THORN Group Ltd.

2013 SHAREHOLDER REVIEW

MOMENTUM FOR GROWTH

radio rentals rentlo NCML experts in credit cashfirst THORN Equipment Finance

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 22nd August 2013, commencing at 11.00am.

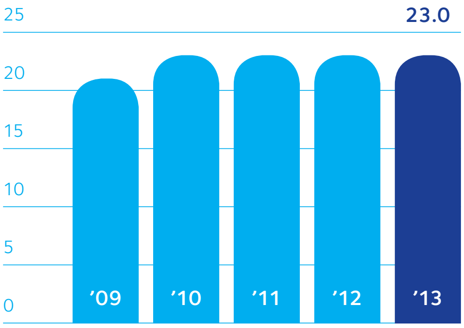
Thorn is one of Australia's leading providers of alternative financial solutions for consumers and commercial markets.

This year Thorn has delivered a strong performance in a challenging market where consumer and business confidence has been low, whilst also investing in the strengthening and diversifying of the business and providing sound returns for shareholders.

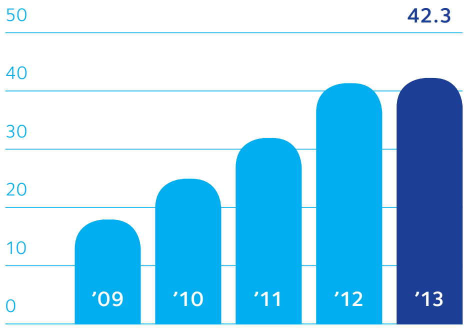
The group is gaining a strong 'momentum for growth' and this report sets out details of the initiatives that are the platform for future expansion.

Our focus is on continuing to develop into a broader based financial services organisation by extending our range of products and services to enable penetration into a wider market of potential customers.

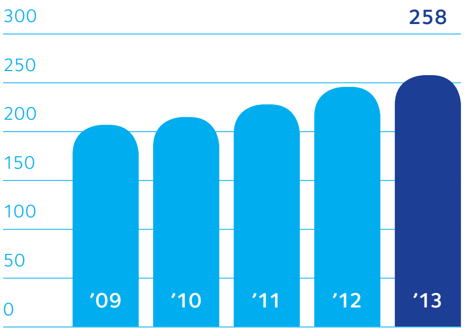
AVERAGE CONTRACTED TERM
(months)



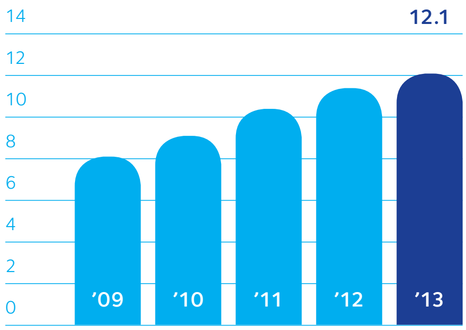
PRO-FORMA EBIT PERFORMANCE
(A$m)



AVERAGE UNITS ON RENT
('000s)



AVERAGE RENTAL DUES
(A$m)



FINANCIAL HIGHLIGHTS

- Revenue up 8% to $203m
- NPAT steady at $28m
- Cash NPAT consistent at $29m
- Positive operating cashflow reaching $93m
- Average return on capital strong at 24.8%
- EPS of 19.11 cents
- Full year dividends of 10.5 cents fully franked, up 10.5%

OPERATIONAL HIGHLIGHTS

- Record installations and earnings for Radio Rentals
- Radio Rentals customer retention rate up from 44% to 48%
- Cashfirst loan book grew 26% to $21m
- Cashfirst customer retention rate increased to 27%
- Thorn Equipment Finance strong book build to $36m
- NCML lift in new clients and debt ledger purchases
- Rent Drive Buy trial delivering strong results

David Carter
Chairman,
Non-Executive
Director

This is Thorn Group's seventh Annual Report, presenting another year of solid financial performance and returns for investors.

The backdrop to this year's report is that many customers in our target markets, and retailers in particular, have encountered tough economic conditions, with consumer and business confidence at ongoing low levels. Thorn is not immune from these conditions but another record year from its core consumer rental division coupled with a strong base of recurring revenue streams and significant cashflows underscores its resilience and strength.

This resilience and strength has enabled the board and management to invest in a number of initiatives focussed on ensuring that a strong 'momentum for growth' is created over the medium to longer term along with improved returns for our shareholders. In the short term, there is the need for significant investment in development of these initiatives and our results this year reflect this commitment.

In financial year 2013, Thorn recorded some significant achievements:

- We have made excellent progress with our strategy of enlarging our footprint in the financial services sector
- Our biggest contributor to earnings, Radio Rentals/Rentlo, achieved record installations and revenue
- From a zero base some four years ago, Cashfirst now has an unsecured personal loan book of $21 million, creating a solid cornerstone for broader development of Thorn Financial Services
- Rejuvenation of Thorn Equipment Finance is reaping rewards, with new financing up 155 per cent to $33 million
- NCML is back on a growth path after a challenging year

Another year of solid financial performance and returns for investors.

EARNINGS, BALANCE SHEET

These achievements which reflect business growth, investment for the future and dealing with challenging economic conditions, have enabled Thorn to record a steady profit of $28 million in financial year 2013. The underlying strength of the business is emphasised by the return on average capital employed of 24.8 per cent, an impressive result, particularly compared to many other organisations. The ongoing strength of Thorn's balance sheet, with relatively low gearing, is an indicator of both our conservative capital management and our potential to fund future growth.

DIVIDEND

While profit has been steady, directors believe that the increase in dividend and payout ratio reflects our confidence in the positive contribution to growth we expect from investment in current initiatives and the strategic development of the group as a broader financial services business. Final dividend was increased 9 per cent to 6 cents, taking full year dividend to 10.5 cents a share fully franked, up 10.5 per cent and lifting the dividend payout ratio to 55 per cent. We have continued the dividend reinvestment plan at a discount of 2.5 per cent, providing further opportunity for investors to share in future growth.

CORPORATE GOVERNANCE AND SUSTAINABILITY

Investors have a right to expect a high degree of attention to the best standards of corporate governance and as a board we seek to foster and uphold those standards. The financial report component of this Shareholder Review sets out our policies and practices, including those related to remuneration. We also see great importance in Thorn embracing corporate social responsibility, which the group achieves through a number of endeavours. We adhere strictly to the code of responsible lending in the way we relate to customers. Our caring attitude has been reinforced by the introduction of a hardship contract which assists customers during a time of financial difficulty. It is pleasing to note that this initiative was actually suggested by our staff which shows their genuine concern for customer welfare. We actively seek to empower and support our staff and hence provide a significant range of learning and development opportunities which is key to developing a positive culture. Our priority is to ensure Thorn is a sustainable business and positive contributor to the community. This incorporates financial support for charitable organisations and local welfare groups, integrating environmental considerations into purchasing and supply decisions, participation in industry associations and pro-active consultation with legislative bodies and regulators.

OUTLOOK

The board has a very positive view of the medium term outlook for Thorn as it develops a range of initiatives that will enable the fulfilment of its strategy to build a broader based financial services business. We recognise that in the short term, we need to confront challenging economic conditions and also absorb costs that are essential for our investment in the future. But, as our track record shows, we have a strong and profitable base which places the organisation in a sound position for this investment, without it being significantly detrimental to overall performance. In coming years, Thorn will be quite a different business with a broader based contemporary style that enables it to meet the needs of many more Australians and becoming a significant industry participant in financial services.

PEOPLE

The strategy on which Thorn is embarking would not have been possible without the foresight and capabilities of a talented management team. To ensure continuity of strategy implementation, the board has been pleased to extend the contract of Managing Director, John Hughes, for a further two years. Mr Hughes has been a strong driver and innovator of the business since its listing on the ASX in 2006. We are grateful for his leadership over this time and also for the efforts of all staff who have helped make Thorn the successful company it has become.

To further strengthen the capabilities of the organisation to deliver on our future plans, we recently appointed a number of senior executives to new roles that will be key to ensuring the ongoing success of the organisation.

We appreciate the ongoing support of shareholders and I want to acknowledge the outstanding contributions of my fellow directors in governing Thorn's growth path.

David Carter
Chairman, Non-Executive Director

In financial year 2013, Thorn has recorded a sound financial performance as well as taking significant steps in its financial services diversification strategy.

John Hughes
Managing Director
and CEO

THEMES IN 2013

In 2013, we concentrated our efforts on a number of critical areas that will enable Thorn to achieve its strategic objectives. Whilst individually important, their interrelationship is key to optimising future outcomes for the group. Our starting point was to focus on ensuring ongoing growth of our existing businesses. Second, we continued development of our initiatives and IT systems that are core to refreshing and expanding our business in line with our diversification strategy. Third, was investment in strengthening and expanding our executive team to ensure we have sufficient senior resources to implement this strategy. Fourth, was enhancement of our funding platform to provide the financial wherewithal for expansion. Fifth, was ensuring disciplines and structures were in place to optimise current and future performance within our strict risk management parameters. Progress has been very positive on each of these areas and provides a solid foundation for our evolution.

FINANCIAL PERFORMANCE

In the midst of retail conditions that have been among the toughest I have witnessed during my career, I believe it is very commendable that Thorn kept profit steady at $28 million, particularly as we made a substantial investment of time and money into the development of our growth initiatives. Pleasingly this included a record performance from Radio Rentals/Rentlo, which is a standout against other organisations exposed to the retail market, significant book building by Cashfirst and Thorn Equipment Finance and the start of a turnaround by NCML.

In Radio Rentals/Rentlo, we showed that by being responsive to customer needs and broadening our product offering, we could continue to grow the business. Of particular note is our increase in customer loyalty, measured on the level of new contracts taken up by customers completing a contract, now at 48 per cent. This outstanding result reinforces the relevance and value of our offering to our target market. The growth of our personal loan portfolio through Cashfirst has clearly demonstrated the potential in this market area and hence the focus on expanding the range of loan products we will make available over the next 12 months. The continued building of vendor and broker relationships provided further impetus for the growth of Thorn Equipment Finance, primarily in the SME market which values long term supplier support and has a strong demand for leasing. NCML had a challenging year, but finished the year in good shape with the successful achievement of a number of new major contracts, which will contribute significantly to our 2014 financial year performance. While we have a number of products and initiatives in the pipeline, the response to our Rent, Drive, Buy trial provides us with a strong level of confidence and shows the benefits that come from cautious entry into a new market with a well thought out niche product.

BUSINESS RENEWAL AND REINVENTION

It has been long understood that every business needs renewal and that failure to embrace change and new opportunities can lead to a loss of relevance in the market and consequently impact long term performance. The Radio Rentals business has been a leader in the household goods rental market for 76 years and a fundamental reason for this positioning has been continual change and development of new products and offerings.

To remain contemporary and relevant, we have responded to customer needs in many ways over the past six years since Thorn has been listed.

This year we conducted an even more rigorous review of the business to ensure we stay in a leadership position. We initiated research among customers, analysed our business in detail, assessed market opportunities and investigated overseas concepts. We have a good understanding of what brings customers to us, how they shop, what our brand means to them and where we are positioned with our target market. What we have learned is that if we are to broaden our target market to a wider demographic, we also need to move the description of our offering away from purely rental and more towards consumer leasing with a broader range of products and various ownership options that caters for today's modern lifestyle. We are already taking steps in this direction but implications of this also are a reconsideration of the name of our flagship business, which is the next step in our analysis and positioning.

We have also taken the concept of renewal well beyond Radio Rentals while recognising our key strengths and capabilities are in providing alternative financial solutions to both consumer and commercial markets. Hence our plans to significantly expand the range of products we offer in financial services, while remaining consistent with our skill set.

The success and appeal of Cashfirst to consumers has shown there is a solid demand for personal loans. Research supports our view that there is a significant market opportunity, especially with banks and other financial institutions reducing their exposure in this market and tightening their lending policies post the GFC. The launch of a wider range of products and potential distribution through a branch network are among the initiatives that are planned for implementation over the next two years. An expanded Thorn Equipment Finance, a rejuvenated NCML and likely national launch of Rent Drive Buy are also exciting parts of Thorn's renewal and reinvention.

BUILDING THE RIGHT TEAM

A vital part of any development program is ensuring that we have the skills and capabilities to achieve a successful implementation and meet our objectives. This has necessitated the recruitment of a number of new managers and team members as well as giving our existing team more opportunities to fill leadership positions.

James Marshall has been appointed Chief Operating Officer for Thorn Group and his remit will cover Radio Rentals, Thorn Equipment Finance and NCML. James recently celebrated 20 years with the business and has been the key driver of the success of Radio Rentals over the past six years.

Derrick Hubble has been promoted to General Manager Sales and Operations for Radio Rentals/Rentlo. Derrick recently re-joined Thorn after an absence of some six years and was previously General Manager of Radio Rentals. Derrick has a wealth of knowledge in the consumer market having held senior management roles with Ticketek, Nuance, Oroton and Myer.

Darren-John Aquilina has been appointed General Manager Marketing and Merchandising for Radio Rentals/Rentlo and has extensive experience in the household goods consumer market. Darren spent a number of years with Harvey Norman, Bing Lee and more recently as Marketing & Merchandising Manager with Flexigroup. Immediately prior to joining, Darren was GM Marketing and eCommerce for Toys R' Us.

Alan Payne has joined the group as National Business Development Manager for Radio Rentals/Rentlo. Prior to joining Thorn Alan had eight years' experience with Mr Rental, most recently as Managing Director International and preceding that was General Manager for Australia and New Zealand. Alan's many years of senior management experience across a number of major organisations, along with his strong knowledge of the consumer rental market, will assist in the further development of the Radio Rentals/Rentlo network as well as providing sound insight into the potential development of a second brand.

Another key appointment has been Richard Shepherd as General Manager for Thorn Financial Services, which will be the cornerstone of our further development as a broader based financial services organisation. Richard has extensive experience in the consumer finance market with organisations including AGC, Westpac, Bankwest, Standard Chartered Bank and most recently Qantas with their customer loyalty programs.

Peter Eaton's role of Chief Financial Officer has been expanded to cover Compliance and Risk along with Corporate HR and Business Development. Further to this Kenneth Au has been promoted to General Manager Finance, having performed strongly as Financial Controller over the last 18 months. Kenneth was previously CFO at ICE Design and prior to that Group Financial Controller for Fantastic Holdings.

This year we conducted an even more rigorous review of the business to ensure we stay in a leadership position.

Mark Birkbeck has been appointed General Manager Business Development for the group and has a wealth of experience and knowledge of the business and its key dynamics. Mark was previously Business Development and Analysis Manager and most recently has also been project leader for the Rent, Drive, Buy initiative.

Recruitment is underway for a General Manager of IT, which will provide additional senior resourcing, capability and strategic direction as the business implements a number of key IT initiatives.

Investment in the leadership team is key as we build a much larger and more diverse business. While there is a corresponding increase in overheads, it is an investment we expect to see deliver sound returns over the next few years.

FINANCIAL STRENGTH

Thorn's balance sheet and attractive return on capital provide a strong base for growth. Gearing is low, with debt to equity at 19 per cent and this gives us the capacity to expand banking facilities to fund our renewal program. Through Westpac, we have increased our base debt facility from $30 million to $50 million, with a separate securitised facility of $50 million being finalised for expansion of Thorn Equipment Finance.

CHANGING FACE OF THORN

Over coming years Thorn's evolving business model will generate a greater variety of revenue streams from financial services. However, it will take several years for all of these to become major contributors to group performance. This is primarily due to the time required to build critical mass in the new portfolios and, as always, the costs associated with development.

The emerging picture of Thorn will be that of a much broader based business that is able to provide a range of financial solutions for Australian consumers and businesses, particularly those who are seeking a quality alternative to traditional lenders and financial institutions.

We feel confident that the direction in which Thorn is moving will create a strong, sustainable future for the company along with rewards for customers, employees, shareholders and the wider community.

John Hughes
Managing Director and CEO

Radio Rentals and Rentlo

Business performance and positioning – another record year

- Record installations and earnings
- Store network development
- Increasing market penetration in unserved & underserviced markets

A feature of the core Radio Rentals and Rentlo division, which becomes more apparent each year, is its resilience. Radio Rentals has been a household brand in Australia since 1937 and continues to show that it provides a service that many Australians consider invaluable. The division has defied industry trends and once again posted record revenue, installations and earnings for financial year 2013. This is very positive given the ongoing challenges in the market, which has resulted in poor retail conditions for a number of years

National consumer confidence is not only at low levels but has remained low for several years, with higher costs of living, particularly utility costs, continuing to have an impact. As an example, electricity costs in some states have increased around 80 per cent over the past four years, making it harder for families to budget. Also, whilst the business has continued to maintain its enviable performance in arrears and bad debt management, consumer defaults have increased across the general community along with hardship requests. This is clearly evident in the area of telecommunications and utilities, which reflects poorly on the true state of the economy.

It is certainly a significant achievement for Radio Rentals/Rentlo to record continuing improved performance against this backdrop. This is due to a combination of key factors, including a strong and respected national brand, an ongoing commitment to outstanding customer service and the continual focus on refreshing the Radio Rentals and Rentlo offering.

The business has been a leader in embracing the internet as a business driver and records some 90,000 visits per month to the websites. Complementing this, nearly every store in the network has been remodelled over the past few years to ensure they remain fresh and have the ability to really showcase our ever expanding range of products.

Total installation revenue grew 6 per cent and earnings before interest, tax, depreciation and amortisation were up 3 per cent to $48.1 million. An important statistic for assessing business performance is customer retention and this increased from 44 per cent to 48 per cent. This is an outstanding achievement and truly indicates the strength of customer loyalty within the business. It effectively means that for every 100 customers who complete a contract, nearly 50 sign up for another contract. Another noteworthy performance indicator is that the fastest growing product category is furniture, with installation revenue growing a substantial 46 per cent. Technology products also performed well, with new Apple products, smartphones and tablets, contributing to improved revenues.

Market positioning

- Market leader and innovator
- Rent, Try, $1 Buy™ – industry icon
- Strong online presence

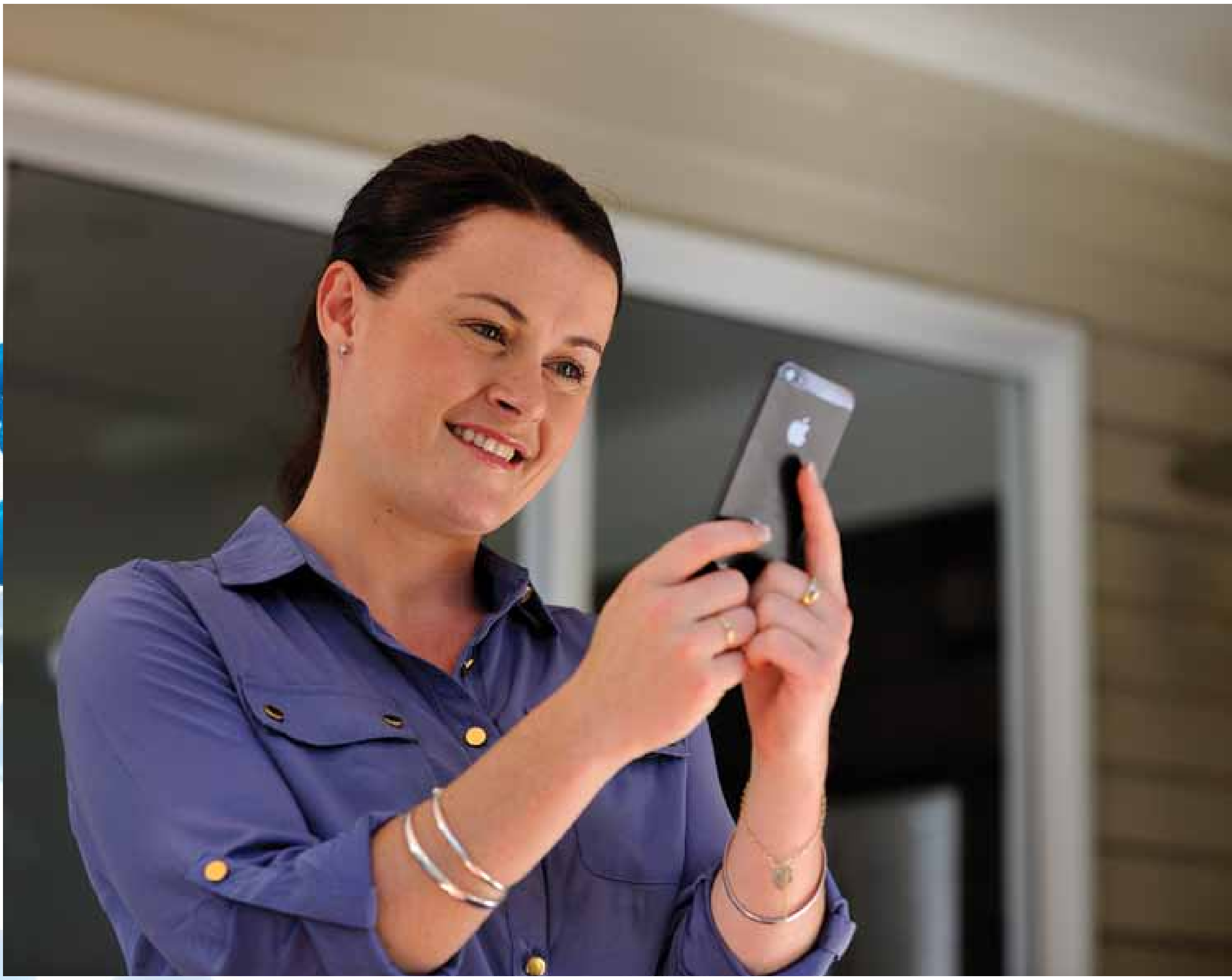
The way Radio Rentals and Rentlo staff engage with customers has been an important management priority over the past few years. Our ongoing review and implementation of change has continued to provide positive outcomes in several ways. The introduction of a 'hub and spoke' business model in metropolitan markets has had a positive effect on the efficiency of operations. It has also enabled greater flexibility in store design options and locations, with many now situated in high traffic shopping malls, which are proving particularly effective.

Store layouts are now more lifestyle oriented with furniture being a key focal point and reflecting how products would appear in a customer's home.

Improved logistics has also created the flexibility to pursue expansion of 'one person branches' in regional areas and 'kiosks' in malls in new metropolitan suburbs that provide a low entry cost model as we build critical mass in the area.

Full service branches, which are the mainstay of the network, occupy 250-350 square metres, showrooms take up 100 to 150 square metres and kiosks can operate from 25 square metres. In addition to a national branch network, our investment in enhancing our website continues to prove successful, with around 70 per cent of new rental inquiries coming from online and telephone and our website recording over a million visits a year. A robust and consistent marketing campaign across the year ensures a strong level of enquiries and national TV advertising remains an important medium.

Rent, Try, $1Buy™ is an industry icon product, with customers clearly demonstrating they enjoy the benefits and flexibility of rental along with the potential to obtain ownership. In line with our "Responsible Rental Policy", we ensure customers are provided with product that suits their needs and budget and that they are not over committed. The poor state of the economy combined with concern for customers who are faced with undue financial pressures led us to introduce a hardship contract in the past year, which has been helpful in assisting customers at a time of need by giving them extended terms. This initiative has been well received by customers along with store staff who build solid relationships with their customers and community.



Customers and products

- Lifestyle direction and whole room packages
- Apple added to the technology range
- “Fair go“ credit policy appreciated by customers
- Over 40,000 items purchased annually by customers

Expanding the product range has had many positive benefits – in how we present ourselves to consumers, financial performance and customer satisfaction. This is best demonstrated by our fastest growing and relatively new category of furniture, which has enabled us to create a real lifestyle feel and approach in store design and the way we present products, including whole room packages which are becoming very popular.

Customer trends towards larger capacity washing machines and refrigerators have also been positive contributors as we expand our product selection. Whilst they are very new to our range, Apple products, Smartphones and tablets have been well received by customers and this technology range along with PCs and 3D Smart TVs will be a strong contributor to performance in the coming year.

The Thorn branded range of products has also been expanded to include a variety of whitegoods including refrigerators and there is scope to expand this concept further which will have a positive effect on margins.

We know from our surveys that our customers are very positive about our expanded offerings and most particularly appreciate our “fair go” credit policy which enables them to access goods that might not otherwise have been available. Radio Rentals and Rentlo have some 100,000 customers nationally and around 40,000 items are purchased annually at the completion of Rent, Try, $1Buy™ contracts, which stands as strong testament to the value and effectiveness of our offer.

Reinventing and refining an icon

- New contract types being developed
- Expanding target demographic
- Consumer demand for alternative ownership options

Within Thorn's strategy of expanding its footprint in financial services, there is also an intention to refresh the icon brand that Radio Rentals has become. In part, the evolution has begun, as evidenced by our expanded product offering and greater emphasis on lifestyle living. However, to truly leverage the capabilities and capacity of the business, there is a need to appeal to a wider range of customers in other demographic categories which means a greater amount of change and development needs to be considered. Our current demographic has served us well but there is the opportunity to expand into new demographic territory that could add some $500 million to the size of the potential market we could target.

Our market research tells us that while awareness of our products and brand is high, consumers have an appetite for a wider range of alternative options for accessing products and obtaining ownership. New types of contract under consideration include take home layby, interest free, savings clubs and extended length contracts. Longer term contract initiatives are already in development, with a 48 month contract expected to be introduced in coming months which will assist in catering for the growing demand for larger size products and whole room packages.

A key enabler for this evolution will be the launch of a new enterprise resource planning system. This is a major investment for the group but will facilitate significant improvements in operational efficiencies across all areas of the business. Responses among our User Acceptance Team have been extremely positive and a number of areas have been identified that will benefit greatly, including staff training and workflows.

An important aspect of the review will be assessing the relevance of the business name in relation to accessing new customer demographics. While name recognition is high for a brand that began in 1937, there is also value in seeking a broader appeal beyond what the name implies, bringing a more relevant connection towards consumer leasing and a wider product range. Throughout history, the most successful businesses and brands have maintained relevance through continuous evolution and reinvention.

Thorn Equipment Finance

- Loan book grown to $36m, up $24m
- New strategic alliances with vendors and brokers
- New securitised funding facility

Thorn Equipment Finance is a specialist provider of innovative equipment finance solutions for businesses. Products financed over the past year include information technology systems, telephony, point of sale systems, printers, copiers and a range of items across gaming, audio visual, kitchen, industrial and commercial sectors. The key target market is small to medium enterprises and meeting funding requirements that are generally below $100,000, which is an area we consider underserviced by the major financial institutions and consequently representing a considerable opportunity for growth.

After investing in a specialist team to drive growth and quality business, strategic alliances with vendors and brokers have been expanded, placing the business in a sound position for growing clients and lifting its size to an attractive level. We believe these relationships are essential for new client introductions, giving us the potential to boost our market presence significantly. The focus of the team is on business building, with the credit approval process undertaken by specialist underwriters. Just as the division has grown through expanded relationships with business introducers, we are also partnering with Capital Finance, which is a leading non-bank provider of equipment asset finance, as a broker, enabling us to broaden our market offering and garner an income stream from deals that are outside of our key area of focus.

Financial performance has reflected Thorn's strong focus on this market, with the loan book having grown to $36 million compared with $12 million a year ago, boosted by originating $33 million in new loans – an increase of 155 per cent. Earnings have also grown but the contribution to group profit will be more apparent as the receivables book grows further to a milestone of $100 million. This will be strongly aided by a new $50 million securitised funding facility with Westpac. Average deal size has been $22,000 and arrears have been steady at 5 per cent of the loan book which is a pleasing result and meets our budget objectives.

At the same time attracting new clients, we maintain our productive long standing relationship with TABs to which we supply technology equipment and provide a high level of service support along with the potential to upgrade.

Thorn Financial Services

- Expansion program gaining momentum
- Cornerstone Cashfirst business loan book reaches $21m
- Low arrears and bad debts maintained
- Customer retention rate increased to 27%
- Rent Drive Buy trial underway

Expansion in financial services is a key driver of Thorn's business strategy, involving the introduction of new products and targeting new market segments which our research shows are underserviced by other financial institutions. The platform that makes this expansion strategy viable is the success of our cornerstone business, Cashfirst, which provides unsecured term loans of $2,000 to $5,000. Cashfirst continued its strong growth trajectory during the year with the loan book exceeding $21 million by year-end, compared with $17 million 12 months earlier, representing growth of 26 per cent.

While advertising has proven to be the most productive route to gaining new customers, a noteworthy feature of the business is the extent to which existing customers stay with Cashfirst and take out new loans. The customer retention rate increased to 27 per cent this year, indicating a solid and growing base of loyal customers.

The loan approval rate was maintained at 15-20 per cent of applications, with customer arrears and bad debts remaining within budget parameters, demonstrating Thorn's ongoing commitment to responsible lending practices. As part of our ongoing review of the business, we continue to analyse approval rates and whether possible adjustment might improve risk weighted returns, including consideration of possible different products or whether some customers could be referred to other providers under an alliance arrangement.

Among initiatives being considered for expanding Thorn Financial Services are higher value unsecured and secured loans targeting a broader demographic, specialist funding such as legal disbursements and lower value loans between $1,000 and $2,000. Also under consideration are standalone branches and store-in-store outlets in selected Radio Rentals/Rentlo locations.

Another initiative currently being considered and trialled is car leasing service Rent, Drive, Buy, which offers customers an opportunity to rent a quality vehicle on a fully maintained basis, with the potential to obtain finance to purchase after a year of continuous payments. Initial results from the trial, which commenced fully in February 2013, have been positive and it is anticipated that it will move into the next stage of development in the latter half of calendar 2013, prior to a potential full scale launch in 2014. Customer feedback has been extremely positive and all performance metrics are within projections.

We also believe that a considerable opportunity exists in a 'lease to own' proposition directed at rejected applicants for other finance products offered through retailers. This proposition is based on the "RAC Acceptance" model in the US which has a 50 per cent success rate in being able to provide finance to these applicants and is available through over 1,000 retailers who specialise in furniture and consumer electronics. Research suggests that some $400 million of credit applications are rejected annually for products in these segments in Australia and with a potential 50 per cent success rate, it could be a significant opportunity.

Thorn's unique ability to risk manage these customers is the same as for Rent-A-Center in the US, where products are re-rented through their core business network. This provides an example of how we could leverage our capability in the same way, using the Radio Rentals/Rentlo network.

NCML

- Lift in new clients, increasing business
- Active again in purchasing debt ledgers
- More positive year ahead

NCML is a leading national provider of integrated receivables management services and while it encountered a number of challenges during the year, the business is now positioned for strong future growth.

Financial year 2012 was particularly tough for NCML, with the loss of the ATO contract and lack of competitively priced Purchased Debt Ledgers (PDLs). In financial year 2013, management took the opportunity to restructure the business and invest in new senior personnel. While this involved an extensive review of the business, we kept the focus on high quality and government clients and consequently NCML has built solid momentum for 2014. Evidence of positive progress can be seen in the greater variety of revenue sources for NCML, with commercial and consumer debt recovery areas as well as PDLs all gaining new business opportunities which will contribute to 2014 year performance.

Major pieces of new business that are projected to underpin an improved performance in the coming year include two streams of activity from the NSW Government, being in the areas of State Debt Recovery and Roads and Maritime, along with a substantial lift in local council work in South Australia, where NCML has a dominant position. There is also potential for similar work with the Queensland and Victorian governments, which reflects the positive response to work undertaken in NSW.

In addition we are seeing a significant increase in debt portfolio management work on behalf of a number of major clients, including the CBA and QBE. While the PDL market remains competitive, we have become more active, making a number of acquisitions, but ensuring we retain a disciplined approach.

While NCML earnings were lower in financial year 2013, these contract wins, restructuring and new management team are laying the foundation for improved performance in 2014. New contracts have been accompanied with higher employment costs as we expand the team and train new operators to take on the additional workloads but indications for resumption of growth from NCML are positive.

The future: strengthening and diversifying

Thorn is currently increasing the tempo of its strategy of diversifying the group in financial services. Over the next two years, a number of initiatives will have been implemented and financial results from this investment should be apparent. Thorn is focused on strengthening and diversifying the group's offerings by developing in each area of the business. While currently each division has a single product we are reviewing the areas of opportunity to expand and diversify within all of the divisions.

In addition to our own ideas and market research among our target demographics, we have also been influenced by researching financial services businesses in other countries. Relevant models have been identified in Rent-A-Center in the US and easyhome/easyfinancial in Canada which are very similar to products that we are currently developing. This serves to reinforce the potential of our strategic initiatives, enabling us to learn from their experiences and benchmark our performance.

Right: Our positively received Rent, Drive, Buy trial initiative is is just one example of the way Thorn will successfully increase the diversify of its offering in the future.

Corporate Social Responsibility

Thorn recognises that it has many responsibilities as an organisation, encompassing shareholders, customers, employees and the wider community and environment. In all that it does, Thorn sets high standards of ethical behaviour and is mindful of how it can have a positive impact on the surrounding world.

Thorn is committed to operating its businesses honestly, efficiently and fairly with high moral, ethical and legal standards. This is enhanced by a strong "challenge" culture where everyone within the organisation is encouraged to create and advocate ideas that can improve reputation and performance. In addition, there is a philosophy of "Above the Line" behaviour which focuses on taking responsibility, accountability and ownership for whatever we do. Our Code of Conduct sets clear expectations for all of our people in their interactions with each other, with customers and the wider community. In return we provide our people with training, support and opportunities to fulfil their potential. We recognise and value the unique contribution people can make because of their individual background and different skills, experiences and perspectives. This operates at all levels of the organisation, with our Board of Directors also reflecting our gender diversity policy.

A key part of Thorn's philosophy is in providing optimum service to customers to ensure they get a "fair go", particularly those people who may have encountered difficulties in their lives and need assistance to obtain basic household items. Our "Responsible Lending & Rental Policy" is in place to ensure that we provide customers with products that meet their needs and financial capacity. This has been an important component of building our customer base and generating long term customer loyalty. Another element is also our "Mum Test" which staff are encouraged to consider whenever dealing with a customer who is experiencing difficulties. Put simply, it is to treat the customer "as if they were your mum" and do whatever is reasonable to assist them. In addition, Radio Rentals/Rentlo has introduced a specific 'hardship contract' that enables customers of good standing to extend the balance of their contract at a lower payment without any charges or penalties.

COMMUNITY

We believe community involvement is a component of good business practice. Consequently, we are committed to developing and maintaining long term strategic partnerships with community organisations where we can utilise our networks, resources and expertise to create mutual benefit. As part of our commitment, staff are encouraged to participate in community activities along with Thorn providing direct financial support including matching staff donations dollar for dollar for approved activities.

Two of the major initiatives supported by Thorn are the Children's Tumour Foundation of Australia and Project New Dawn.

A key part of Thorn's philosophy is in providing optimum service to customers to ensure they get a "fair go", particularly those people who may have encountered difficulties in their lives and need assistance to obtain basic household items.

Right: The Melbourne Radio Rentals team slogged it out to raise money for the Children's Tumour Foundation.

CHILDREN'S TUMOUR FOUNDATION OF AUSTRALIA

The Children's Tumour Foundation and NF Australia have as their objectives the funding of research to find a cure for Neurofibromatosis (NF) and the support of people affected by NF.

If you said "Neuro-what?" you are not alone. Although NF affects one in every 3,000 births, and more people/kids have NF than Cystic Fibrosis, Duchenne Muscular Dystrophy, Tay Sachs Disease and Huntington's disease combined – it is relatively unknown. In a nutshell, NF is a genetic disorder that causes tumours to grow on the nerves throughout the body. Every nerve cell in a child's body has the potential to become a tumour causing blindness, deafness, bone deformities, learning disabilities and severe chronic pain. NF is a lifetime condition, and there is no cure.

Radio Rentals/Rentlo is the major sponsor of The Children's Tumour Foundation and Thorn Corporate along with other divisions are lending their support. Importantly, sponsorship activities are tangible and many involve direct store and local community participation.

PROJECT NEW DAWN

Radio Rentals/Rentlo is also proud to be a founding partner in Project New Dawn which was created as an enterprise that could offer both jobs and accommodation to the homeless. The core partners are The Salvation Army (accommodation management and personal coaching), Radio Rentals (white goods and furniture), BP (rental guarantee, training and employment opportunities), Clayton Utz (client funding) and Bunnings (employment and housing). Participants selected for the project receive 12-18 months of employment and housing. With a stable source of income, participants pay their own rent and utilities which gives them a suitable rental history acceptable to other landlords when they graduate from the program.

The first house went live in 2008 in Melbourne and there are now six houses across Australia; three in Melbourne and one each in Newcastle, Perth and Brisbane. Since 2008, 42 people have been recruited nationally and roughly half of those selected have stayed on or graduated from the program. The project aims to have 30-40 properties Australia wide, giving 60-80 homeless men and women the opportunity to get off the street and into regular employment. According to Major Brendan Nottle of The Salvation Army, it remains the only programme of its kind in Australia.

NATURAL DISASTER

When disaster strikes across Australia, such as the Victorian Bushfires and Queensland Floods or there is a worthwhile cause needing assistance, then there is a good chance that someone from Thorn will be there to assist our customers and the community in general. Over the years assistance has been provided in various forms, including the loan of bedding and refrigerators for relief centres, three month goodwill credits on customer accounts and donation of products for fundraising.

ENVIRONMENT

As an importer of product under the Thorn brand, the Company is heavily focussed on integrating environmental considerations into our purchasing and supply strategies. Thorn is also a member of the Australia New Zealand Recycling Platform (ANZRP), which has responsibility for recycling end of life televisions.

HEALTH AND SAFETY

Thorn also recognises its responsibility to provide a safe environment for our people, our customers and others who come into contact with our business. Our Health and Safety program is regularly reviewed and our Regional Safety Teams provide two way feedback on managing potential hazards and best practices.

GOVERNMENT AND INDUSTRY

As a market leader, Thorn also believes it has an important role to play in having a pro-active relationship with Government bodies in crafting and reviewing legislation and regulations. Thorn is an active member of the Australian Finance Conference (AFC) and Australian Equipment Leasing Association (AELA). Thorn has also provided input and feedback to Federal Treasury and ASIC in relation to a number of matters including proposed enhancements to the National Consumer Credit Protection Act and enforcement of current regulations.

Ultimately Thorn's objective is to create a positive working environment where everyone can feel fulfilled about the work they do and the contribution Thorn as a whole is making to society.

THORN'S 2013 CSR FOCUS AREAS

Providing a Positive Working Environment for our People

Providing Support for the Community

- Children's Tumour Foundation Sponsorship
- Project New Dawn
- Local Activities

Providing Optimum Service for our Customers

- Responsible Lending & Rental Policy
- The "Mum Test"
- New Hardship Policy

Health, Safety and Environmental Responsibility

Contributing to Legislative and Regulatory Improvement

Financial Summary

In thousands of AUD	**2013**	2012
Revenue	**203,203**	188,351
Profit before income tax	**40,788**	40,191
Income tax expense	**(12,767)**	(12,342)
Profit for the period	**28,021**	27,849

BALANCE SHEET

In thousands of AUD	**2013**	2012
Assets		
Cash and cash equivalents	**4,871**	5,870
Trade and other receivables	**58,463**	45,540
Total current assets	**63,334**	51,410
Trade and other receivables	**67,139**	44,759
Deferred tax assets	**2,898**	5,525
Property, plant and equipment	**7,163**	5,398
Rental assets	**52,929**	48,478
Intangible assets	**27,893**	29,719
Total non-current assets	**158,022**	133,879
Total assets	**221,356**	185,289
Liabilities		
Trade and other payables	**26,117**	23,415
Employee benefits and provisions	**5,221**	4,923
Income tax payable	**4,520**	1,260
Total current liabilities	**35,858**	29,598
Loans and borrowings	**28,900**	14,000
Employee benefits and provisions	**1,225**	1,480
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

Disclaimer: This financial summary is an edited extract from the 2013 financial statements and is provided for information purposes only. Complete audited financial statements including all explanatory notes, are available in the Investor Centre section at www.thorn.com.au

STATEMENTS OF CASH FLOWS

In thousands of AUD	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	**260**	355
Income tax paid	**(7,173)**	(12,695)
Net cash from operating activities	**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	**4,871**	5,870

REMUNERATION SUMMARY

		Short-term				Post-employment	Share-based payments	
In AUD		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Superannuation benefits $	Options and rights $	Total $
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	**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**
	2012	593,999	192,250	1,597	787,846	15,469	159,574	962,889
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

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Four year performance summary

In thousands of AUD		**2013**	2012	2011	2010
Operating Performance					
Total revenue	$m	**203.2**	188.4	157.6	145.1
Normalised net profit (before significant items)	$m	**28.0**	27.8	23.0	16.4
Significant items	$m	**–**	–	(1.0)	3.1
Reported net profit	$m	**28.0**	27.8	22.0	19.5
Operating cash flow	$m	**93.3**	71.6	68.4	57.9
Capital expenditure – rental assets	$m	**60.5**	54.8	52.6	47.5
Balance Sheet Structure					
Total assets	$m	**221.4**	185.3	171.8	117.9
Capital employed	$m	**179.4**	148.4	122.0	81.8
Equity	$m	**155.4**	140.2	95.0	81.8
Net debt	$m	**24.0**	8.2	27.0	–
Per Share Performance					
Number of shares	m	**147.6**	146.4	129.9	129.4
Weighted average number of shares – basic	m	**146.6**	144.7	130.8	128.9
Weighted average number of shares – diluted	m	**146.8**	146.5	132.0	129.5
Basic earnings per share	cents	**19.11**	19.24	16.84	15.12
Diluted earnings per share	cents	**19.09**	19.01	16.69	15.06
Share price at year end	cents	**2.06**	1.57	2.19	1.12
Dividend per share	cents	**10.50**	9.50	8.49	6.32
Dividend payout ratio	%	**55**	50	50	50
Financial Ratios					
Interest cover based on EBITA	x	**24.4**	27.2	53.1	35.7
Net debt to equity	%	**15.4**	6.0	28.4	0.0
Debt to equity	%	**18.6**	10.0	37.8	7.3

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Corporate Directory

Directors

David Carter
Chairman

John Hughes
Managing Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

Thorn Group Limited
Level 1
47 Rickard Road
Bankstown NSW 2200
www.thorn.com.au

Telephone: +61 2 9101 5000
Facsimile: +61 2 9101 5033

Auditor to Thorn Group Limited

KPMG
10 Shelley Street
Sydney NSW 2000

Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

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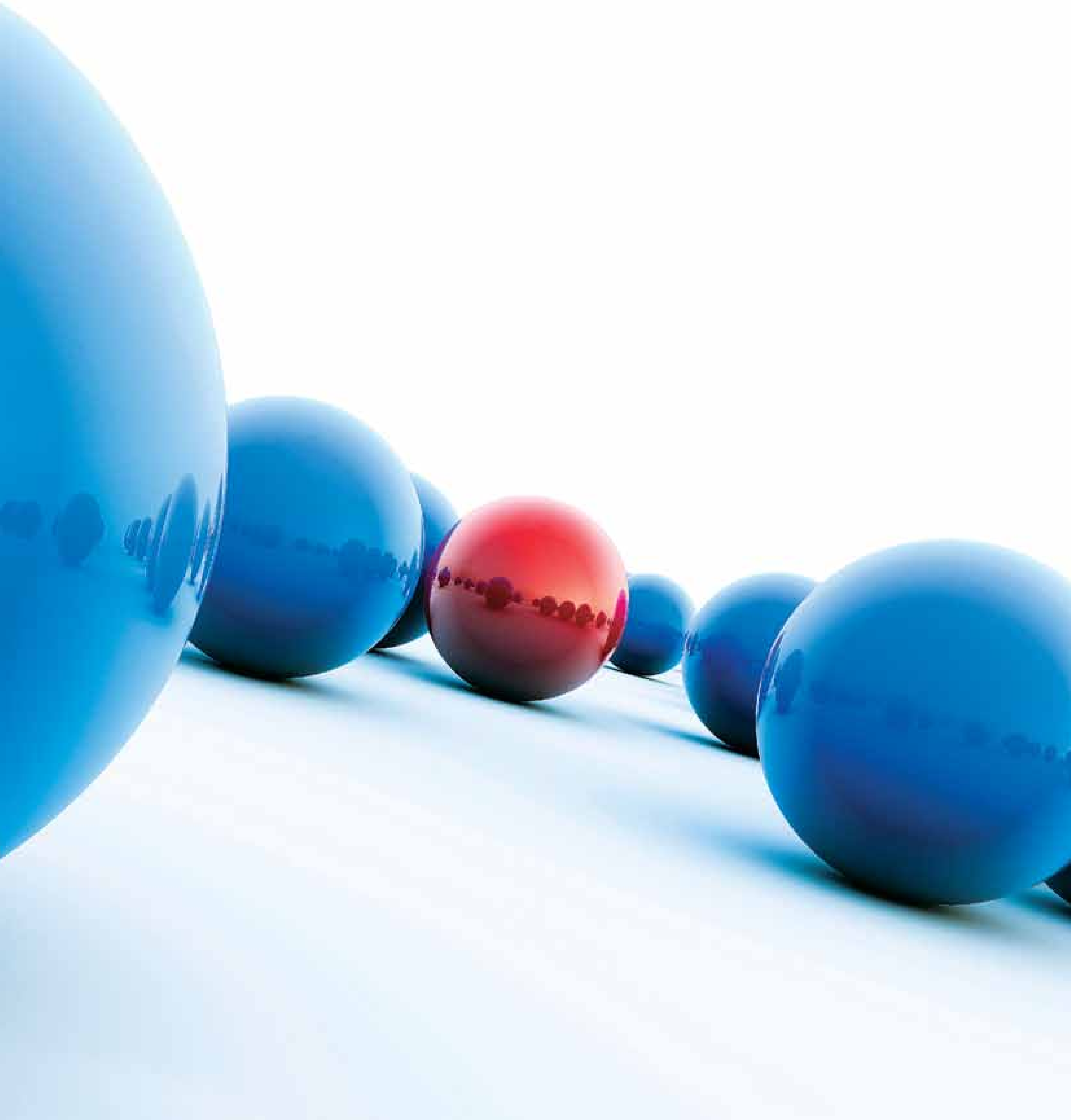

THORN Group Ltd.

2013 FINANCIAL REPORT

MOMENTUM FOR GROWTH

radio rentals · rentlo · NCML experts in credit · cashfirst · THORN Equipment Finance

Thorn Group Limited and its Controlled Entities
ACN 072 507 147

Directors' report

Contents

Notice of meeting

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 22 August 2013, commencing at 11:00am.

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.

Contents of directors' report

1. 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
David Carter Chairperson Independent Non-Executive Director *Appointed:* 3 November 2006	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. 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.
John Hughes CEO and Managing Director *Appointed:* 3 November 2006	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. 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.
Peter Henley Independent Non-Executive Director *Appointed:* 21 May 2007	Peter Henley has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held senior management positions with AGC, Nissan Finance and most recently GE Money. Peter is a non-executive director and member of the Audit and Risk Committee of the ASX listed AP Eagers Limited (from 2006). Peter is 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.
Paul Lahiff Independent Non-Executive Director *Appointed:* 21 May 2007	Paul Lahiff is Chairman of LIXI Pty Ltd, a Director of the Cancer Council NSW and operates his own consultancy firm specialising 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. 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).
Joycelyn Morton Independent Non-Executive Director *Appointed:* 1 October 2011	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. 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.

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	5	2	3
David Carter	13	13	5	5	3	3
Peter Henley	13	13	4	5	3	3
Paul Lahiff	13	13	5	5	3	3
Joycelyn Morton	13	13	5	5	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

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.
Ms Morton was not a member of the Remuneration and Nomination Committee but attended all meetings by invitation.
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 page 1 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 2.

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 time frame. 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:

	Short-term				Post-employment	Long-term benefits		Share-based payments			
In AUD	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Super-annuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
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	-	-

	Short-term				Post-employment	Long-term benefits		Share-based payments			
In AUD	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Super-annuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Executives											
Peter Eaton, Chief Financial Officer and Company Secretary											
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, GM Rental											
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, GM Risk											
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], GM Equipment Finance											
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], GM NCML											
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], GM Financial Services											
2013	**77,064**	**28,000**	**–**	**105,064**	**5,701**	**–**	**–**	**–**	**110,765**	**25%**	**-**
2012	–	–	–	–	–	–	–	–	-	-	-
Former											
Andrea Rooke[5], GM Human Resources											
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 June 2015	31 Dec 2017	$1.40	Nil	$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 June 2016	31 Dec 2017	$1.28	Nil	$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 June 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 Laval	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					Values Yet To Vest $	
	Number	Date	% Vested In Current Year	% Forfeited In Year (c)	Financial Years In Which Grant Vests	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 2.

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:

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

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.

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

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 17.

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. Pages 11–13 provide 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 APES110 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 21 and forms part of the directors' report for financial year ended 31 March 2013.

14. 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:

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

Greg Boydell
Partner

Dated at Sydney
21 May 2013

Statement of comprehensive income

In thousands of AUD	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 26 to 51.

Statement of financial position

In thousands of AUD	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 26 to 51.

Statement of changes in equity

In thousands of AUD	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 26 to 51.

Statement of cash flows

In thousands of AUD	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 26 to 51.

Notes to the consolidated financial statements

1. 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:

(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.

1. Significant Accounting Policies (continued)

(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.

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.

1. Significant Accounting Policies (continued)

(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

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.

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.

1. Significant Accounting Policies (continued)

(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.

(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, 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 E*mployee 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

In thousands of AUD	Consumer Leasing		Credit Management		Thorn Equipment Finance		Thorn Financial Services		Consolidated	
	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)

Reconciliation of reportable segment profit or loss

In thousands of AUD	**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

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

3. Revenue

In thousands of AUD	**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**

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

4. Employment Benefits

In thousands of AUD	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

In whole AUD	2013	2012
Audit services		
KPMG Australia:		
Audit and review of financial reports	**327,000**	315,500
	327,000	315,500
Other services		
KPMG Australia		
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

In thousands of AUD	2013	2012
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 the income statement	**12,767**	12,342

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	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

In thousands of AUD	**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

In thousands of AUD	**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

In thousands of AUD	**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:

	Assets		Liabilities		Net	
In thousands of AUD	**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

In thousands of AUD	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

In thousands of AUD	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	48,478
At 1 April 2012	48,478
At 31 March 2013	52,929

14. Intangible Assets

In thousands of AUD	Goodwill	Customer Relationships	Software	Total
Cost				
Balance at 1 April 2011	29,350	8,797	1,274	39,421
Balance at 31 March 2012	29,350	8,797	1,274	39,421
Balance at 1 April 2012	**29,350**	**8,797**	**1,274**	**39,421**
Additions	**–**	**–**	**108**	**108**
Balance at 31 March 2013	**29,350**	**8,797**	**1,382**	**39,529**
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	7,074	1,760	868	9,702
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	**7,074**	**3,520**	**1,042**	**11,636**
Carrying amounts				
At 1 April 2011	22,276	8,797	618	31,691
At 31 March 2012	22,276	7,037	406	29,719
At 1 April 2012	**22,276**	**7,037**	**406**	**29,719**
At 31 March 2013	**22,276**	**5,277**	**340**	**27,893**

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

In thousands of AUD	**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

In thousands of AUD	2013	2012
Non-current liabilities		
Secured bank loans	**28,900**	14,000
	28,900	14,000

Financing Facilities

In thousands of AUD	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

In thousands of AUD	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
	4,719	4,790
Non-Current		
Liability for long service leave	**338**	339
	338	339

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

In thousands of AUD	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	**1,389**	1,389
Current		502
Non-current		887
		1,389

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	**147,584**	146,374

- 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:

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

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 1.

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).

In thousands of AUD	**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.

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 is 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.

(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:

In thousands of AUD	**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:

In thousands of AUD	**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).

Loan receivables

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

In thousands of AUD	**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)

20. Financial Risk Management (continued)

(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

In thousands of AUD	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

In thousands of AUD	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

	Carrying Amount	
In thousands of AUD	**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.

(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 (i.e. as prices) or indirectly (i.e. 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.

	2013	2012
Profit attributable to ordinary shareholders (basic)		
In thousands of AUD		
Profit attributable to ordinary shareholders (basic and diluted)	**28,021**	27,849
Weighted average number of ordinary shares (basic)		
In thousands of shares		
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)		
In thousands of shares		
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:

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

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:

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

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:

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

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%
1st 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
Adjustments for:		
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.

In thousands of AUD	**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

In AUD	**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 8 to 10.

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.

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

Directors' declaration

1 In the opinion of the directors of Thorn Group Limited (the 'Company'):

(a) the financial statements and notes that are set out on pages 26 to 51 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

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 cash flow statement 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 financial 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 and fair presentation of the financial report 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

KPMG

G Boydell

Greg Boydell
Partner

Dated at Sydney
21 May 2013

Additional ASX information

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	1,143
1,001 – 5,000	2,858
5,001 – 10,000	1,523
10,001 – 100,000	1,642
100,001 and over	81
	7,247

b. The number of shareholders in less than marketable parcels is 138.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2013 are:

Shareholder	Number of ordinary fully paid shares held
Perennial Value Management Limited	8,951,373
Vinva Investment Management Limited	8,933,167
Investors Mutual Limited	8,501,910
Kinetic Investment Partners Limited	8,104,064

d. Voting Rights

The Company only has ordinary shares on issue.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 largest shareholders – ordinary shares

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1.	J.P.Morgan Nominees Australia Limited	20,128,631	13.63
2.	National Nominees Limited	13,865,249	9.39
3.	HSBC Custody Nominees (Australia) Limited	9,653,026	6.53
4.	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	7,199,524	4.87
5.	Citicorp Nominees Pty Limited	5,376,318	3.64
6.	BNP Paribas Noms Pty Ltd <DRP>	4,664,745	3.16
7.	J.P.Morgan Nominees Australia Limited <Cash Income A/C>	4,131,899	2.80
8.	BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	3,674,704	2.49
9.	Dove Nest Pty Ltd <Golden Heath Person SF A/C>	3,429,113	2.32
10.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,146,647	0.78
11.	AMP Life Limited	1,029,541	0.70
12.	Mr Jeffrey Douglas Pappin	690,000	0.47
13.	UBS Wealth Management Australia Nominees Pty Ltd	641,759	0.43
14.	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	599,278	0.41
15.	Henderson International Pty Ltd <Skibo Super Fund A/C>	597,500	0.40
16.	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	467,143	0.32
17.	Farjoy Pty Ltd	437,500	0.30
18.	Sandhurst Trustees Ltd <Australian New Horizons A/C>	420,692	0.28
19.	Mr Barry Arthur Henderson	400,000	0.27
20.	WD & M Featherstone Pty Ltd <WD & M Featherstone S/F A/C>	400,000	0.27

Corporate directory

Directors

David Carter
Chairman

John Hughes
Managing Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Company Secretary

Peter Eaton

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