THORN Group Ltd.

growing in

STRENGTH

SHAREHOLDER REVIEW 2010

radio rentals · rentlo · BIG BROWN BOX .com.au · cashfirst · THORN Business Services · THORN Financial Services

OUR VISION

"To be Australia's ***leading provider*** *of retail and financial services* ***to niché consumer and commercial markets"***

CONTENTS

Thorn Group Limited ACN 072 507 147

Notice of Meeting

Notice is hereby given that the Annual General Meeting will be held at **Four Points by Sheraton**, 161 Sussex Street, Sydney NSW on **Thursday, 19 August 2010**, commencing at **2.00pm**.

COMPANY DEVELOPMENT

Growing in Strength

Established with the opening of a store in Sydney in 1937, the Company has a long history of renting electrical appliances to Australian consumers.

Today, the Company offers a wide range of audio visual products, kitchen and laundry appliances, computers, furniture and gym equipment through a national store network, making it a leading operator in the household goods rental market.

The substantial size and continued strong growth of the core rental business and recurring revenue streams continues to generate solid and consistent returns that have exceeded those of the market generally.

This is particularly noteworthy given the economic uncertainty during the period being reported and at the same time development of a number of strategic initiatives. These include Cashfirst, which provides unsecured term loans to consumers, Thorn Business Services, a specialist source of commercial finance for the SME market and BigBrownBox.com.au which is at the forefront of internet retailing for consumer electronics.

Overall, the Company continues to deliver first class results whilst being well placed to provide an even broader range of products and services to the Australian marketplace.

FINANCIAL HIGHLIGHTS

Revenue up 14% to
$145.1 million

EPS of
15.12 cents

Normalised NPAT of $16.4 million
32.8% increase on the previous corresponding period

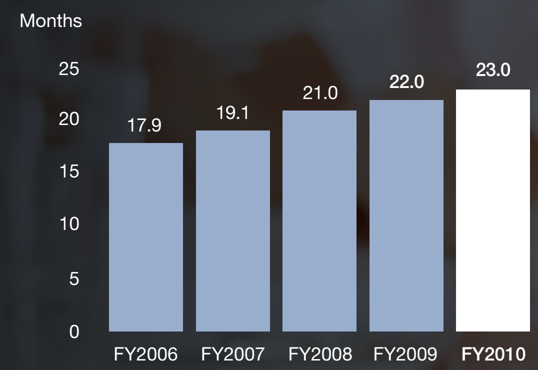
Strong balance sheet with
7.3% debt to equity

Arrears at record lows

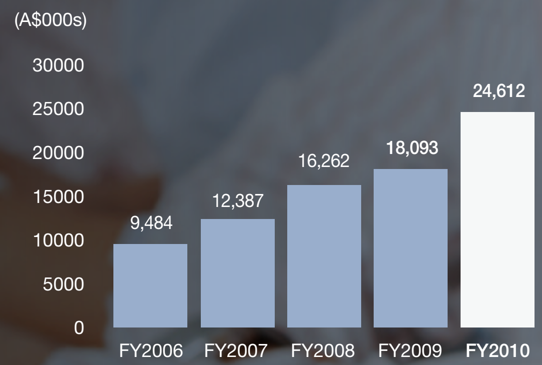
Final dividend of
3.76 cents
per share fully franked

Positive operating cashflow

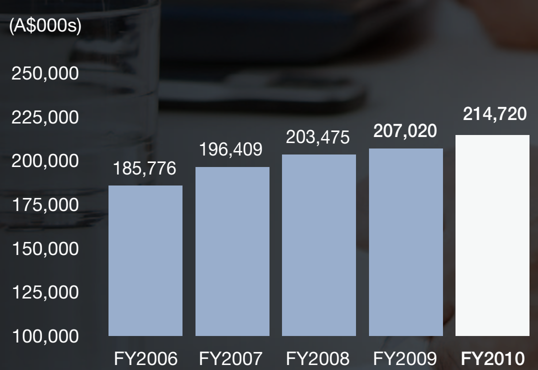
Average Contract Term



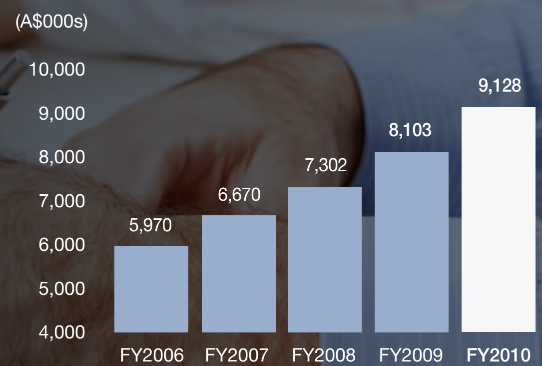
Pro-forma EBIT performance



Average Units on rent



Average rental dues



OPERATIONAL HIGHLIGHTS

10.5% increase
in total customers

Continued growth in key rental areas
- Flat panel TVs 19%;
- PCs 10%; and
- Whitegoods 8%

15% increase
in rental customer inquiries through websites and telephone

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2 new stores in Adelaide

Successful 'One Person Branch' trial in NSW

75%+ of customers
on automated payments

Growth of Cashfirst loan book to
$5.5M

Site upgrade completed for BigBrownBox.com.au

CHAIRMAN'S INTRODUCTION

On behalf of the Board it is my pleasure to present to you the 4th annual report of Thorn Group Limited, previously known as RR Australia Limited.

Once again I am delighted to report that your Company has delivered outstanding results for the year ended 31 March 2010. Despite growing pains in the retail business sector, Thorn's rental business has shown remarkable growth.

Profit

At the end of May, the Company announced its results for the year ended 31 March 2010, and these exceeded market forecasts with a net profit after tax of $19.5 million, which included a once off tax benefit of $3.1 million.

On a normalised basis, the Company achieved a net profit of $16.4 million, which was 33% above last year's result, and double the profit reported in our first year of operation as a public company in 2007.

Dividends

On 25 May, the Board declared a fully franked final dividend of 3.76 cents which will be paid on 22 July 2010. This brings the full year dividend to 6.32 cents this year compared to 4.79 cents last year, an increase of 32%.

The dividend pay out ratio for 2010, was consistent with the previous year, at 50% of normalised earnings.

Balance sheet

The Company has come out of the global financial crisis with a strong balance sheet and zero net debt. This will allow the Company to pursue its growth strategy without financing issues.

Corporate governance

Your Board acknowledges that it has an important role to play in fostering and upholding high standards of Corporate Governance. Pages 3 to 5 of the Financial Report set out details of the Company policies and practises with regards to Corporate Governance issues.

The Company also sets its remuneration policy for directors and senior executives in the Remuneration Report on pages 6 to 13 of the Financial Report.

Outlook

The current year has started positively and the Company is on track to deliver good earnings growth to its shareholders.

People

I would like to thank the Managing Director John Hughes and his staff for their efforts during the year in delivering excellent results for our shareholders.

I also thank shareholders for their support since listing and my fellow directors for their support during the year.

Bernard L. Carrasco
Chairman and Non-Executive Director

MANAGING DIRECTOR'S REPORT

Once again it is very pleasing to report such a positive result, particularly for a period during which many organisations struggled to perform. We have come through a tough period of economic uncertainty stronger than ever and in addition have been able to develop strategic growth initiatives.

Overview

This performance reinforces the strength, resilience and underlying defensive nature of the Company and its ability to deliver positive results whatever the market conditions. It is this strength of positioning coupled with strong recurring revenue streams, positive cashflows and conservative gearing that places the Company in such a strong position in the market.

Customer growth of 8.4% in the core Radio Rentals and Rentlo businesses is undoubtedly one of the best signals as to the ongoing positive response to our product offerings and marketing, particularly "Rent, Try, $1 Buy".

Most importantly, our growth has been totally organic and through the writing of good quality business which is clearly demonstrated by another year of achieving record low levels of customer arrears across the nation. This is a critical indicator as to the high standards that are being reinforced and delivered throughout the business, particularly in ensuring that we meet customer's needs within their financial capacity. Accounts which were excess of 90 days in arrears at the end of the financial year, represented less than 1% of total accounts, which is in the realms of world's best practise.

Our "No Credit History Checks" campaign for the rental business has been very effective in generating new customer enquiries but has received some criticism. What these groups fail to understand is that credit history checks in Australia today are currently based on negative reporting for past events. In the absence of comprehensive credit reporting, the reports do not address a person's current circumstances or most importantly their financial capacity to meet repayments. Indeed some 35% of consumer defaults listed with credit agencies today are for telephone company accounts that are unregulated for provision of credit. A very poor situation, particularly given the enormous growth in mobile services to our younger generation who are suffering the impacts on their credit files. Our rental application process focuses on assessing and verifying the customer's financial capacity and ability to meet their payment obligations.

Staff retention also improved as we continued our focus on training and development, particularly through the Thorn Levels Program that provides staff with significant rewards and recognition for achievement as they progress their learning and improve their skill sets. This program has been well received by staff and management and is a key factor in lifting operational capability, policy standards and efficiency, which are paramount in delivering the highest principles of customer service and operational excellence.

Cashfirst, Thorn Business Services and BigBrownBox.com.au continued along their respective paths of development and although there were some testing times during the year, as for any new venture, each ended the year in better shape and ready to meet the challenges of the year ahead.

Outlook

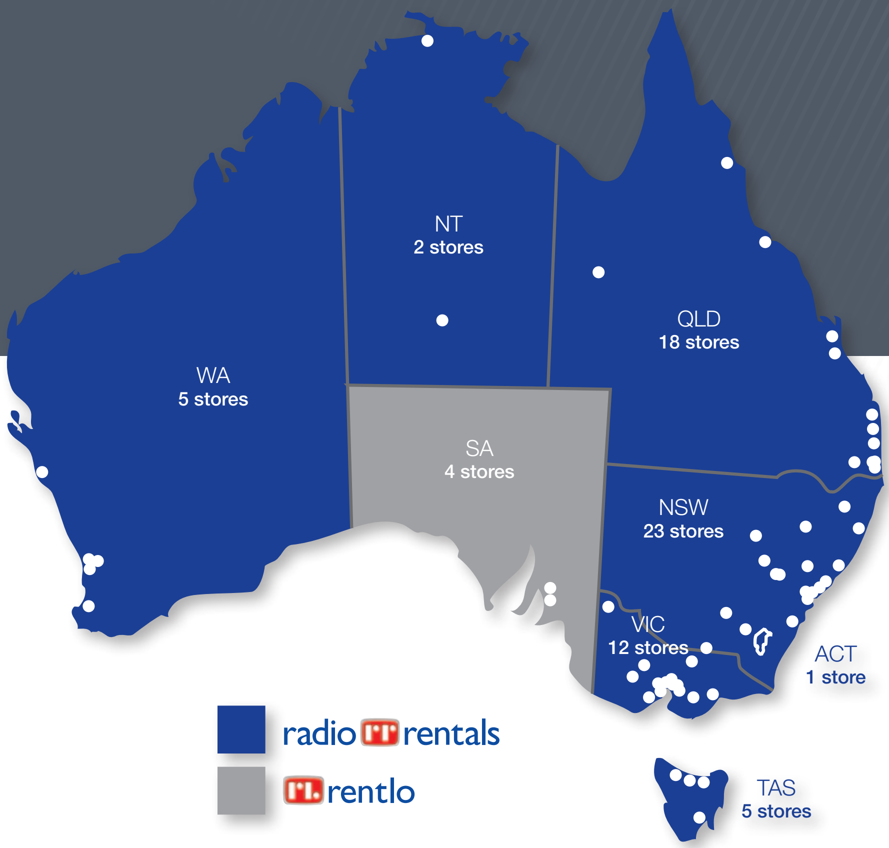
Whilst the Australian economy is showing signs of improvement our business activity in recent months suggests that we can continue to achieve solid organic growth from the core rental operations, particularly as increases in interest rates have led to an uplift in mortgage stress.

In addition we will be focusing on the further development of our strategic initiatives.

The introduction of the National Consumer Credit Legislation is applauded and we are in a comfortable position to meet the new requirements as they are introduced. For many years Thorn has had strict approval criteria to ensure consumers are within their 'capacity' and this now forms part of our Responsible Rental and Lending Policy. Furthermore we have a range of other policies to ensure the highest levels of integrity in our business.

John Hughes
Managing Director and CEO

OUR BRANDS


NT
2 stores
QLD
18 stores
WA
5 stores
SA
4 stores
NSW
23 stores
VIC
12 stores
ACT
1 store
TAS
5 stores
radio rentals
rentlo

RADIO RENTALS AND RENTLO

The Network

- Lifestyle store rollout
- Metro stores project success
- One person branch trial
- South Australia expansion

The new lifestyle store concept first trialled in Robina in Queensland has now become an integral part of our store revitalisation program.

This new design has nearly all the stock displayed on the sales floor and features lifestyle settings and allows customers to really see how the products will look at home – a great selling feature – and has provided a very positive environment for displaying re-rent product. In addition to an increased level of overall rentals, there have been improvements in stock efficiencies and a lift in team morale which all contribute to a better holistic business performance.

Last year we also undertook a Metro Stores Project in Sydney which comprised the opening of showrooms in Bondi and Broadway that leveraged off a 'service centre' for logistics and administration in Arncliffe. This fresh approach enabled the Company to maximise marketing effectiveness with prime high street showroom locations whilst optimising operational efficiencies. The success of this project has now led to a similar format being planned for Melbourne with a 'support centre' in Carnegie and a showroom in Prahran. The search for other showroom locations is underway in both Sydney and Melbourne.

Another initiative to drive further growth in our core rental business is the 'one person branch', which enables the business to optimise penetration into underserviced market areas. Bateman's Bay in southern NSW is the first of these and couples the use of a 'man and a van' in the local area with the support of administration and logistics from our Wollongong Service Centre. This style of operation has been successfully used by the Company previously and is now the subject of a national rollout plan.

The success of the Rentlo relaunch in South Australia in 08/09 led to the opening of another 2 stores in Arndale and Noarlunga, which again reinforced the appetite of South Australians for rental. Results for the year were again outstanding and subsequently a search has commenced for additional locations.

With 70 locations across the nation and some 70% of customer enquiries being by phone or through the internet the business has a very cost efficient distribution model, however there is the opportunity to improve market penetration in a number of underserviced areas.

RADIO RENTALS AND RENTLO continued

Propositions

- Rent, Try, $1Buy!
- Over 40% of RTB contracts for new products reach 36 months
- Some 40% of customers take a new product after completing a Rent, Try, $1Buy! contract

Products

- Flat Panel televisions grew by 19%
- PCs increased by 10%
- Whitegoods growth of 8%

Since its launch in 2002, RTB has been the driving force in the thriving development of the Company. The attractiveness and success of Rent, Try, Buy! is strongly linked to the ability for customers to enjoy the benefits and flexibility of rental along with the potential to obtain ownership. This has eliminated the fear that 'renting is dead money' and represents a significant positive for customers, particularly in comparison to any other offering in the market – a truly superior proposition!

To further capitalise on the success of Rent, Try, Buy! and emphasise the attractiveness of the potential to obtain product ownership for just $1 this powerful trademark was modified to Rent, Try, $1Buy! which really emphasises the key component of the offering. The response to this change has been very positive and again reinforces the customer value proposition.

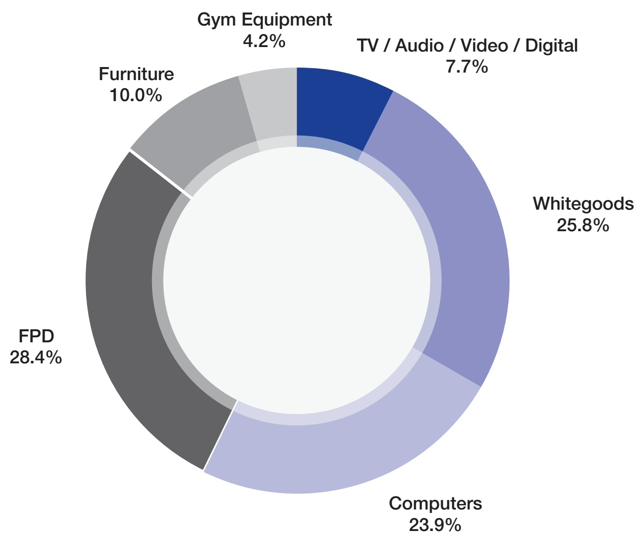
Flat panel TVs continued to be a high growth segment and industry predictions suggest that demand should remain buoyant for a number of years due particularly to the switchover to digital broadcasting which is the most important change in the market since the introduction of colour. This is expected to significantly increase the number of consumers wanting to upgrade to the latest technology. In addition there is already a healthy demand from consumers who are seeking increasingly larger screen sizes and replacement of 2nd and 3rd sets in households.

PCs also performed strongly and are a significant segment of the rental fleet. Again, consumer appetite for new technology should continue to underpin future growth.

Whitegoods, most particularly refrigerators and washing machines, delivered a solid increase in installations which was not unexpected given the economic uncertainty and these being 'need' products for any household.

Furniture continued to deliver a solid level of new business and enables the provision of a complete choice of products for any household requirements. Queen bed ensembles are continuously in our top 10 'best sellers'.

Figure 1: Installation Rental Income Breakdown by Product Category



Customers

- Strong organic growth with 8.4% increase versus 6.9% in prior year
- Customer base exceeds 90,000
- 40% customer retention

Marketing

- Continued strong presence in TV advertising
- 15% increase in customer inquiries through websites and telephone

Organic customer growth of 8.4% is a stand out result and clearly demonstrates the strength of the brands and offerings to consumers. The appeal of the Rent, Try, $1Buy! offering, along with continuing strong levels of demand for PCs, flat panel TVs and whitegoods have been paramount in attracting new customers. In addition to this, some 40% of all customers who purchase a product at the end of 36 months rental commence a new contract for another product. This high level of customer retention underscores the very positive response and feedback received in relation to Rent, Try, $1Buy!

Another pleasing indicator is a growing number of slightly more affluent customers renting higher value products such as side by side refrigerators and larger screen televisions

Advertising to prime demographics through selective TV programme placement, together with a focus on 'call to action' style ads again provided high levels of enquiry that led to a positive flow-on effect in written business.

A customer survey program was introduced during the year to track store performance and feedback received has reinforced extremely positive attitudes to the Rent, Try, $1Buy! proposition along with the very pleasing commentary as to the high levels of customer service by stores. In particular customers see Radio Rentals and Rentlo as "friendly helpers" who are there to assist them and provide much needed support.

THORN BUSINESS SERVICES

- Specialist provider for business and government
- High levels of client assistance with single point of contact
- Leverages logistics and technical support from Radio Rentals and Rentlo store network

Thorn Business Services (TBS) specialises in providing rental solutions for business, particularly the SME sector and government. Major clients include Tabcorp, NSW TAB Association, ACTTAB, WA TAB Association, Department of Defence and Toll Transitions who each rent product for different needs.

With its ability to leverage off the nationwide Radio Rentals and Rentlo network, TBS is able to offer clients a comprehensive range of products with high level support.

A continued tightening of available financing for small, medium enterprises (SMEs) even as economic conditions improve, provides TBS with a major opportunity as these SMEs along with other businesses and governments seek alternative means of obtaining access to essential products.

Thorn Business Services continues to focus on the expansion of business beyond the traditional rental offer into the provision of competitive equipment lease and finance options for businesses

THORN FINANCIAL SERVICES AND CASHFIRST

- Continued record low arrears in core rental business with less than 1% greater than 90 days
- More than 75% of customers on Automated Payments
- Specialist debtor management skills
- 'Cashfirst' achieving strong growth along with sound level of arrears and write-offs

Thorn Financial Services (TFS) is the internal division that manages and processes customer debts from inception to termination of accounts in liaison with the store network. It is particularly focussed on providing support in account acceptance, arrears that are less than 30 days and debt recovery.

Once again, a standout result for the year was the record low level of arrears and a particularly pleasing aspect was that accounts in excess of 90 days represented less than 1% of total accounts which is an outstanding result for any financial organisation. This is a very positive reinforcement that the business is succeeding in matching customer risk to product value and ensuring customer affordability.

A key element in achieving these positive outcomes is the use of a tailored 'Credit Scorecard' which takes into account a number of factors including income and expenses to determine a limit or 'capacity' of each individual customer.

Cashfirst, an unsecured term loan product, started the year with a loan book of some $3 million and whilst first half growth was slow as systems and approval matrices were refined, the second half saw a significant lift in new business which resulted in an improved quality loan book that reached $5.5 million by year end. This was a pleasing result, most particularly because customer arrears and write-offs were maintained at budgeted levels.

The first half saw the relaunch of the Cashfirst website that incorporated an enhanced design and functionality. A new marketing program commenced to coincide with the relaunch and generated healthy levels of customer inquiries and new accounts.

BIGBROWNBOX.COM.AU

- Opportunity impacted by soft retail market and aggressive pricing
- Site upgrade completed with improved functionality
- Leverages core competencies of Thorn

BigBrownBox boasts a broad and increasing range of products from leading brands at very competitive prices and includes free delivery, which is an important selling point for consumers. There are over 100 categories and around 1000 products on range, larger than any traditional retailer has the capacity to carry and display. Most recently small appliances have been added to the range and cooking products will be launched in the first quarter of the new financial year.

Whilst BigBrownBox is in a strong position to benefit from an increasing number of Australians shopping on-line, especially given its ability to leverage off the core competencies of the Thorn group, it is disappointing that the value of the opportunity was diminished by tougher retail conditions which caused traditional retailers to become very aggressive in pricing and hence impacted margins.

On the positive side, customer feedback has been extremely encouraging in regard to all aspects of the business and it is well positioned in the market. The site also underwent a number of changes and enhancements with improved functionality and a new look and feel which should add to consumer appeal.

Overall, the year was a difficult one for BigBrownBox but there is a very strong platform in-place that will hopefully bring about justifiable rewards in 2010/11.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 2010

Income Statement

In thousands of AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Revenue	145,140	127,658	2,124	931
Cost of sales	(58,633)	(51,002)	–	–
Sales, administrative and marketing expenses	(61,895)	(58,563)	(2,124)	(931)
Operating profit before financing costs	24,612	18,093	–	–
Net finance (costs) / income	(608)	(435)	7,059	5,594
Profit before income tax	24,004	17,658	7,059	5,594
Income tax expense	(4,509)	(5,338)	–	–
Profit for the period	19,495	12,320	7,059	5,594

Balance Sheet

In thousands of AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Assets				
Cash and cash equivalents	5,747	2,567	–	–
Inventory – finished goods	869	1,307	–	–
Trade and other receivables	25,549	18,954	1,948	2,104
Total current assets	32,165	22,828	1,948	2,104
Trade and other receivables	29,159	23,773	41,162	41,093
Deferred tax assets	3,397	3,293	–	–
Property, plant and equipment and rental assets	37,648	37,228	–	–
Investment in subsidiary	–	–	25,000	25,000
Intangible assets	15,604	15,604	–	–
Total non-current assets	85,808	79,898	66,162	66,093
Total assets	117,973	102,726	68,110	68,197
Liabilities				
Trade and other payables	23,348	20,652	–	–
Employee benefits and provisions	4,016	3,863	–	–
Loans and borrowings	6,000	–	–	–
Income tax payable	1,948	2,104	1,948	2,104
Total current liabilities	35,312	26,619	1,948	2,104
Loans and borrowings	–	6,000	–	–
Employee benefits and provisions	894	845	–	–
Total non-current liabilities	894	6,845	–	–
Total liabilities	36,206	33,464	1,948	2,104
Net assets	81,767	69,262	66,162	66,093
Equity				
Issued capital	64,517	64,517	64,517	64,517
Reserves	1,645	1,576	1,645	1,576
Retained earnings	15,605	3,169	–	–
Total equity	81,767	69,262	66,162	66,093

Disclaimer: This financial summary is an edited extract from the 2010 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

FOR THE YEAR ENDED 31 MARCH 2010

Statements of Cash Flows

In thousands of AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Cash flows from operating activities				
Cash receipts from customers	146,865	125,553	–	–
Cash paid to suppliers and employees	(83,621)	(74,142)	–	–
Cash generated from operations	63,244	51,411	–	–
Interest paid	(690)	(597)	–	–
Interest received	82	162	–	–
Income tax paid	(4,769)	(5,012)	–	–
Net cash from operating activities	57,867	45,964	–	–
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1,061	1,225	–	–
Acquisition of property, plant and equipment	(1,140)	(2,369)	–	–
Acquisition of rental assets	(47,549)	(42,633)	–	–
Dividends received	–	–	7,059	5,594
Net cash (used in) / from investing activities	(47,628)	(43,777)	7,059	5,594
Cash flows from financing activities				
Proceeds from borrowings	–	1,000	–	–
Dividends paid	(7,059)	(5,594)	(7,059)	(5,594)
Net cash used in financing activities	(7,059)	(4,594)	(7,059)	(5,594)
Net increase / (decrease) in cash and cash equivalents	3,180	(2,407)	–	–
Cash and cash equivalents at 1 April	2,567	4,974	–	–
Cash and cash equivalents at 31 March	5,747	2,567	–	–

Remuneration Report

		Short-term				Post-employment	Share-based payments	
In AUD		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Super-annuation benefits $	Options and rights $	Total $
DIRECTORS								
Non-Executive								
Bernard Carrasco	2010	119,492	–	–	119,492	10,772	–	130,264
	2009	115,000	–	–	115,000	10,350	–	125,350
David Carter	2010	67,346	–	–	67,346	6,061	–	73,407
	2009	65,000	–	–	65,000	5,850	–	70,850
Peter Henley	2010	62,346	–	–	62,346	5,611	–	67,957
	2009	60,000	–	–	60,000	5,400	–	65,400
Paul Lahiff	2010	57,346	–	–	57,346	5,161	–	62,507
	2009	55,000	–	–	55,000	4,950	–	59,950
Executive								
John Hughes	2010	502,733	517,500	–	1,020,233	14,296	49,243	1,083,772
	2009	451,219	203,908	11,990	667,117	13,461	154,314	834,892

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FOUR YEAR PERFORMANCE SUMMARY

In thousands of AUD		Consolidated 2010	2009	2008	2007
Operating Performance					
Total revenue	$m	145.1	127.6	116.7	101.0
Earnings before interest, tax, depreciation amortisation (EBITDA) (before significant items)	$m	17.8	13.9	12.2	8.3
Depreciation	$m	1.4	1.6	1.3	1.8
Normalised net profit (before significant items)	$m	16.4	12.3	10.9	6.5
Significant items – Investment allowance	$m	3.1	–	–	–
Reported net profit	$m	19.5	12.3	10.9	6.5
Operating cash flow	$m	57.9	45.9	42.5	34.2
Capital expenditure – rental assets	$m	47.5	42.6	37.1	30.3
Balance Sheet Stucture					
Total assets	$m	117.9	102.7	91.5	84.8
Capital employed	$m	82.6	76.1	63.2	62.9
Equity	$m	81.8	69.2	62.3	54.4
Net debt	$m	–	3.4	–	1.0
Per Share Performance					
Number of shares	m	129.4	128.7	127.9	127.4
Weighted average number of shares – basic	m	128.9	128.2	127.5	55.6
Weighted average number of shares – diluted	m	129.5	129.5	129.5	56.2
Basic earnings per share	cents	15.12	9.61	8.55	11.77
Diluted earnings per share	cents	15.06	9.52	8.42	11.64
Share price at year end	cents	1.12	0.49	0.55	0.75
Dividend per share	cents	6.32	4.79	4.26	0.97
Dividend payout ratio	%	50	50	50	50
Financial Ratios					
Interest cover based on EBITA	x	35.7	30.3	38.2	4.68
Debt to Equity	%	7.3	8.6	8.0	14.7

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CORPORATE DIRECTORY

Directors

Bernard Carrasco
Chairman

John Hughes
Managing Director

David Carter
Non-Executive Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

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Sydney NSW 2000

Registry

Computershare Investor Services Pty Limited
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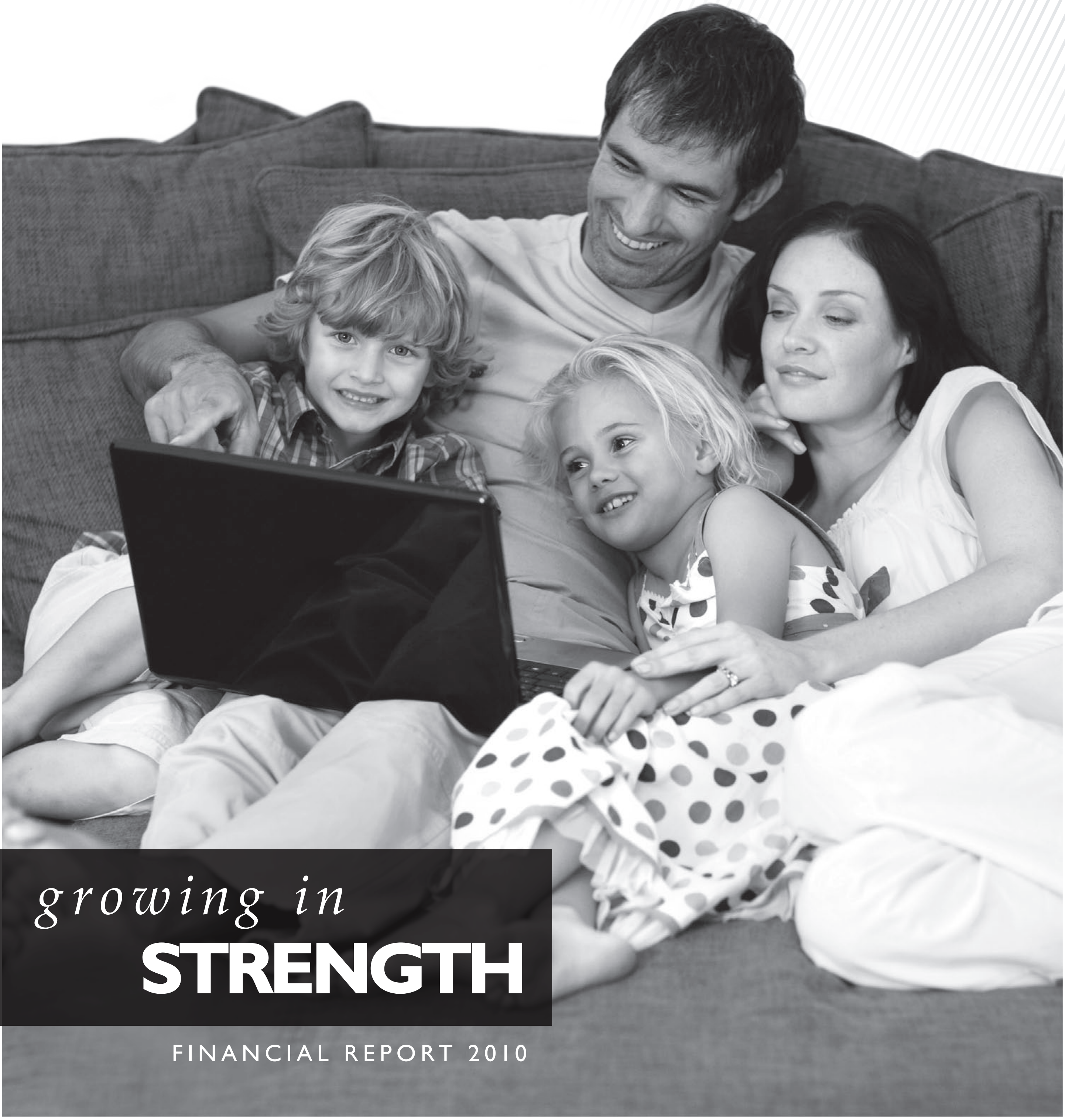
Sydney NSW 2000

Group Ltd.

thorn.com.au



growing in

STRENGTH

FINANCIAL REPORT 2010

THORN GROUP LIMITED (FORMERLY RR AUSTRALIA LIMITED)
AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 MARCH 2010.

CONTENTS

Thorn Group Limited ACN 072 507 147

Notice of Meeting

Notice is hereby given that the Annual General Meeting will be held at **Four Points by Sheraton**, 161 Sussex Street, Sydney NSW on **Thursday, 19 August 2010**, commencing at **2.00pm**.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

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 2010 and the auditor's report thereon.

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
Bernard Carrasco Chairperson Independent Non-Executive Director	Bernard Carrasco is a business consultant advising privately owned businesses and is also Chairman of ASX listed Tutt Bryant Group Limited. Bernard's previous positions include Managing Director of Email Metering, Chief Financial Officer and a Director of OneSteel Limited, Chief Financial Officer of BHP Steel and a Director of Steel and Tube Holdings Limited (New Zealand). Bernard holds qualifications from Ecole Supérieure de Commerce, Marseille, France and an MBA, from the University of Cape Town, South Africa. He is also a former fellow of the Institute of Chartered Management Accountants, UK. Bernard Carrasco was appointed as a Director on 3 November 2006.
John Hughes CEO and Managing Director	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. Prior to Thorn he was Managing Director of Dominos Pizza Australia and has over 25 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 and is a Fellow of the Australian Institute of Company Directors. John Hughes was appointed as a Director on 3 November 2006.
David Carter Independent Non-Executive Director	David Carter is a lawyer and corporate advisor who was previously a partner of a major international law firm. David has significant experience in corporate, commercial and international law. David was previously a Director of VENCorp (the independent Victorian government regulator of gas and electricity transmission systems) and Chairman of TSV Holdings Limited (ASX listed). David holds a Bachelor of Economics and a Bachelor of Laws (Hons) degree from Monash University, a Masters of Laws degree from Monash University and a Bachelor of Civil Law degree from Oxford University. David Carter was appointed as a Director on 3 November 2006.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 MARCH 2010

Name and independence status	Experience, special responsibilities, qualifications and other directorships
Peter Henley Independent Non-Executive Director	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 of United Financial Services Group Ltd and a non-executive director and member of the Audit and Risk Committee of AP Eagers Limited. Peter is a non-executive director, deputy chairman and a member of the Audit and Risk Committee of MTA Insurance Ltd and a Fellow of the Australian Institute of Management. He has also been a Director of GE Motor Solutions Australia and GE Money, Singapore. Peter Henley was appointed as a Director on 21 May 2007.
Paul Lahiff Independent Non-Executive Director	Paul Lahiff has over 25 years experience in the financial services industry. This has included roles as Managing Director of Permanent Trustee, Heritage Building Society and Mortgage Choice, as well as senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector. Most recently, he was Managing Director of WDScott, an international management consulting business. He is also a Director of the Cancer Council NSW. Paul holds a Bachelor of Science Degree from Sydney University and is a Fellow of the Australian Institute of Management. Paul Lahiff was appointed as a Director on 21 May 2007.

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, the domestic rental market and its drivers and provides input into key management decisions. 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 the Australian Society of Certified Practising Accountants (CPA).

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.

	Board Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Bernard Carrasco	9	9	5	5	2	2
John Hughes	9	9	5	5	–	–
David Carter	9	9	5	5	2	2
Peter Henley	9	9	5	5	–	–
Paul Lahiff	9	9	–	–	2	2

A – Number of meetings attended.

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

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, 8-12 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 CEO 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 and the expectations of the Company concerning the performance of directors. Directors also have the opportunity to visit Company 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.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 MARCH 2010

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 in pages 1 and 2 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).

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 3 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.

A professional adviser or consultant will be considered 'material' if, in the context of a financial year:

– from the Company's point of view, the amount typically payable by the Company to the professional adviser or consultant exceeds 5% of the consolidated expenses of the Company; or
– from the Board's point of view, if the annual amount typically received from the Company exceeds 5% of the professional advisers or consultant's consolidated gross revenue.

A supplier will be considered 'material' if:

– from the Company's point of view, the annual amount typically payable by the Company to the supplier exceeds 5% of the consolidated expenses of the Company; or
– from the Board's point of view, if the annual amount typically received from the Company exceeds 5% of the supplier's consolidated gross revenue.

A customer of the Company will be considered 'material' if:

– from the Company's point of view, the annual amount typically received by the Company from the customer exceeds 5% of the consolidated revenue of the Company; or
– from the Board's point of view, the annual amount typically paid to the Company by the customer exceeds 5% of the customer's total expenses.

Applying these criteria, the Board is satisfied that Bernard Carrasco, David Carter, Paul Lahiff and Peter Henley 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:

– Bernard Carrasco (Chairman) – Independent, Non-Executive
– David Carter – Independent, Non-Executive
– Paul Lahiff – Independent, Non-Executive

The Managing Director, Mr J Hughes, is 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.

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.

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 twice a year and as required. The Committee met twice 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 including the five most highly remunerated Company and consolidated entity executives.

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 Board 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.

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, and the individual, and 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 2010 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 Board assesses the actual performance of the consolidated entity, and individual against the KPI's set at the beginning of the financial year. 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. No bonus is awarded where performance falls below the minimum. The performance evaluation in respect of the year ended 31 March 2010 has taken place in accordance with this process.

The Board approves the cash incentive to be paid to individuals. The method of assessment described above was chosen as it provides the Board with an objective assessment of the individual's performance.

Long-Term Incentive

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

The performance hurdle for instruments granted under the long-term incentive plan is growth in the Company's total shareholder return ("TSR") performance measured against the comparative group of companies being companies in the ASX Small Cap Index.

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.

In assessing whether the performance criteria have been met, the Board will obtain independent data which provides the Company's and comparative companies' TSR performance.

Subsequent to year end, the Company has introduced a new performance rights plan on similar terms. The participants of the new plan are John Hughes, Peter Eaton and James Marshall.

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 three previous financial years.

	2010	2009	2008	2007
Profit attributable to owners of the Company	$19,495,000	$12,320,000	$10,899,000	$6,542,000
Dividends paid	$7,059,000	$5,594,000	$3,513,000	–
Change in share price	0.63	(0.06)	(0.20)	0.25
Return on capital employed	29.77%	23.77%	25.72%	19.55%

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

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

The consolidated entity has entered into service contracts with each key management person, excluding the Managing Director and Company Secretary that are unlimited in term but capable of termination on four weeks notice. The consolidated entity retains the right to terminate a contract immediately by making payment equal to four 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 personnel 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.

John Hughes, Managing Director, has a contract of employment dated 31 March 2010 with the Company, with an expiry date 31 March 2013. 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. This payment represents market practice at the time the terms were agreed.

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

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.

Non-Executive Directors

Total remuneration for all non-executive directors is not to exceed $400,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently $60,000 per annum.

The Chairperson receives up to twice the base fee. Non-executive directors do not receive performance-related remuneration. Directors' fees cover all main Board activities. Non-executive directors are paid $5,000 for membership of the Audit, Risk and Compliance Committee and effective 1 April 2010 $2,500 for membership of the Remuneration and Nomination Committee. The Chairperson of the Audit, Risk and Compliance Committee receives up to twice the base Committee fee.

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 each of the five named Company executives and group executives who receive the highest remuneration:

	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 $	Termi-nation benefits $	Options and rights $[C]	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
DIRECTORS											
Non-Executive											
Bernard Carrasco											
2010	119,492	–	–	119,492	10,772	–	–	–	130,264	–	–
2009	115,000	–	–	115,000	10,350	–	–	–	125,350	–	–
David Carter											
2010	67,346	–	–	67,346	6,061	–	–	–	73,407	–	–
2009	65,000	–	–	65,000	5,850	–	–	–	70,850	–	–
Peter Henley											
2010	62,346	–	–	62,346	5,611	–	–	–	67,957	–	–
2009	60,000	–	–	60,000	5,400	–	–	–	65,400	–	–
Paul Lahiff											
2010	57,346	–	–	57,346	5,161	–	–	–	62,507	–	–
2009	55,000	–	–	55,000	4,950	–	–	–	59,950	–	–
Executive											
John Hughes											
2010	502,733	517,500	–	1,020,233	14,296	–	–	49,243	1,083,772	52%	5%
2009	451,219	203,908	11,990	667,117	13,461	–	–	154,314	834,892	43%	18%

In AUD	Short-term: Salary & fees $	Short-term: STI cash bonus $(A)	Short-term: Non-monetary benefits $(B)	Short-term: Total $	Post-employment: Super-annuation benefits $	Long-term benefits: Long Service Leave $	Termi-nation benefits $	Share-based payments: 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											
2010	223,537	238,050	10,566	472,153	14,296	9,483	–	19,697	515,629	50%	4%
2009	216,522	93,798	10,438	320,758	15,770	12,286	–	61,725	410,539	38%	15%
James Marshall, GM Rental											
2010	159,426	173,880	14,505	347,811	14,296	1,092	–	–	363,199	48%	–
2009	154,213	68,513	10,803	233,529	13,773	2,320	–	–	249,622	27%	–
Ian Scott, GM Financial Services											
2010	148,589	163,013	–	311,602	14,296	–	–	–	325,898	50%	–
2009	144,392	64,231	–	208,623	12,865	–	–	–	221,488	29%	–
Andrea Rooke, GM Human Resources											
2010	144,495	157,500	4,458	306,453	13,005	–	–	–	319,458	49%	–
Allan Chadwick, GM Business Services[2]											
2010	33,846	10,000	2,339	46,185	3,046	–	–	–	49,231	20%	–
Steve Urquhart, GM Retail & Purchasing[1]											
2010	28,229	–	2,385	30,614	2,541	–	–	–	33,155	–	–
Former											
Ken Wolfendale, GM Corporate Services[3]											
2009	128,334	57,094	11,398	196,826	11,550	1,425	–	–	209,801	27%	–
Peter Krideras, GM Merchandising & Marketing (resigned 31 October 2009)											
2010	94,622	–	9,864	104,486	17,590	–	145,686	–	267,762	–	–
2009	148,878	66,270	14,006	229,154	13,046	7,633	–	–	249,833	27%	–
Total remuneration: directors and key management personnel (consolidated)											
2010	1,642,007	1,259,943	44,117	2,946,067	120,971	10,575	145,686	68,940	3,292,239	–	–
2009	1,538,558	553,814	58,635	2,151,007	107,015	23,664	–	216,039	2,497,725	–	–
Total remuneration: directors and key management personnel (Company)											
2010	809,263	517,500	–	1,326,763	41,901	–	–	68,940	1,437,604	–	–
2009	746,219	203,908	11,990	962,117	40,011	–	–	216,039	1,218,167	–	–

1. The remuneration for Steve Urquhart for 2010 reflects remuneration during the period from 11 January 2010, the date of his appointment.
2. The remuneration for Allan Chadwick for 2010 reflects remuneration during the period from 1 December 2009, the date of his promotion.
3. The remuneration for Ken Wolfendale had previously been included in 2009 for the position of GM Corporate Services which he held until 31 March 2009.

Notes in relation to the table of directors' and executive remuneration

a. The short term incentive bonus for 2010 is for performance during the 31 March 2010 financial year. These bonuses are finalised on the signing of the annual financial statements.

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	Expiry Date	Fair value per Performance right	Exercise Price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
13 Dec 2006	13 Jun 2010	$0.54	Nil	$0.74	30%	5.9%	6.25%
13 Dec 2006	13 Jun 2010	$0.48	Nil	$0.74	30%	5.9%	6.25%
13 Dec 2006	13 Jun 2010	$0.42	Nil	$0.74	30%	5.9%	6.25%

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 the five highest paid Company and consolidated entity executives are detailed below:

	Short Term Incentive Bonus		
	Included In Remuneration $[a]	% Vested In Year	% Forfeited In Year[b]
Directors			
John Hughes	517,500	100%	–
Executives			
Peter Eaton	238,050	100%	–
James Marshall	173,880	100%	–
Ian Scott	163,013	100%	–
Andrea Rooke	157,500	100%	–
Allan Chadwick	10,000	100%	–

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. No amounts vest in future financial years in respect of the bonus schemes for the 2010 financial year.

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

No new equity instruments were granted to directors or executives during the reporting period.

Analysis of performance rights granted as remuneration

Details of the vesting profile of the performance rights granted as remuneration to each director of the Company and each of the five named Company executives and relevant group executives are detailed below:

	Performance Rights Granted		% Vested In Current Year[c]	% Forfeited In Year[d]	Financial Years In Which Grant Vests	Values Yet To Vest $	
	Number	Date				Min[a]	Max[b]
Director							
John Hughes	2,441	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–
	21,701	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–
	500,000	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–
Executive							
Peter Eaton	976	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–
	8,680	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–
	200,000	13 Dec 2006	97.50%	–	31 March 2008-2011	Nil	–

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 Australia 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.

d. The exercise price per performance right is nil if the rights are exercised by the individual. Should the rights be exercised by the individual's superannuation fund, 1% of the value of the shares is payable.

e. The performance rights that remain held at 31 March 2010 will be re-tested on 13 June 2010.

f. The performance rights expire on the earlier of their expiry date, 13 June 2010, or termination of the individual's employment.

Analysis of movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in Thorn Australia Limited held by each Company director and each of the five named Company executives and relevant group executives are detailed below:

Value of performance rights

	Granted in year $	Exercised in year[a] $	Forfeited in year[b] $	Total value in year $
John Hughes	–	574,917	–	574,917
Peter Eaton	–	229,967	–	229,967
	–	804,884	–	804,884

a. 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.

b. No performance rights lapsed in the year. The performance rights lapse on the earlier of their expiry date, 13 June 2010, or on the termination of the individual's employment.

Performance rights over equity instruments granted as remuneration

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 2009	Granted as Compensation	Exercised	Held at 31 March 2010	Vested during the year	Vested and exercisable at 31 March 2010
John Hughes	524,141	–	511,037	13,104	511,037	–
Peter Eaton	209,656	–	204,415	5,241	204,415	–

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:

- David Carter (Independent Chairman) – Independent, Non-Executive
- Bernard Carrasco – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive

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 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 2010 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 external auditor met with the Audit, Risk and Compliance Committee twice during the year without management being present.

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 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, occupational 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 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;
- occupational 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 28 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, occupational health and safety, equal opportunity and compliance with laws. The Code encourages reporting of unethical 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 period for the Company as the month immediately before:

- the release of the Company's half yearly or yearly results; or
- the Annual General Meeting.

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

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 renting and sale of browngoods, whitegoods, PC's and furniture products and the provision of unsecured cash loans. There were no significant changes in the nature of the activities of the Company and the consolidated entity during the year.

5.1 Operating and Financial Review

Increases were achieved in both revenue and profit for the 2009/10 financial year with total revenues growing from $127,350,000 to $145,108,000, a 14% improvement.

The growth in revenue was primarily attributable to finance lease revenues, which increased from $50,032,000 to $62,980,000, an improvement of 26%. This improvement was driven by continued strong demand for flat panel televisions and PCs.

Operating lease revenue increased from $75,842,000 to $76,065,000. Whitegoods and furniture grew strongly, fitness equipment remained steady. The transition from CRT televisions to flat panel televisions, resulted in a decrease in operating lease revenue from audio visual equipment.

The increase in gross profit from $76,348,000 to $86,475,000 resulted in profit before income tax increasing 36%, from $17,658,000 to $24,004,000.

Net profit after tax increased 58%, from $12,320,000 to $19,495,000. Net profit after tax was favourably impacted by the Federal Government's temporary investment allowance amounting to $3,136,000.

Net cash from operating activities increased from $45,964,000 to $57,867,000.

5.2 Shareholder returns

	2010	2009	2008	2007
Profit attributable to owners of the company	$19,495,000	$12,320,000	$10,899,000	$6,542,000
Basic EPS	15.12¢	9.61¢	8.55¢	11.77¢
Dividends paid	$7,059,000	$5,594,000	$3,513,000	–
Dividends per share	6.32¢	4.79¢	4.26¢	0.97¢
Change in share price	0.63	(0.06)	(0.20)	0.25
Return on capital employed	29.77%	23.77%	25.72%	19.55%

The 2007 basic EPS reflects 25,000,000 shares on issue prior to the issue of an additional 112,850,000 shares in December 2006.

Review of financial condition

Capital structure and treasury policy

The consolidated entity has a strong capital structure supported by a debt to equity ratio of 7.3% and net debt to equity of 0.3%. This low level of gearing provides the business with a strong platform for future growth options.

Liquidity and funding

The consolidated entity has unused funding facilities as at 31 March 2010 of $14,000,000 and has sufficient funds available to finance its operations.

Net cash flows from operating activities were $57,867,000 as compared to $45,964,000 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 $'000s	Franked / unfranked	Date of payment
Final 2009	2.91	3,743	Franked	23 July 2009
Interim 2010	2.56	3,316	Franked	14 January 2010
Total amount		7,059		

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

Declared after end of year

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided and there are no income tax consequences.

	Cents per share	Total amount $'000s	Franked / unfranked	Date of payment
Final 2010	3.76	4,866	Franked	22 July 2010
Total amount		4,866		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 March 2010 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.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

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
Bernard Carrasco	150,000	Nil
John Hughes	3,337,396	13,104
David Carter	200,000	Nil
Paul Lahiff	31,250	Nil
Peter Henley	30,000	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 or since the end of the financial year, the Company has not granted any options or performance rights over unissued ordinary shares in the Company. As noted on page 12, two officers of the Company were granted performance rights in the 2007 financial year. Page 13 provides details of those performance rights which have not vested at the date of this 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 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.

No indemnification has been provided to auditors or former directors and officers of the Company.

Insurance Premiums

During the financial year the Company has paid insurance premiums of $45,867 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 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 7.

13 Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for financial year ended 31 March 2010.

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:

Bernard Carrasco

Chairman

Dated at Sydney

25 May 2010

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 31 MARCH 2010

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 2010 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Greg Boydell

Partner

Sydney

25 May 2010

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

		Consolidated		Company	
In thousands of AUD	**Note**	2010	2009	2010	2009
Revenue	3	145,108	127,350	–	–
Cost of sales		(58,633)	(51,002)	–	–
Gross Profit		86,475	76,348	–	–
Other income	4	32	308	2,124	931
Sales and marketing expenses		(43,027)	(40,823)	–	–
General and administration expenses		(18,868)	(17,740)	(2,124)	(931)
Results from operating activities		24,612	18,093	–	–
Finance income	6	82	162	7,059	5,594
Finance expenses	6	(690)	(597)	–	–
Net finance (costs) / income		(608)	(435)	7,059	5,594
Profit before income tax		24,004	17,658	7,059	5,594
Income tax expense	8	(4,509)	(5,338)	–	–
Profit for the period		19,495	12,320	7,059	5,594
Other comprehensive income for the period, net of income tax		–	–	–	–
Total comprehensive income for the period		19,495	12,320	7,059	5,594
Basic earnings per share (cents)	21	15.12	9.61	–	–
Diluted earnings per share (cents)	21	15.06	9.52	–	–

The statements of comprehensive income are to be read in conjunction with the notes of the financial statements set out on pages 27 to 55.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2010

		Consolidated		Company	
In thousands of AUD	**Note**	2010	2009	2010	2009
Assets					
Cash and cash equivalents	9	5,747	2,567	–	–
Inventory – finished goods		869	1,307	–	–
Trade and other receivables	10	25,549	18,954	1,948	2,104
Total current assets		32,165	22,828	1,948	2,104
Trade and other receivables	10	29,159	23,773	41,162	41,093
Deferred tax assets	12	3,397	3,293	–	–
Property, plant and equipment and rental assets	13	37,648	37,228	–	–
Investment in subsidiary		–	–	25,000	25,000
Intangible assets	14	15,604	15,604	–	–
Total non-current assets		85,808	79,898	66,162	66,093
Total assets		117,973	102,726	68,110	68,197
Liabilities					
Trade and other payables	15	23,348	20,652	–	–
Employee benefits	17	3,481	3,358	–	–
Loans and borrowings	16	6,000	–	–	–
Income tax payable	11	1,948	2,104	1,948	2,104
Provisions	18	535	505	–	–
Total current liabilities		35,312	26,619	1,948	2,104
Loans and borrowings	16	–	6,000	–	–
Employee benefits	17	192	182	–	–
Provisions	18	702	663	–	–
Total non-current liabilities		894	6,845	–	–
Total liabilities		36,206	33,464	1,948	2,104
Net assets		81,767	69,262	66,162	66,093
Equity					
Issued capital		64,517	64,517	64,517	64,517
Reserves		1,645	1,576	1,645	1,576
Retained earnings		15,605	3,169	–	–
Total equity		81,767	69,262	66,162	66,093

The statements of financial position are to be read in conjunction with the notes of the financial statements set out on pages 27 to 55.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

In thousands of AUD

Consolidated	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2008	64,517	(3,557)	1,360	62,320
Total comprehensive income				
Net profit for the year	–	12,320	–	12,320
Other comprehensive income	–	–	–	–
Equity settled transactions	–	–	216	216
Dividends to shareholders	–	(5,594)	–	(5,594)
Balance at 31 March 2009	64,517	3,169	1,576	69,262
Balance at 1 April 2009	64,517	3,169	1,576	69,262
Total comprehensive income				
Net profit for the year	–	19,495	–	19,495
Other comprehensive income	–	–	–	–
Equity settled transactions	–	–	69	69
Dividends to Shareholders	–	(7,059)	–	(7,059)
Balance at 31 March 2010	64,517	15,605	1,645	81,767

Company	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2008	64,517	–	1,360	65,877
Total comprehensive income				
Net profit for the year	–	5,594	–	5,594
Other comprehensive income	–	–	–	–
Equity settled transactions	–	–	216	216
Dividends of shareholders	–	(5,594)	–	(5,594)
Balance at 31 March 2009	64,517	–	1,576	66,093
Balance at 1 April 2009	64,517	–	1,576	66,093
Total comprehensive income				
Net profit for the year	–	7,059	–	7,059
Other comprehensive income	–	–	–	–
Equity settled transactions	–	–	69	69
Dividends of shareholders	–	(7,059)	–	(7,059)
Balance at 31 March 2010	64,517	–	1,645	66,162

The statements of financial position are to be read in conjunction with the notes of the financial statements set out on pages 27 to 55.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

		Consolidated		Company	
In thousands of AUD	**Note**	2010	2009	2010	2009
Cash flows from operating activities					
Cash receipts from customers		146,865	125,553	–	–
Cash paid to suppliers and employees		(83,621)	(74,142)	–	–
Cash generated from operations		63,244	51,411	–	–
Interest paid		(690)	(597)	–	–
Interest received		82	162	–	–
Income tax paid		(4,769)	(5,012)	–	–
Net cash from operating activities	27	57,867	45,964	–	–
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		–	–	–	–
Proceeds from sale of rental assets		1,061	1,225	–	–
Acquisition of property, plant and equipment		(1,140)	(2,369)	–	–
Acquisition of rental assets		(47,549)	(42,633)	–	–
Dividends received		–	–	7,059	5,594
Net cash (used in) / from investing activities		(47,628)	(43,777)	7,059	5,594
Cash flows from financing activities					
Proceeds from borrowings		–	1,000	–	–
Repayment of borrowings		–	–	–	–
Dividends paid		(7,059)	(5,594)	(7,059)	(5,594)
Net cash used in financing activities		(7,059)	(4,594)	(7,059)	(5,594)
Net increase / (decrease) in cash and cash equivalents		3,180	(2,407)	–	–
Cash and cash equivalents at 1 April		2,567	4,974	–	–
Cash and cash equivalents at 31 March	9	5,747	2,567	–	–

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 55.

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 report of the Company for the financial year ended 31 March 2010 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The consolidated entity is primarily involved in the rental and sale of browngoods, whitegoods, PCs and furniture products and the provision of unsecured cash loans.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the consolidated entity and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 25 May 2010.

(b) Basis of Preparation

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

The financial report has been prepared on the historical cost basis except where otherwise stated.

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 a financial report 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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(t).

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.

1 Significant Accounting Policies (continued)

Investments in subsidiaries are carried at the lower of cost and recoverable amount in the Company's financial statements.

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 following specific recognition criteria must also be met before revenue is recognised.

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 risk 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 as it accrues, 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.

(e) Cost of Sales

Finance lease costs of sales comprise the cost of the item sold and provisioning for bad debts and the early return of assets.

Operating lease costs of sales comprise depreciation of rental assets, bad debts and rental asset write-offs. Depreciation of rental assets is further discussed at Note 1(l).

(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 using the balance sheet method, providing for 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.

1 Significant Accounting Policies (continued)

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. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(g) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in the profit or loss on the date that the consolidated entity's right to receive payment is established.

1 Significant Accounting Policies (continued)

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

Business combinations prior to 1 April 2003

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under the consolidated entity's previous accounting framework, Australian GAAP.

Business combinations since 1 April 2003

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 no longer amortised but is tested annually for impairment.

(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 are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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.

Cash, short-term deposits and bank overdrafts are carried at face value of the amounts deposited or drawn.

(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. Payments under rental contracts are due and payable on a monthly and fortnightly basis in advance.

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 and Property, Plant and Equipment

Recognition and Measurement

Rental assets, and items of 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 rental assets and 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 "general and administration expenses" in profit or loss.

Depreciation

Depreciation is provided on rental assets, 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. 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 expensed based on the average cost of assets installed.

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
– Rental Assets	3 – 6 Years

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

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(n) Impairment

Non Financial Assets

The carrying amounts of the consolidated entity's assets, other than inventory and deferred tax assets, are reviewed at each balance sheet 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 sheet date.

1 Significant Accounting Policies (continued)

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 revalued, 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 sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

1 Significant Accounting Policies (continued)

(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 remuneration insurance and payroll tax.

(iv) Share-based payment transactions

The Performance Rights Plan allows certain consolidated entity employees to receive shares of the Company. The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest except where the rights have not vested due to share prices not achieving the threshold for vesting.

(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.

Makegood costs for leased property

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

The provision is the best estimate of the present value of the expenditure required to settle the makegood obligation at the reporting date. Future makegood costs are reviewed annually and any changes are reflected in the present value of the makegood 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.

1 Significant Accounting Policies (continued)

(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) Use of estimates and judgements

The preparation of financial statements 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. Actual results may differ from these estimates. 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 and in any future periods affected.

(i) 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.

(ii) 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.

(iii) 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 at least annually. The calculations include an assessment of the expected rates of disconnections and the estimate of collateral.

(u) 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.

1 Significant Accounting Policies (continued)

(v) 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 in as a liability in the period in which they are declared.

(w) Segment reporting

As of 1 April 2009 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. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

(x) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the consolidated entity presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(y) 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. They are available for early adoption at 31 March 2010, but have not been applied in preparing this financial report:

– AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various* AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 31 March 2011 financial statements, are not expected to have any impact on the financial statements.

– AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments *AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 31 March 2011 financial statements, are not expected to have a significant impact on the financial statements.

2 Segment Reporting

The consolidated entity operates predominantly in one industry, being the rental and sale of browngoods, whitegoods, PCs and furniture products, and operates in one geographic segment, Australia. All revenues are generated externally.

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 MARCH 2010

3 Revenue

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Operating lease revenue	76,065	75,842	–	–
Finance lease and retail sales	40,473	30,056	–	–
Interest income	28,570	21,452	–	–
	145,108	127,350	–	–

4 Other income

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Net gain on disposal of rental assets	32	308	–	–
Inter-company management fees	–	–	2,124	931
	32	308	2,124	931

5 Personnel Expenses

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Wages and salaries	26,771	24,921	888	294
Contributions to defined contribution superannuation funds	1,816	1,722	24	27
Increase in liability for annual leave	79	169	–	–
Increase / (decrease) in liability for long service leave	(66)	129	–	–
Termination benefits	145	54	–	–
Equity settled share-based payment transactions	69	216	69	216
	28,814	27,211	981	537

6 Finance income and expenses

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Interest income on bank deposits	82	162	–	–
Dividend income from Thorn Australia Pty Ltd	–	–	7,059	5,594
Finance income	82	162	7,059	5,594
Interest expense on financial liabilities	(690)	(597)	–	–
Finance expense	(690)	(597)	–	–
Net finance income / (expense)	(608)	(435)	7,059	5,594

7 Auditors' Remuneration

In AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Audit services				
KPMG Australia:				
Audit and review of financial reports	260,500	249,600	260,500	249,600
	260,500	249,600	260,500	249,600
Other services				
KPMG Australia				
Taxation services – compliance	66,000	23,534	–	–
Taxation services – other	40,000	–	–	–
	106,000	23,534	–	–

8 Income Tax Expense

Recognised in the Income Statement

In thousands of AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Current tax expense				
Current year	4,562	5,503	–	–
Adjustment for prior years	51	(69)	–	–
Deferred tax expense				
Origination and reversal of temporary differences	(104)	(96)	–	–
Total income tax expense in income statement	4,509	5,338	–	–

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Profit before tax	24,004	17,658	7,059	5,594
Prima facie income tax using the domestic corporation tax rate of 30% (2009: 30%)	7,201	5,297	2,118	1,678
Change in income tax expense due to:				
Non-deductible expenses	393	110	–	–
Investment allowance	(3,136)	–	–	–
Non-assessable dividend income	–	–	(2,118)	(1,678)
Under / (Over) provided in prior years	51	(69)	–	–
Income tax expense on pre-tax accounting profit	4,509	5,338	–	–

9 Cash and Cash Equivalents

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Bank balances	5,697	2,517	–	–
Call deposits	50	50	–	–
Cash and cash equivalents	5,747	2,567	–	–

10 Trade and Other Receivables

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Current				
Trade receivables	1,179	1,008	–	–
Finance lease receivables	17,156	13,256	–	–
Loan receivables	4,119	2,404	–	–
Lease deposits	444	383	–	–
Amounts receivable from related entities	–	–	1,948	2,104
Other receivables and prepayments	2,651	1,903	–	–
	25,549	18,954	1,948	2,104
Non-current				
Amounts receivable from related entities	–	–	41,162	41,093
Finance lease receivables	28,619	23,773	–	–
Loan receivables	540	–	–	–
	29,159	23,773	41,162	41,093

Trade receivables are shown net of impairment losses amounting to $648,000 (2009: $929,000).

Finance lease receivables are shown net of impairment losses amounting to $5,100,000 (2009: $4,113,000).

Loan receivables are shown net of impairment losses amounting to $868,000 (2009: $421,000).

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

11 Current Tax Assets and Liabilities

The current tax liability for the consolidated entity of $1,948,000 (2009: $2,104,000) and for the Company of $1,948,000 (2009: $2,104,000) represent the amount of income taxes payable in respect of current and prior financial periods.
In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability / (asset) initially recognised by the members in the tax-consolidated group.

12 Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
In thousands of AUD	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Rental assets and property, plant and equipment	14,011	11,848	–	–	14,011	11,848
Makegood provision	–	–	(51)	(56)	(51)	(56)
Trade, loan and other receivables	688	411	–	–	688	411
Finance lease receivables	–	–	(13,732)	(11,109)	(13,732)	(11,109)
Accruals	1,842	1,331	–	–	1,842	1,331
Provisions	639	868	–	–	639	868
Tax assets / (liabilities)	17,180	14,458	(13,783)	(11,165)	3,397	3,293

13 Property, Plant and Equipment, and Rental Assets

Consolidated

In thousands of AUD	Land and Buildings	Leasehold Improvements	Plant And Equipment	Rental Assets	Total
Cost					
Balance at 1 April 2008	70	58	12,735	89,559	102,422
Additions	–	–	2,369	42,633	45,002
Disposals	–	–	(845)	(55,050)	(55,895)
Balance at 31 March 2009	70	58	14,259	77,142	91,529
Balance at 1 April 2009	70	58	14,259	77,142	91,529
Additions	–	–	1,140	47,549	48,689
Disposals	–	–	(2,878)	(59,037)	(61,915)
Balance at 31 March 2010	70	58	12,521	65,654	78,303

Consolidated

In thousands of AUD	Land and Buildings	Leasehold Improvements	Plant And Equipment	Rental Assets	Total
Depreciation and Impairment Losses					
Balance at 1 April 2008	41	58	10,144	56,856	67,099
Depreciation charge for the year	2	–	1,561	19,699	21,262
Disposals	–	–	(756)	(33,304)	(34,060)
Balance at 31 March 2009	43	58	10,949	43,251	54,301
Balance at 1 April 2009	43	58	10,949	43,251	54,301
Depreciation charge for the year	–	–	1,409	19,988	21,397
Disposals	–	–	(2,247)	(32,796)	(35,043)
Balance at 31 March 2010	43	58	10,111	30,443	40,656
Carrying amounts					
At 1 April 2008	29	–	2,591	32,703	35,323
At 31 March 2009	27	–	3,310	33,891	37,228
At 1 April 2009	27	–	3,310	33,891	37,228
At 31 March 2010	27	–	2,410	35,211	37,648

14 Intangible Assets

In thousands of AUD	Consolidated Goodwill
Cost	
Balance at 1 April 2008	22,678
Balance at 31 March 2009	22,678
Balance at 1 April 2009	**22,678**
Balance at 31 March 2010	**22,678**

In thousands of AUD	Consolidated Goodwill
Amortisation and impairment losses	
Balance at 1 April 2008	7,074
Balance at 31 March 2009	7,074
Balance at 1 April 2009	**7,074**
Balance at 31 March 2010	**7,074**

In thousands of AUD	Consolidated Goodwill
Carrying amounts	
At 1 April 2008	15,604
At 31 March 2009	15,604
At 1 April 2009	**15,604**
At 31 March 2010	**15,604**

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Consolidated	
In thousands of AUD	2010	2009
Rental – consumer	**15,604**	15,604
Total	**15,604**	15,604

The recoverable amount of the cash generating unit above is 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. The cash flow projections have been approved by the Board.

During the forecast period, revenue is assumed to grow at an average of 5% pa, operating costs are assumed to grow at an average of 3% pa, and the pre tax weighted average cost of capital is assumed at 14.66%. A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 1%.

15 Trade and Other Payables

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Current				
Trade payables	14,415	9,201	–	–
Other creditors and accruals	6,854	9,371	–	–
Deferred rental revenue	1,837	1,841	–	–
Property lease accrual	242	239	–	–
	23,348	20,652	–	–

16 Loans and Borrowings

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Current liabilities				
Secured bank loans	6,000	–	–	–
	6,000	–	–	–
Non-current liabilities				
Secured bank loans	–	6,000	–	–
	–	6,000	–	–

Financing Facilities

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Bank facility available	20,000	20,000	–	–
	20,000	20,000	–	–
Bank facility utilised at balance date	6,000	6,000	–	–
	6,000	6,000	–	–
Bank facility not utilised at reporting date	14,000	14,000	–	–
	14,000	14,000	–	–

Financing arrangements

Bank loans

The bank loan is provided to Thorn Australia Pty Limited by the Westpac Banking Corporation. The loan is denominated in Australian dollars. The loan is due to expire in March 2011.

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

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	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Current				
Salaries and wages accrued	761	641	–	–
Liability for long service leave	1,063	1,139	–	–
Liability for annual leave	1,657	1,578	–	–
	3,481	3,358	–	–
Non-current				
Liability for long-service leave	192	182	–	–
	192	182	–	–

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $1,816,000 for the financial year ended 31 March 2010 (2009: $1,722,000).

18 Provisions

	Consolidated	
In thousands of AUD	Make Good	Total
Balance at 1 April 2009	1,168	1,168
Provisions made during the year	60	60
Provisions used during the year	–	–
Unwind of discount	9	9
Balance at 31 March 2010	1,237	1,237
Current	535	535
Non-current	702	702
	1,237	1,237

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

In thousands of shares	Company 2010	2009
Share Capital		
On issue at the beginning of year	128,726	127,981
Issue of new shares on vesting of performance rights	715	745
On issue at the end of year	129,441	128,726

- 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
2010				
Final 2009	2.91	3,743	Franked	23 July 2009
Interim 2010	2.56	3,316	Franked	14 January 2010
Total amount		7,059		
2009				
Final 2008	2.48	3,174	Franked	25 July 2008
Interim 2009	1.88	2,420	Franked	16 January 2009
Total amount		5,594		

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

19 Capital and Reserves (continued)

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

	Cents per share	Total amount	Franked / unfranked	Date of payment
Final ordinary	3.76	$4,865,794	Franked	22 July 2010

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2010 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 $2,085,340 (2009: $1,655,051).

	Company	
In thousands of AUD	2010	2009
Dividend franking account		
30% franking credits available to shareholders of Thorn Group Limited for subsequent financial years	8,728	7,092

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 Company and 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 Company and consolidated entity's activities. The Company and 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 Company and 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 Company and consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 MARCH 2010

20 Financial risk management (continued)

Credit risk

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

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 and country in which customers operate, 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 exists with the consolidated entity's portfolio of customer accounts.

For the Company credit risk arises from receivables due from subsidiaries.

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 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 not entered into any derivatives in order to manage market risks.

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 less current liabilities. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 19 for quantitative data.

There were no changes in the consolidated entity's approach to capital management during the year.

20 Financial risk management (continued)

(b) Credit Risk

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

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Trade receivables	1,179	1,008	–	–
Finance lease receivables	45,775	37,029	–	–
Loan receivables	4,659	2,404	–	–
Receivables from controlled entities	–	–	41,162	41,093
	51,613	40,441	41,162	41,093

The Company and consolidated entity operate 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:

	Gross	Impairment	Gross	Impairment
In thousands of AUD	2010	2010	2009	2009
Not past due	–	–	–	–
Past due 0 – 30 Days	994	247	954	263
Past due 31 – 120 Days	833	401	983	666
	1,827	648	1,937	929

The consolidated entity invoices its customers in advance of the rental period. The invoice is not recognised in the financial statements until the due date of the invoice. As such, all of the consolidated entity's receivables are past due.

The Company's receivables are not past due.

Finance lease receivables

Finance lease receivables are not past due.

The provision for impairment losses as at 31 March 2010 is $5,100,000 (2009: $4,113,000). 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 2010 is $30,600,000 (2009: $25,719,000).

20 Financial risk management (continued)

Loan receivables

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

In thousands of AUD	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	4,875	588	2,313	185
Past due 0 – 30 Days	422	50	300	24
Past due 31 – 120 Days	230	230	212	212
	5,527	868	2,825	421

(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 2010.

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
31 March 2010					
Bank loans	6,000	6,000	6,000	–	–
Trade and other payables	21,269	21,269	21,269	–	–
	27,269	27,269	27,269	–	–

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
31 March 2009					
Bank loans	6,000	6,000	–	6,000	–
Trade and other payables	18,572	18,572	18,572	–	–
	24,572	24,572	18,572	6,000	–

(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

	Consolidated Carrying Amount		Company Carrying Amount	
In thousands of AUD	2010	2009	2010	2009
Financial assets	5,697	2,517	–	–
Financial liabilities	(6,000)	(6,000)	–	–

The Company did not have any exposure to interest rate risk in either year.

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 $4,500 (2009: $21,000).

(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 in all cases.

21 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2010 was based on profit attributable to ordinary shareholders of $19,495,000 (2009: $12,320,000) and a weighted average number of ordinary shares during the year ended 31 March 2010 of 128,924,177 (2009: 128,191,470).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2010 was based on profit attributable to ordinary shareholders of $19,495,000 (2009: $12,320,000) and a weighted average number of ordinary shares during the year ended 31 March 2010 of 129,460,000 (2009: 129,460,000), which includes performance rights granted.

	2010	2009
Profit attributable to ordinary shareholders (basic)		
In thousands of AUD		
Profit attributable to ordinary shareholders (basic and diluted)	19,495	12,320
Weighted average number of ordinary shares (basic)		
In thousands of shares		
Issued ordinary shares at 1 April	128,726	127,981
Effect of shares issued	198	210
Weighted average number of ordinary shares at 31 March	128,924	128,191
Weighted average number of ordinary shares (diluted)		
In thousands of shares		
Issued ordinary shares at 1 April	129,460	129,460
Effect of shares issued	–	–
Weighted average number of ordinary shares (diluted) at 31 March	129,460	129,460
Earning per share		
Basic earnings per share (cents)	15.12	9.61
Diluted earnings per share (cents)	15.06	9.52

22 Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Less than one year	6,671	6,415	–	–
Between one and five years	7,887	9,180	–	–
	14,558	15,595	–	–

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 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:

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Less than one year	27,124	24,040	–	–
Between one and five years	5,897	5,554	–	–
	33,021	29,594	–	–

23 Finance Leases

Leases as Lessor

The consolidated entity leases out its rental assets under finance leases. The consolidated entity classifies Rent Try Buy contracts as finance leases where the term of the contract is 36 months and 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:

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Less than one year	44,617	35,792	–	–
Between one and five years	40,606	34,423	–	–
	85,223	70,215	–	–

Unearned finance income in relation to finance leases as at 31 March 2010 was $34,348,000 (2009: $29,073,000).

24 Consolidated Entities

	Country of Incorporation	Ownership interest 2010	2009
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia[1]	100%	100%
Rent Try Buy Pty Limited	Australia	100%	100%
CashFirst Pty Ltd	Australia	100%	100%
1st Cash Pty Ltd	Australia	100%	100%
Big Brown Box Pty Ltd	Australia	100%	100%
Mouse 2 House Pty Ltd	Australia	100%	100%
Thorn Group Pty Ltd	Australia	100%	100%

1. Controlled entity of Thorn Australia Pty Ltd.

25 Contingencies

The industry in which the Company operates is highly regulated. Documentation, marketing and sales activities (both written and verbal) must comply with strict rules provided in the Uniform Consumer Credit Code 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 Company has no reason to believe that this matter is likely to result in a material effect on the profitability of the Company and no provision exists for any potential exposure in connection with this matter.

The Company 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 Uniform Consumer Credit Code, 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 Company has no reason to believe that this matter is likely to result in a material effect on the profitability of the Company 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 the wholly owned subsidiaries noted above are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

As a condition of the Class Order, Thorn Group Limited and the controlled entity Thorn Australia Pty Limited entered into a Deed of Cross Guarantee on 20 March 1997. Eclipse Retail Rental Australia Pty Limited was also added by an Assumption Deed to the Deed of Cross Guarantee on 26 March 1999. The effect of the Deed 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 other controlled entities which are not included in the Deed of Cross Guarantee are dormant. The consolidated statement of comprehensive income and statement of financial position of the Company and the controlled entities which are a party to the Deed of Cross Guarantee is not materially different from that of the consolidated entity. Accordingly, no separate information has been provided for the entities forming part of this Deed.

27 Reconciliation of Cash Flows from Operating Activities

	Consolidated		Company	
In thousands of AUD	2010	2009	2010	2009
Cash flows from operating activities				
Profit for the period	19,495	12,320	7,059	5,594
Adjustments for:				
Depreciation	21,397	21,264	–	–
Equity settled transactions	69	216	69	216
Dividends received	–	–	(7,059)	(5,594)
Disposal of property, plant and equipment	631	89	–	–
Disposal of rental assets	25,180	20,519	–	–
Operating profit before changes in working capital and provisions	66,772	54,408	69	216
(Increase) / Decrease in inventory	438	(1,307)	–	–
(Increase) / Decrease in trade and other receivables	(11,981)	(10,329)	87	(638)
(Increase) / Decrease in deferred tax assets	(104)	(96)	–	–
Increase / (Decrease) in income tax liability	(156)	422	(156)	422
Increase in trade and other payables	2,696	2,547	–	–
Increase / (Decrease) in provisions and employee benefits	202	319	–	–
Net cash from operating activities	57,867	45,964	–	–

28 Related Parties

The following were key management personnel of the consolidated entity at any time during the reporting period, and unless otherwise indicated, were key management personnel for the entire period:

Non-Executive Directors

Bernard Carrasco (Chairperson)
David Carter
Peter Henley
Paul Lahiff

Executive Director

John Hughes (Chief Executive Officer)

Executives

Peter Eaton (Chief Financial Officer and Company Secretary)
James Marshall (General Manager Rental)
Ian Scott (General Manager Financial Services)
Andrea Rooke (General Manager Human Resources)
Allan Chadwick (General Manager Business Services)
Steve Urquhart (General Manager Retail and Purchasing)
Peter Krideras (General Manager Merchandising and Marketing – resigned 31 October 2009)

Key management personnel remuneration

	Consolidated		Company	
In AUD	2010	2009	2010	2009
Short-term employee benefits	2,946,067	2,151,007	1,326,763	962,117
Post-employment benefits	120,971	107,015	41,901	40,011
Long service leave benefits	10,575	23,664	–	–
Termination benefits	145,686	–	–	–
Share based payments	68,940	216,039	68,940	216,039
	3,292,239	2,497,725	1,437,604	1,218,167

Information regarding individual directors and executives remuneration disclosures is provided in the Remuneration Report on pages 9 and 10.

28 Related Parties (continued)

Movements in shares

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

	Held at 1 April 2009	Purchases	Received upon exercise of performance rights	Held at 31 March 2010
Directors				
Bernard Carrasco	150,000	–	–	150,000
David Carter	200,000	–	–	200,000
John Hughes	2,826,359	–	511,037	3,337,396
Peter Henley	30,000	–	–	30,000
Paul Lahiff	31,250	–	–	31,250
Executives				
Peter Eaton	410,344	–	204,415	614,759
James Marshall	31,250	–	–	31,250
Andrea Rooke	–	4,410	–	4,410

	Held at 1 April 2008	Purchases	Received upon exercise of performance rights	Held at 31 March 2009
Directors				
Bernard Carrasco	150,000	–	–	150,000
David Carter	200,000	–	–	200,000
John Hughes	2,245,250	49,000	532,109	2,826,359
Peter Henley	30,000	–	–	30,000
Paul Lahiff	31,250	–	–	31,250
Executives				
Peter Eaton	197,500	–	212,844	410,344
James Marshall	31,250	–	–	31,250
Andrea Rooke	–	–	–	–

28 Related Parties (continued)

Performance rights over equity instruments granted as remuneration

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 2009	Granted as Compensation	Exercised	Held at 31 March 2010	Vested during the year	Vested and exercisable at 31 March 2010
Director						
John Hughes	524,141	–	511,037	13,104	511,037	–
Executive						
Peter Eaton	209,656	–	204,415	5,241	204,415	–

	Held at 1 April 2008	Granted as Compensation	Exercised	Held at 31 March 2009	Vested during the year	Vested and exercisable at 31 March 2009
Director						
John Hughes	1,056,250	–	532,109	524,141	532,109	–
Executive						
Peter Eaton	422,500	–	212,844	209,656	212,844	–

Other transactions with key management personnel

Apart from the details disclosed in this note and the Remuneration report on page 10, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous year and there were no material contracts involving directors' interest at year end.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 MARCH 2010

1. In the opinion of the directors of Thorn Group Limited (the 'Company'):
   a. the financial statements and notes, and the remuneration disclosures that are contained in Sections 4.3.1, 4.3.2 and 4.3.4 of the Remuneration Report in the Directors' report, set out on pages 6 to 13, are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 March 2010 and of their performance, for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2010.

Signed in accordance with a resolution of the directors:

Bernard Carrasco
Chairman

John Hughes
Managing Director

Dated at Sydney
25 May 2010

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2010

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 statements of financial position as at 31 March 2010, and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 28 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

INDEPENDENT AUDITOR'S REPORT continued

FOR THE YEAR ENDED 31 MARCH 2010

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 Thorn Group Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 March 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the consolidated entity 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 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

KPMG

KPMG

Greg Boydell
Partner

Sydney
25 May 2010

ADDITIONAL ASX INFORMATION

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	111
1,001 – 5,000	581
5,001 – 10,000	665
10,001 – 100,000	875
100,001 and over	65
	2,297

b. The number of shareholders in less than marketable parcels is 15.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2010 are:

Shareholder	Number of ordinary
National Nominees Limited	19,099,294
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	14,360,427
J P Morgan Nominees Australia Limited	13,659,286
Cogent Nominees Pty Limited	12,861,524
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	10,827,288
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	7,992,974

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	National Nominees Limited	18,565,157	14.34
2	RBC Dexia Investor Services Australia Nominees Pty Limited	14,770,107	11.41
3	RBC Dexia Investor Services Australia Nominees Pty Limited	11,392,750	8.80
4	Cogent Nominees Pty Limited	10,544,053	8.15
5	J P Morgan Nominees Australia Limited	8,930,751	6.90
6	HSBC Custody Nominees (Australia) Limited	5,844,762	4.52
7	ANZ Nominees Limited	4,591,332	3.55
8	Citicorp Nominees Pty Limited	3,524,941	2.72
9	Bond Street Custodians Limited	3,337,996	2.58
10	Pan Australian Nominees Pty Limited	2,563,423	1.98
11	Bond Street Custodians Limited	1,037,184	0.80
12	Sandhurst Trustees Ltd	947,318	0.73
13	Queensland Investment Corporation	800,382	0.62
14	Henderson International Pty Ltd	655,000	0.51
15	Mr Peter Eaton	614,759	0.47
16	Mr Jeffrey Douglas Pappin	605,000	0.47
17	Aust Executor Trustees NSW Ltd	600,000	0.46
18	Henderson International Pty Limited	568,715	0.44
19	Citicorp Nominees Pty Limited	518,031	0.40
20	Mr Barry Arthur Henderson	400,000	0.31

CORPORATE DIRECTORY

Directors

Bernard Carrasco
Chairman

John Hughes
Managing Director

David Carter
Non-Executive Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

Thorn Group Limited
Level 1
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