,450,261).

<i>In thousands of AUD</i>	2013	2012
Dividend franking account		
30% franking credits available to shareholders of Thorn Group Limited for subsequent financial years	24,241	20,088

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- franking credits that will arise from the payment of the current tax liabilities
- franking debits that will arise from the payment of dividends recognised as a liability at the year end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

20. Financial Risk Management

(a) Financial Risk Management Objectives and Policies

The consolidated entity is exposed to financial risks through the normal course of its business operations. The key risks arising are credit risk, liquidity risk and market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Risk and Compliance Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

20. Financial Risk Management (continued)

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer fails to meet its contractual obligation, and arises principally from the consolidated entity's trade, loan and finance lease receivables from customers and purchased debt ledgers.

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry also has an influence on credit risk.

The majority of the consolidated entity's customer base are retail customers. Each of these customers are required to pay regular fortnightly or monthly payments. These payments are small in nature, and therefore no concentration of credit risk to any individual or business exists within the consolidated entity's portfolio of customer accounts.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputations.

The consolidated entity's access to financing arrangements is disclosed in Note 16.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency that will affect the consolidated entity's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. The consolidated entity has foreign currency risk on the purchase of rental assets directly imported that are denominated in USD. The consolidated entity manages its exposure to foreign currency risk by utilising forward exchange contracts where appropriate. There is no foreign exchange risk as at the reporting date.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as profit before financing costs divided by total assets. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 19 for quantitative data.

20. Financial Risk Management (continued)

(b) Credit Risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	2013	2012
Trade receivables	4,504	3,675
Finance lease receivables	84,934	60,033
Loan receivables	19,166	15,029
Purchased debt ledgers	8,295	6,703
	116,899	85,440

The consolidated entity operates in Australia. There is no exposure to other geographic regions.

Impairment losses

Trade receivables

The aging of the consolidated entity's trade receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	1,056	-	1,142	-
Past due 0 – 30 Days	2,329	151	1,826	132
Past due 31 – 180 Days	2,013	743	1,610	771
	5,398	894	4,578	903

The net value of trade receivables as at 31 March 2013 was \$4,504,000 (2012: \$3,675,000)

The consolidated entity invoices its rental customers in advance of the rental period. The revenue is not recognised in the financial statements until the due date of the invoice.

Finance lease receivables

Finance lease receivables that are past due are disclosed in the trade receivables above.

The provision for impairment losses as at 31 March 2013 is \$8,069,000 (2012: \$6,270,000). The provision reflects the risk to the consolidated entity of the expected early return or loss of products throughout the life of the contract.

Collateral is held against the finance lease receivables in the form of the assets attached to the contract. In the event that the asset is returned due to early termination of the contract, the asset is available for rental on other contracts or disposal via cash sale. The value of this collateral as at 31 March 2013 is \$63,000,000 (2012: \$43,000,000).

20. Financial Risk Management (continued)

Loan receivables

The ageing of the consolidated entity's loan receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	19,459	1,309	15,544	1,371
Past due 0 – 30 Days	1,129	113	951	95
Past due 31 – 180 Days	1,166	1,166	829	829
	21,754	2,588	17,324	2,295

The net value of loan receivables as at 31 March 2013 was \$19,166,000 (2012: \$15,029,000)

(c) Liquidity Risk

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2013.

31 March 2013

<i>In thousands of AUD</i>	Carrying Amount	Contractual Cash Flows	1 Year or Less	2-5 Years	5 Years or More
Bank loans	28,900	33,001	1,745	31,256	-
Trade and other payables	23,327	23,327	23,327	-	-
	52,227	56,328	25,072	31,256	-

31 March 2012

<i>In thousands of AUD</i>	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
Bank loans	14,000	16,523	1,237	15,286	-
Trade and other payables	20,817	20,817	20,817	-	-
	34,817	37,340	22,054	15,286	-

(d) Interest Rate Risk

At the reporting date the interest rate profile of the consolidated entity's interest bearing financial instruments was:

Variable Rate Instruments

<i>In thousands of AUD</i>	Carrying Amount	
	2013	2012
Financial assets	4,761	5,756
Financial liabilities	(28,900)	(14,000)

A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's equity and profit or loss by \$169,000 (2012: \$58,000).

(e) Fair Values

The fair values of the Company's and consolidated entity's financial assets and liabilities as at the reporting date are considered to approximate their carrying amounts.

20. Financial Risk Management (continued)

(f) The Fair Value Hierarchy

Financial instruments carried at fair value require disclosure of the valuation method according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The consolidated entity's only financial instruments that are measured and recognised at fair value are purchase debt ledgers. They are classified as Level 3.

21. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2013 was based on profit attributable to ordinary shareholders of \$28,021,000 (2012: \$27,849,000) and a weighted average number of ordinary shares during the year ended 31 March 2013 of 146,644,775 (2012: 144,722,948).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2013 was based on profit attributable to ordinary shareholders of \$28,021,000 (2012: \$27,849,000) and a weighted average number of ordinary shares during the year ended 31 March 2013 of 147,173,301 (2012: 146,488,310), which includes performance rights granted.

Profit attributable to ordinary shareholders (basic)

In thousands of AUD

Profit attributable to ordinary shareholders (basic and diluted)

Weighted average number of ordinary shares (basic)

In thousands of shares

Issued ordinary shares at 1 April

Effect of shares issued

Weighted average number of ordinary shares at 31 March

Weighted average number of ordinary shares (diluted)

In thousands of shares

Issued ordinary shares at 1 April

Effect of shares issued

Weighted average number of ordinary shares (diluted) at 31 March

Earnings per share

Basic earnings per share (cents)

Diluted earnings per share (cents)

	2013	2012
Profit attributable to ordinary shareholders (basic)		
<i>In thousands of AUD</i>		
Profit attributable to ordinary shareholders (basic and diluted)	28,021	27,849
Weighted average number of ordinary shares (basic)		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 April	146,375	129,860
Effect of shares issued	270	14,863
Weighted average number of ordinary shares at 31 March	146,645	144,723
Weighted average number of ordinary shares (diluted)		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 April	146,488	130,737
Effect of shares issued	324	15,751
Weighted average number of ordinary shares (diluted) at 31 March	146,812	146,488
Earnings per share		
Basic earnings per share (cents)	19.11	19.24
Diluted earnings per share (cents)	19.09	19.01

22. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2013	2012
Less than one year	8,141	7,019
Between one and five years	13,207	11,387
	<u>21,348</u>	<u>18,406</u>

The consolidated entity leases all the store premises, and the corporate office under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Most of the lease payments are increased every year to reflect market rentals. None of the leases include contingent rentals.

The consolidated entity also leases vehicles under operating leases. The lease term for these vehicles normally runs for a period of 4 years. The lease payments are set at the commencement of the lease term for the term of the lease. None of the leases include contingent rentals.

Leases as lessor

The consolidated entity leases out its rental assets under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of AUD</i>	2013	2012
Less than one year	37,671	36,091
Between one and five years	8,549	9,205
	<u>46,220</u>	<u>45,296</u>

23. Finance Leases

Leases as lessor

The consolidated entity leases out its rental assets under finance lease, hire purchase and chattel mortgage contracts. The consolidated entity classifies Rent Try Buy® contracts as finance leases where the term of the contract is 24 months or 36 months. The asset rented has an estimated useful life equal to the contract length. The future minimum lease payments under non-cancellable finance leases are as follows:

<i>In thousands of AUD</i>	2013	2012
Less than one year	67,597	55,133
Between one and five years	74,631	49,742
	<u>142,228</u>	<u>104,875</u>

Unearned finance income in relation to finance leases as at 31 March 2013 was \$49,225,000 (2012: \$38,572,000).

24. Consolidated Entities

	Country of Incorporation	Ownership interest	
		2013	2012
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia	100%	100%
Rent Try Buy Pty Ltd	Australia	100%	100%
CashFirst Pty Ltd	Australia	100%	100%
1 st Cash Pty Ltd	Australia	100%	100%
Thorn Equipment Finance Pty Ltd	Australia	100%	100%
Thorn Finance Pty Ltd	Australia	100%	100%
Votraint No 1537 Pty Ltd	Australia	100%	100%
National Credit Management Limited	Australia	100%	100%
A.C.N 119211317 Pty Ltd	Australia	100%	100%
Hudson Legal Pty Ltd	Australia	100%	100%

25. Contingencies

The industry in which the consolidated entity operates is highly regulated. Documentation, marketing and sales activities (both written and verbal) must comply with strict rules provided in the National Consumer Credit Protection Act and other legislation such as the Fair Trading and door to door sales legislation. Breach of these rules can result in fines or civil penalties or damages or compensation or some combination of these.

The consolidated entity has no reason to believe that a breach of these rules will occur or is likely to result in a material effect on the profitability of the consolidated entity. No provision exists for any potential exposure in connection with such a breach.

The consolidated entity is aware (via the “mystery shop” process, where a person presents as a customer but is not a real customer) that some verbal statements may have been made to some customers inaccurately describing the customer’s rights in relation to the acquisition of similar products to those rented under its Rent Try Buy® contracts. Under the National Consumer Credit Protection Act, the amount at risk in relation to any affected contract is part of any deemed “interest” payable under that contract and/or any penalties which could be imposed. No customer complaints have been received in this regard.

The consolidated entity has no reason to believe that this matter is likely to result in a material effect on the profitability of the consolidated entity and no provision exists for any potential exposure in connection with this matter.

26. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 certain wholly owned subsidiaries are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are listed in Note 24.

The consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising of entities which are parties to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2013, is the same as the consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position included in this financial report.

27. Reconciliation of Cash Flows from Operating Activities

In thousands of AUD

	2013	2012
Cash flows from operating activities		
Profit for the period	28,021	27,849
<i>Adjustments for:</i>		
Depreciation and amortisation	32,259	28,873
Equity settled transactions	212	250
Disposal of rental assets	26,328	21,452
Thorn Equipment Finance settlements	33,161	12,916
Operating profit before changes in working capital and provisions	119,981	91,340
Changes in working capital and provisions, net of the effects of the Purchase of subsidiaries		
(Increase) in trade and other receivables	(35,303)	(14,357)
Decrease in deferred tax assets	2,627	4,535
Increase / (Decrease) in income tax liability	3,260	(4,888)
Increase / (Decrease) in trade and other payables	2,719	(5,430)
Increase in provisions and employee benefits	44	558
Net cash from operating activities	93,328	71,758

28. Parent Entity Disclosures

As at, and throughout, the financial year ending 31 March 2013 the parent entity of the consolidated entity was Thorn Group Limited.

<i>In thousands of AUD</i>	2013	2012
Result of Parent Entity		
Profit for the period	14,656	12,272
Other comprehensive income	-	-
Total comprehensive income for the period	14,656	12,272
Financial position of the parent entity at year end		
Current assets	4,520	1,260
Total assets	102,772	97,715
Current liabilities	4,520	1,260
Total liabilities	4,520	1,260
Total equity of the parent comprising of:		
Share capital	95,483	93,898
Equity remuneration reserve	2,769	2,557
Total Equity	98,252	96,455

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 26.

29. Related Parties

Key management personnel remuneration

<i>In AUD</i>	2013	2012
Short-term employee benefits	2,776,546	2,429,121
Post-employment benefits	144,690	117,723
Long service leave benefits	13,044	25,586
Share based payments	212,222	250,000
Termination benefits	47,830	-
	3,194,332	2,822,430

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report on pages 16 to 18.

No director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

29. Related Parties (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Thorn Group Limited held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 April 2012	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2013
Directors					
David Carter	262,600	3,700	25,000	-	241,300
John Hughes	3,586,183	-	500,000	261,280	3,347,463
Peter Henley	60,278	12,500	12,500	-	60,278
Paul Lahiff	35,157	-	-	-	35,157
Joycelyn Morton	20,000	14,000	-	-	34,000
Executives					
Peter Eaton	403,124	-	150,000	87,094	340,218
James Marshall	116,870	-	70,000	60,965	107,835

	Held at 1 April 2011	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2012
Directors					
David Carter	221,000	41,600	-	-	262,600
John Hughes	3,405,715	-	-	180,468	3,586,183
Peter Henley	37,580	22,698	-	-	60,278
Paul Lahiff	31,250	3,907	-	-	35,157
Joycelyn Morton	N/A	20,000	-	-	20,000
Executives					
Peter Eaton	304,860	38,108	-	60,156	403,124
James Marshall	74,761	-	-	42,109	116,870

8. Director's Declaration

- I In the opinion of the directors of Thorn Group Limited (the 'Company'):
 - (a) the financial statements and notes that are set out on pages 35 to 71. and the remuneration disclosures that are contained in section 4.3 of the Remuneration Report in the Directors' report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the consolidated entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 March 2013.

Signed in accordance with a resolution of the directors:



David Carter
Chairperson



John Hughes
Managing Director

Dated at Sydney
21 May 2013



Independent auditor's report to the members of Thorn Group Limited

Report on the financial report

We have audited the accompanying financial report of Thorn Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 31 March 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Thorn Group Limited for the year ended 31 March 2013, complies with Section 300A of the *Corporations Act 2001*



KPMG



Greg Boydell
Partner

Sydney

21 May 2013