THORN Group Ltd.

2014 Shareholder Review

BUILDING FOR THE FUTURE

CONTENTS

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 26th August 2014, commencing at 11.00am.

Thorn is one of Australia's leading financial services providers, meeting the needs of niche consumer and commercial markets.

In 2014, Thorn demonstrated both the resilience and the potential of its business model, by delivering strong growth in revenue and a significant increase in receivables. Thorn's core business, Radio Rentals, continued its growth path as the main contributor to group results, while newer business divisions continue to grow and gain scale.

Over the past three years Thorn's strategy has been to diversify and invest in the extension of its financial services to target a wider demographic. Benefits from this are now apparent, as Thorn builds for the future it reaches out to more customers and delivers growing financial rewards for shareholders.

KEY FACTS:

Thorn Group has over

110,000

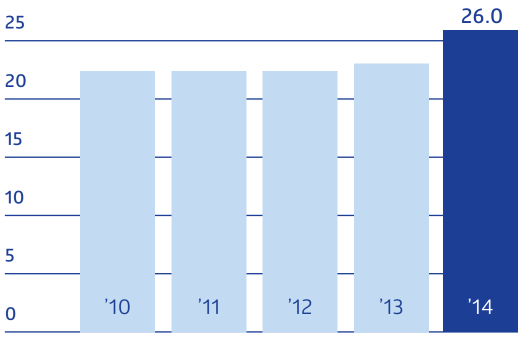
customers and

90

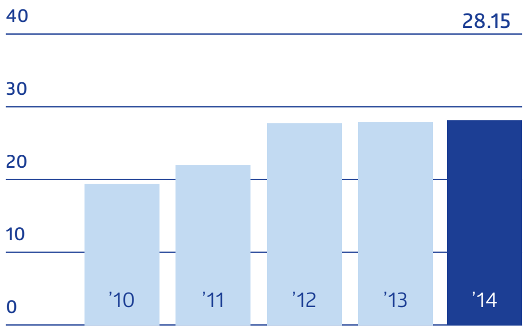
outlets nationally

RESULTS & HIGHLIGHTS

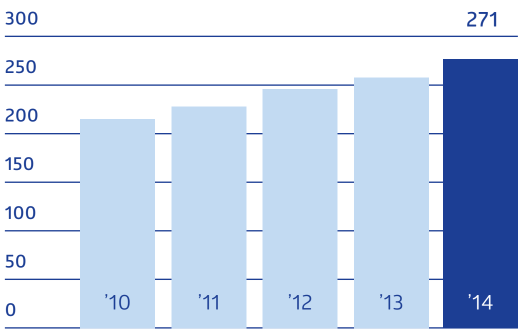
AVERAGE CONTRACTED TERM
(months)



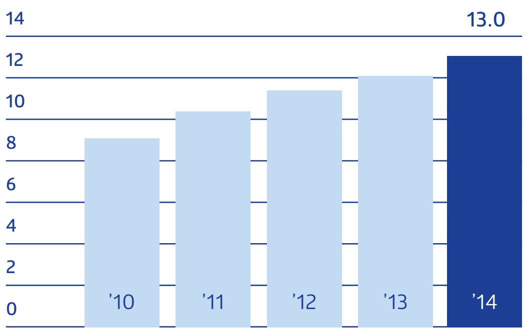
NET PROFIT AFTER TAX
(A$m)



AVERAGE UNITS ON RENT
('000s)



AVERAGE RENTAL DUES
(A$m)



FINANCIAL HIGHLIGHTS

- Revenue up 16% to $235M
- Net profit after tax $28.15M
- Net cash from operating activity $104M
- Gearing levels remain conservative at 22%
- Earnings per share up to 18.94c
- Full year dividend 11 cents fully franked

OPERATIONAL HIGHLIGHTS

- Group receivables up 32% to $217M
- Record installations and earnings for Radio Rentals/Rentlo
- Launch of Thorn Money as part of Thorn Financial Services
- Thorn Equipment Finance strong book build to $63.55M
- Higher earnings from NCML, improved operational performance

"THORN HAS DELIVERED A SOLID RESULT IN A YEAR OF INVESTMENT"

DAVID CARTER
CHAIRMAN

With business origins nearly 80 years ago, this is Thorn Group's eighth Annual Report as an ASX listed company, presenting another year of strong financial performance and returns for investors.

The core consumer rental division has again delivered a record performance and, with a strong base of recurring revenue streams and significant cash flows. This result underscores its resilience and strength. This continued strong performance has enabled the business to maintain investment in new initiatives, which has laid the foundation for sustainable future growth.

In financial year 2014, Thorn recorded some significant achievements:

- Radio Rentals/Rentlo, achieved record installations and revenue during the year
- Cashfirst now has an unsecured personal loan book of $23 million, creating a solid cornerstone for broader development of Thorn Financial Services
- Thorn Money was launched to further expand the financial services capability of the group and expand the consumer financial services offerings.
- Thorn Equipment Finance is growing strongly with new financing up 22.9 per cent to $63.55 million, and further growth will be assisted by the establishment of a SPV finance facility.
- The restructure of NCML is progressing well as it resumes a longer term growth path.

EARNINGS, BALANCE SHEET

Thorn has been able to keep profit steady at $28.15 million in financial year 2014, even after investing to build the business. The soundness of the group's business model is reflected in the return on average capital employed of 21.83 per cent. The ongoing strength of Thorn's balance sheet, with relatively low gearing, is a reflection of Thorn's conservative approach to capital management as well as indicating a potential to fund future growth.

DIVIDEND

Final dividend was increased to 6.5 cents, taking full year dividend to 11 cents a share fully franked. The dividend reinvestment plan continues at a discount of 2.5 per cent, providing further opportunity for investors to share in future growth.

CORPORATE GOVERNANCE AND SUSTAINABILITY

Investors have a right to expect a high degree of attention to the best standards of corporate governance and as a board we seek to foster and uphold those standards. The financial report component of this Shareholder Review sets out our policies and practices, including those related to remuneration. This year we have considerably enhanced this section of the report to provide greater transparency to our remuneration strategies.

We also see great importance in Thorn embracing corporate social responsibility, which the group achieves through a number of endeavours. We adhere strictly to a code of responsible lending in the way we relate to customers. Our caring attitude has been reinforced by the introduction of a hardship contract which assists customers during a time of financial difficulty. It is pleasing to note that this initiative was actually suggested by our staff which shows their genuine concern for customer welfare. We actively seek to empower and support our staff and so provide a range of learning and development opportunities which is key to developing a positive culture. Our priority is to ensure Thorn is a sustainable business and a positive contributor to the community. This incorporates financial support for charitable organisations and local welfare groups, integrating environmental considerations into purchasing and supply decisions, participation in industry associations and pro-active consultation with legislative bodies and regulators.

OUTLOOK

The board has a very positive view of the medium term outlook for Thorn as it begins to see the outcomes of its strategy to build a broader based financial services business. This has involved absorbing costs from investing in the future but, as our track record shows, we have a strong and profitable base which has allowed us to proceed in this direction without it being significantly detrimental to overall performance.

In coming years, Thorn will continue its drive to become a broader based contemporary style business which will enable it to meet the needs of many more Australians and becoming a significant industry participant in financial services.

PEOPLE

The strategy on which Thorn is embarking would not have been possible without the foresight and capabilities of a talented management team. Mr John Hughes, our Managing Director since ASX listing in 2006, retired on 30 June 2014. Mr Hughes has been a strong driver and innovator of the business and the Board is grateful for his hard work and contribution over the preceding 8 years. Mr James Marshall has been appointed as Managing Director with effect from 1 June 2014. Mr Marshall was previously the Chief Operating Officer and prior to that, General Manager of the Radio Rentals/Rentlo business. He has been with the business for 20 years and will continue to lead Thorn as it develops its current strategic path. The Company is very fortunate to have a strong group of senior executives and staff who are committed and passionate about the business and we thank our staff for their efforts in driving our business forward.

David Carter
Chairman

"OUR INVESTMENT IN EXPANSION WILL GIVE US A BIGGER BUSINESS OVER THE NEXT FEW YEARS."

JAMES MARSHALL
MANAGING DIRECTOR

In financial year 2014, Thorn has recorded a solid result while demonstrating that the investment in its diversification strategy was now producing higher revenue and strong receivables growth in all divisions.

It is very rewarding to see our "investing for expansion" strategy gaining momentum and showing positive results. Over the past few years we have concentrated our efforts on a number of critical areas for Thorn to achieve its strategic objectives and there is now clear evidence of these initiatives adding value to the framework of the organisation.

FINANCIAL PERFORMANCE

Radio Rentals was again the standout performer and remains the main contributor to group performance. After more than 75 years, Radio Rentals, is still going strong, defying industry trends and continuing to grow each year, which shows its relevance to the market, particularly through its "Rent, Try, $1Buy" offering. Confirming this, is our customer retention rate which has been maintained at over 48 per cent, which means nearly half of all our customers who complete a contract sign up to take out a new contract for another product.

IT IS VERY REWARDING TO SEE OUR "INVESTING FOR EXPANSION" STRATEGY GAINING MOMENTUM AND SHOWING POSITIVE RESULTS.

Pleasingly we have seen strong revenue growth across all business divisions and higher earnings from Radio Rentals, Thorn Equipment Finance and NCML.

While additional investment costs relating to systems, people and marketing have impacted the short term profit performance of Thorn Financial Services, the investment was essential to develop a platform to launch new products, including the introduction of Thorn Money, which offers higher value consumer loans as well as a tailored solution for solar financing. Notably, NCML profit grew after a restructure of the business last year, which has resulted in improved operational performance. The Thorn Equipment Finance book is now at $63.55 million, continuing to build towards the $100 million target which would substantiate its position as a significant contributor to growth.

BUSINESS RENEWAL

We understand that every business needs renewal and reinvention to remain contemporary and relevant. Last year, we started a rigorous review of the core business to ensure we stayed in a leadership position. This review highlighted a strong potential existed in new demographic markets where identified consumers were finding it difficult to access contemporary products and services from existing providers. Consequently, we have been developing a suite of financial products to expand our offering and we are looking to test these initiatives, together with an evolution of the Radio Rentals brand in two selected markets, later this year.

We have also taken the concept of renewal beyond Radio Rentals to the rest of our business with plans to further expand the range of products we offer in financial services. This year we launched a higher value loan offering through Thorn Money, and we are now developing a 'Small Amount Credit Contract' to leverage off the significant levels of inquiry generated by Cashfirst advertising. This will see the introduction of short term loans with risk being mitigated through lower balances and shorter terms, typically between $1000 and $2000 for periods less than 12 months.

In Thorn Equipment Finance, we are broadening our business development relationships to further improve our reach and source of origination. Improved origination has enabled the business to expand the product range across leasing, rental, chattel mortgages, commercial hire purchase and funding packages tailored for franchising operations. While maintaining strong relationships with business introducers, the company also sees opportunity in developing a "commercial direct" model to meet the needs of small and medium sized enterprises in the market.

Among our new business initiatives, one we are reviewing closely is Rent, Drive, Buy. The success of this proposition depends principally on customers being eligible and able to buy their rented motor vehicle at the end of the initial contract term. Initial results from this trial have not met our sell-through expectations and coupled with increasing competition driving up customer acquisition costs in the market, it is likely this trial will be concluded in the coming months.

VISION

At Thorn, we take great pride in the relationships we have with our retail and business customers. We are passionate about our values and maintaining a responsible attitude to providing products and services that meet the needs and financial capacity of our customers. While we provide the goods and services our customers want, our overriding intention is to treat them fairly. This links to our vision of developing a broader based financial services organisation, taking a wider range of products and services to a broader range of customers nationally, all based on the values we stand for and utilising the credit skills we have in the group.

Thorn is a people business and there are many stories of how we have helped people over the years, with just a few of them highlighted in this report.

OUTLOOK

While our transformation strategy to become a broader based financial services group is gaining momentum with strong growth across consumer and commercial portfolios, continued investment in systems, people and marketing to further develop these platforms has seen profit held steady over the past few years. In 2015, we are expecting a resumption of profit growth as revenue increases flow to the bottom line to deliver NPAT growth above $30 million.

Our investment to diversify and expand our operations will result in a bigger business over the next few years, extending rewards to shareholders, customers and employees while substantiating a national presence across a wider array of financial services.

This annual report marks the retirement of John Hughes. John has been instrumental in re-shaping the organisation since listing in 2006 and he has been central to Thorn's success over that period. John's leadership has included developing a strong executive team and culture to take the company forward. I have been appointed Managing Director of Thorn from 1 June 2014, which follows having worked with the company for the past 20 years and for the past year in the role of Chief Operating Officer. The board and management are confident Thorn will deliver strong results as we execute our strategy to expand and diversify into new markets.

James Marshall
Managing Director

RADIO RENTALS AND RENTLO

BUSINESS PERFORMANCE

- Record installations, revenue and earnings
- Introduction of 48 month Rent, Try, $1Buy contract
- Strong demand for smartphones and tablets

Radio Rentals provides an extensive range of technology, home and office needs, through a range of consumer lease products, principally under the Rent, Try $1Buy!® banner. Radio Rentals operates over 90 outlets nationally and has been a market leader since 1937.

A feature of the core Radio Rentals and Rentlo division, which becomes more apparent each year, is its resilience. Radio Rentals has been a household brand in Australia since 1937 and continues to show it provides a service that many Australians value greatly.

The division has defied industry trends, challenging economic conditions, and once again posted record revenue of $197 million ($170M) with record installations achieved in 10 of the 12 months, driving growth in operating lease and finance lease revenue for financial year 2014. Furniture and technology products remain the main contributors, with significantly increasing demand for quality "smart enabled" devices.

Over the past few years we have experienced low levels of consumer confidence across the country, with increasing costs of living, especially utility costs, continuing to have an impact and making it harder for families to budget.

This year we have introduced a 48 month Rent, Try, $1Buy! contract with a view to improving affordability while still applying our responsible lending policy. This gives some customers a greater ability to enjoy larger size products, whole room packages or additional items they were unable to afford on shorter term contracts.

I couldn't afford to buy a new fridge and didn't qualify for the interest free deals advertised by retailers on TV. I was walking two kilometres a day to get bags of ice which were costing me $6 a day, but Radio Rentals were able to help me with a 250 litre fridge for just $1 per day, delivered and installed! (Radio Rentals customer, Victoria)

STORE NETWORK AND PRODUCT DEVELOPMENT

- Hub and Spoke store structure as shopping habits change
- Rent, Try, $1Buy – Industry Icon
- Expanding financial products offering

Changing shopping habits over the years have led us to rethink shop structures in metropolitan areas and introduce the 'hub and spoke' business model. We are moving away from full service branches in metropolitan suburbs to kiosks and showrooms in high traffic shopping centres, which are supported by distribution centres located in neighbouring industrial areas. This has led to a more efficient cost structure while achieving a higher level of customer interface.

THE DIVISION HAS DEFIED INDUSTRY TRENDS, CHALLENGING ECONOMIC CONDITIONS, AND ONCE AGAIN POSTED RECORD REVENUE OF $197 MILLION

At the same time as evolving our store footprint, we have completely redesigned and enhanced our website. Our current experience is that around 70 per cent of new inquiries are coming from online and telephone, with our website recording over a million visits a year. Marketing is also supported by advertising, with television continuing to be a powerful medium.

The Rent, Try, $1Buy™ offering continues to be very popular with our customers as they enjoy the benefits and flexibility of rental as well as the potential to obtain ownership. In line with our "Responsible Rental Policy", we ensure customers are provided with products that suit their needs and budget and that they are not over committed. Difficult economic conditions combined with customer interest has led to us introducing a hardship contract in the past year, which has been helpful in assisting customers at a time of need by giving them extended terms.

In line with our strategy to expand our offering and access a broader demographic, we are developing a number of additional financial products, such as take home layby, interest free, savings club and extended length contracts, which will give our customers different alternatives to access household goods. We will be looking to trial these initiatives in selected markets later this year.

Home of Rent Try $1Buy™

I couldn't get a mobile phone because of a 'black mark' on my credit rating from global roaming charges years ago, I desperately needed a mobile phone to keep in touch and Radio Rentals were able to help me out. (Radio Rentals customer, NSW)

CUSTOMERS & PRODUCTS

- Thorn Branded Smartphones
- Introduction of new product categories
- "Fair Go" credit policy appreciated by customers

Leveraging off the popularity of the Apple and Samsung smartphone range and the growing technology category, we are looking to introduce a high quality Thorn branded smartphone. Our experience with Thorn branded products has been very positive over the years, especially with flat panel televisions and refrigerators. We believe there is scope to expand this concept further, offering the products to a broader range of consumers, with it having a positive effect on margins and supporting the business.

As part of reviewing our product offering to ensure we are responding to our customers' needs we are reintroducing gaming products such as the new PlayStation 4. Advances in technology have improved the quality and reliability of these types of machines meaning we can more effectively allow customers to enjoy a gaming experience.

We know from our market research and customer surveys that new product development and product range expansion is appreciated by consumers. This is further supported by our "fair go" credit policy which provides affordable access to goods and services that might not otherwise have been available.

EVOLUTION OF CONSUMER RENTAL

- Potential Second Brand
- Expanding Demographic
- Increasing Affordability

We recognise that while Radio Rentals has been very successful for nearly 80 years, the market and the demographics have changed. We particularly see potential in higher demographic markets where people are currently finding it hard to access some products.

Coinciding with the trial of new products, we will test a new branding treatment for our core business in two different market areas.

Additionally, we believe there is an opportunity to launch a second rental brand that would cater for consumers who may find themselves in challenging circumstances and need access to essential household goods. To this end, work has commenced to further explore this opportunity.

THORN EQUIPMENT FINANCE

- Building towards a $100M receivables book
- New 'Rental Advantage' product
- Ongoing relationships with brokers, introducers and vendors

Thorn Equipment Finance provides rental and financing solutions for businesses and government, with SMEs a key target market for supply of a diversified range of products.

Examples of equipment financed over the past year are information technology systems, telephony, point of sale systems, printers and copiers and equipment ranging across gaming, audio visual, hospitality, industrial and commercial uses. The key target market is small to medium enterprises and meeting their funding requirements under $100,000, an area we consider underserviced by the major financial institutions and consequently representing a considerable opportunity for growth. The business also continues its long standing relationship with TABs to which we supply technology equipment and provide a high level of service support. An opportunity to expand on this platform to include an integrated 'Commercial Direct' model offering a full suite of commercial financing products directly to a broader base of SME's is being developed and is expected to be launched in the coming year.

After investing in a specialist team to drive growth and quality business, strategic alliances with vendors and brokers have been expanded and place the business in a sound position for attracting clients and lifting its size and positioning in the market.

Financial performance has reflected this investment, with the loan book now at $63.55 million compared with $36 million a year ago and the average deal size being $27,000 compared with $22,000 in FY13.

Our focus on being a significant player in hospitality equipment leasing has led to the release of the 'Rental advantage' product which provides a cost effective alternative financing option to the hospitality industry.

Given the group's strength in credit assessment, financing and collections, a key area for potential development is invoice discounting, which we see as a significant opportunity to link with other forms of financial packages, to assist our clients with their cash flow positions.

Additionally, we believe an opportunity exists within the franchise network space to provide a one-stop financing solution for franchisees and franchisors, and we are currently holding discussions with key stakeholders to explore this opportunity further.

We were having cash flow issues in the business and needed new equipment to improve our situation but were finding it difficult to get finance. Thankfully we were able to lease the products through Thorn Equipment Finance and now the business is growing and cash flow is improving. (Thorn Equipment Finance customer, NSW)

THORN FINANCIAL SERVICES

- Three brand strategy
- Expansion of Thorn Money
- New partnerships

Thorn Financial Services comprises Thorn Money, which provides unsecured loans up to $15,000 and secured loans up to $25,000, and Cashfirst, which provides unsecured loans between $2,000 and $5,000.

Expansion in financial services is a key driver of Thorn's business strategy and involves the introduction of new products and targeting new market segments, which our research shows is underserviced by other financial institutions.

As part of our expansion strategy, we have launched Thorn Money to expand the consumer financial services offerings, targeting the mid-prime demographic. Thorn Money provides unsecured loans up to $15,000 and secured loans up to $25,000, as well as specific loans for solar power up to $20,000.

Our cornerstone business, Cashfirst, which provides unsecured term loans of $2,000 to $5,000 has continued its strong growth trajectory with the loan book exceeding $23 million by year-end, compared with $21 million 12 months earlier, representing growth of 9.5 per cent. The loan approval rate was maintained at 15-20 per cent of applications, with customer arrears and bad debts remaining within budgeted levels and demonstrating Thorn's ongoing commitment to responsible lending policies.

This year, a Cashfirst pilot store opened in Campbelltown, NSW, and further expansion of this program through a 'store-in-store' concept is being considered in conjunction with the Radio Rentals review process.

In addition to these two distinct brand strategies under the financial services umbrella, which focus on the distinct needs of different demographics, we are also developing a third brand. This will be driven via a 'Small Amount Credit Contract' (SACC) loan product and will leverage off the significant levels of inquiry generated by Cashfirst advertising. This product has the potential to build volume at lower acquisition costs while meeting the needs of customers for smaller loan amounts and shorter terms. SACC will provide loans between $1,000 and $2,000, over periods less than 12 months, for customers who find themselves in unexpected circumstances. We believe the SACC product is also very applicable to the Radio Rentals demographic and we are exploring opportunities to offer this loan product through the Radio Rentals store network later in FY15. SACC is distinctly different from the payday lending market, where loans of less than $1,000 are offered for very short periods.

Investments in a new core loan system, origination system and decisioning system have provided TFS a new level of capability and enabled the business to form a new partnership with a national phone provider with a view to providing retail finance. Initial results of this trial have been positive and suggest we will be in a position to expand this offering nationally in coming months. Thorn's growing technology capability and capacity will support more of these partnerships into the future.

In addition to Thorn Money's solar power and telecommunications partnerships, we are currently looking at a number of other alliances that will further broaden our footprint in offering a wide range of financial services.

New online platforms have recently been introduced to further improve our digital presence and transactional capability. In addition to advancements in online capability, we are actively exploring opportunities to establish or acquire a broader geographic presence in the domestic market to provide customers greater access to products and services.

I recently started a plumbing apprenticeship and the engine in my car just gave up. Without a car my job was at risk and it was hopeless relying on public transport. I got a Cashfirst loan to get the car fixed and now I'm back at work. (Cashfirst customer, NSW)

NCML

- Better results
- Increased focus on business development
- Complete systems review

NCML is a provider of credit and receivables management services throughout Australia.

While NCML encountered a number of challenges during FY14, the business is now positioned for stronger growth in the future.

A restructure of NCML, which began in the second half of FY13, has resulted in improved operational performance in FY14, with revenue growth of 9.2 per cent to $20.6 million compared with $18.9 million in FY13.

Along with significant streams of activity coming from the NSW Government, in the areas of State Debt Recovery and Roads and Maritime, and a substantial lift in local council work in South Australia, there has been a greater variety of revenue sources for NCML contributing to its 2014 performance. We believe new business opportunities in the commercial and consumer debt recovery as well as purchased debt ledgers will contribute to continuing growth.

An ongoing focus on improving our operational execution has led to a complete systems review, with a view to introducing new IT platforms to improve transactional capability in the year ahead. We have also appointed dedicated General Managers to improve the areas of operations as well as business development.

The acquisition of new business development tools and systems will support the team in expanding our geographical footprint and tap into new market areas leveraging off our strengths and competencies in specialised areas of credit management.

PEOPLE AND THE COMMUNITY

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

Thorn is built on basic principles of openness, honesty and trust, enhanced by a strong "challenge" culture where everyone within the organisation is encouraged to create and advocate ideas that can improve reputation and performance. In addition, there is a philosophy of "Above the Line" behaviour which focuses on taking responsibility, accountability and ownership for whatever we do.

Thorn is committed to operating its businesses honestly, efficiently and fairly with high moral, ethical and legal standards. Our Code of Conduct sets clear expectations for all of our people in their interactions with each other, with customers and the wider community. In return we provide our people with training, support and opportunities to fulfil their potential. We recognise and value the unique contribution people can make because of their individual backgrounds and different skills, experiences and perspectives. This operates at all levels of the organisation, with our Board of Directors also reflecting our gender diversity policy.

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

COMMUNITY

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

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

children's tumour FOUNDATION of AUSTRALIA

CHILDREN'S TUMOUR FOUNDATION OF AUSTRALIA

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

If you said "Neuro-what?" you are not alone. Although Neurofibromatosis (NF) affects one in every 3000 births, and more people/kids have NF than Cystic Fibrosis, Duchenne Muscular Dystrophy, Tay Sachs Disease and Huntington's disease combined – it is relatively unknown. In a nutshell, NF is a genetic disorder that causes tumours to grow on the nerves throughout the body. Every nerve cell in a child's body has the potential to become a tumour causing blindness, deafness, bone deformities, learning disabilities and severe chronic pain. NF is a lifetime condition, and there is no cure.

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

project new dawn

PROJECT NEW DAWN

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

The first house went live in 2008 in Melbourne and there are now six houses across Australia – two in Melbourne and one each in Newcastle, Adelaide, Perth and Brisbane. Since 2008, 26 people have been recruited nationally and roughly half of those selected have stayed on or graduated from the program. The project aims to have 30-40 properties Australia wide, giving 60-80 homeless men and women the opportunity to move from the street and into regular employment.

NATURAL DISASTER

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

ENVIRONMENT

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

HEALTH AND SAFETY

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

GOVERNMENT AND INDUSTRY

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

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

***Left:** Treadmill Challenge May 2014; **Above:** Children's Tumour Foundation Cupids Undie Run 2014 (Red – Queensland, Blue – Victoria).*

OUR BRANDS

THORN Group Ltd.

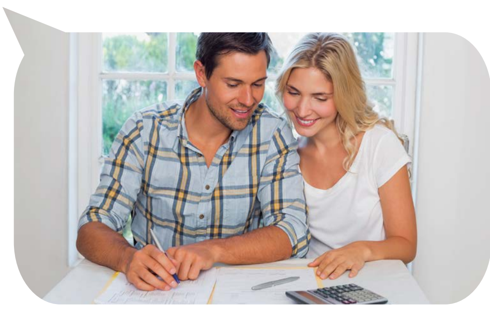
radio rentals

rentlo

THORN Equipment Finance

NCML

THORN Financial Services



Providing Support for the Community

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

Providing a Positive Working Environment for our People

THORN'S 2014 CSR FOCUS AREAS

Providing Optimum Service for our Customers

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

Health, Safety and Environmental Responsibility

Contributing to Legislative and Regulatory Improvement

FINANCIAL SUMMARY

INCOME STATEMENT

For the year ended 31 March

In thousands of AUD	2014	2013
Revenue	**234,855**	203,203
Profit before income tax	**41,032**	40,788
Income tax expense	**(12,881)**	(12,767)
Profit for the period	**28,151**	28,021

BALANCE SHEET

As at 31 March

In thousands of AUD	2014	2013
Assets		
Cash and cash equivalents	**2,393**	4,871
Trade and other receivables	**68,981**	58,463
Total current assets	**71,374**	63,334
Trade and other receivables	**89,015**	67,139
Deferred tax assets	**3,260**	2,898
Property, plant and equipment	**4,423**	3,655
Rental assets	**52,644**	52,929
Intangible assets	**31,734**	31,401
Total non-current assets	**181,076**	158,022
Total assets	**252,450**	221,356
Liabilities		
Trade and other payables	**25,903**	26,117
Loans and borrowings	**9,099**	–
Employee benefits	**5,621**	4,719
Income tax payable	**7,039**	4,520
Provisions	**498**	502
Total current liabilities	**48,160**	35,858
Loans and borrowings	**31,397**	28,900
Employee benefits	**248**	338
Provisions	**1,025**	887
Total non-current liabilities	**32,670**	30,125
Total liabilities	**80,830**	65,983
Net assets	**171,620**	155,373
Equity		
Issued capital	**99,060**	95,483
Reserves	**2,851**	2,769
Retained earnings	**69,709**	57,121
Total equity	**171,620**	155,373

STATEMENT OF CASH FLOWS

As at 31 March

In thousands of AUD	2014	2013
Cash flows from operating activities		
Cash receipts from customers	**255,109**	222,660
Cash paid to suppliers and employees	**(138,438)**	(120,612)
Cash generated from operations	**116,671**	102,048
Interest paid	**(2,073)**	(1,807)
Interest received	**151**	260
Income tax paid	**(10,724)**	(7,173)
Net cash from operating activities	**104,025**	93,328
Cash flows from investing activities		
Proceeds from sale of assets	**1,655**	1,126
Acquisition of rental assets	**(70,178)**	(60,463)
Thorn Equipment Finance settlements	**(32,325)**	(33,161)
Acquisition of property, plant and equipment	**(2,538)**	(1,874)
Acquisition of software	**(2,727)**	(1,784)
Net cash used in investing activities	**(106,113)**	(96,156)
Cash flows from financing activities		
Proceeds from borrowings	**24,996**	18,900
Repayment of borrowings	**(13,400)**	(4,000)
Dividends paid	**(11,986)**	(13,071)
Net cash used in financing activities	**(390)**	1,829
Net decrease in cash and cash equivalents	**(2,478)**	(999)
Cash and cash equivalents at April 1	**4,871**	5,870
Cash and cash equivalents at 31 March	**2,393**	4,871

FOUR YEAR PERFORMANCE SUMMARY

In thousands of AUD		**2014**	2013	2012	2011
Operating Performance					
Total revenue	$m	**234.9**	203.2	188.4	157.6
Normalised net profit (before significant items)	$m	**28.4**	28.0	27.8	23.0
Significant items	$m	**–**	–	–	(1.0)
Reported net profit	$m	**28.2**	28.0	27.8	22.0
Operating cash flow	$m	**104.0**	93.3	71.6	68.4
Capital expenditure – rental assets	$m	**70.2**	60.5	54.8	52.6
Balance Sheet Structure					
Total assets	$m	**252.5**	221.4	185.3	171.8
Capital employed	$m	**209.7**	179.4	148.4	122.0
Equity	$m	**171.6**	155.4	140.2	95.0
Net debt	$m	**38.1**	24.0	8.2	27.0
Per Share Performance					
Number of shares	m	**149.5**	147.6	146.4	129.9
Weighted average number of shares – basic	m	**148.6**	146.6	144.7	130.8
Weighted average number of shares – diluted	m	**148.8**	146.8	146.5	132.0
Basic earnings per share	cents	**18.94**	19.11	19.24	16.84
Diluted earnings per share	cents	**18.91**	19.09	19.01	16.69
Share price at year end	cents	**2.15**	2.06	1.57	2.19
Dividend per share[1]	cents	**11.00**	10.50	9.50	8.49
Dividend payout ratio	%	**55**	55	50	50
Financial Ratios					
Interest cover based on EBITA	x	**22.4**	24.4	27.2	53.1
Net debt to equity	%	**22.2**	15.4	6.0	28.4
Debt to equity	%	**23.6**	18.6	10.0	37.8
Return on capital employed[2]	%	**21.8**	24.8	30.3	35.0
Return on equity[3]	%	**26.2**	28.1	33.0	37.0

1 Dividends declared during the year.

2 Calculated as total profit before interest and tax divided by the average capital employed.

3 Calculated as total profit before interest and tax divided by the average equity.

CORPORATE DIRECTORY

Directors

David Carter
Chairman

James Marshall
Managing Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Stephen Kulmar
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

Thorn Group Limited
Level 1
62 Hume Highway
Chullora NSW 2200
www.thorn.com.au

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

Auditor to Thorn Group Limited

KPMG
10 Shelley Street
Sydney NSW 2000

Registry

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

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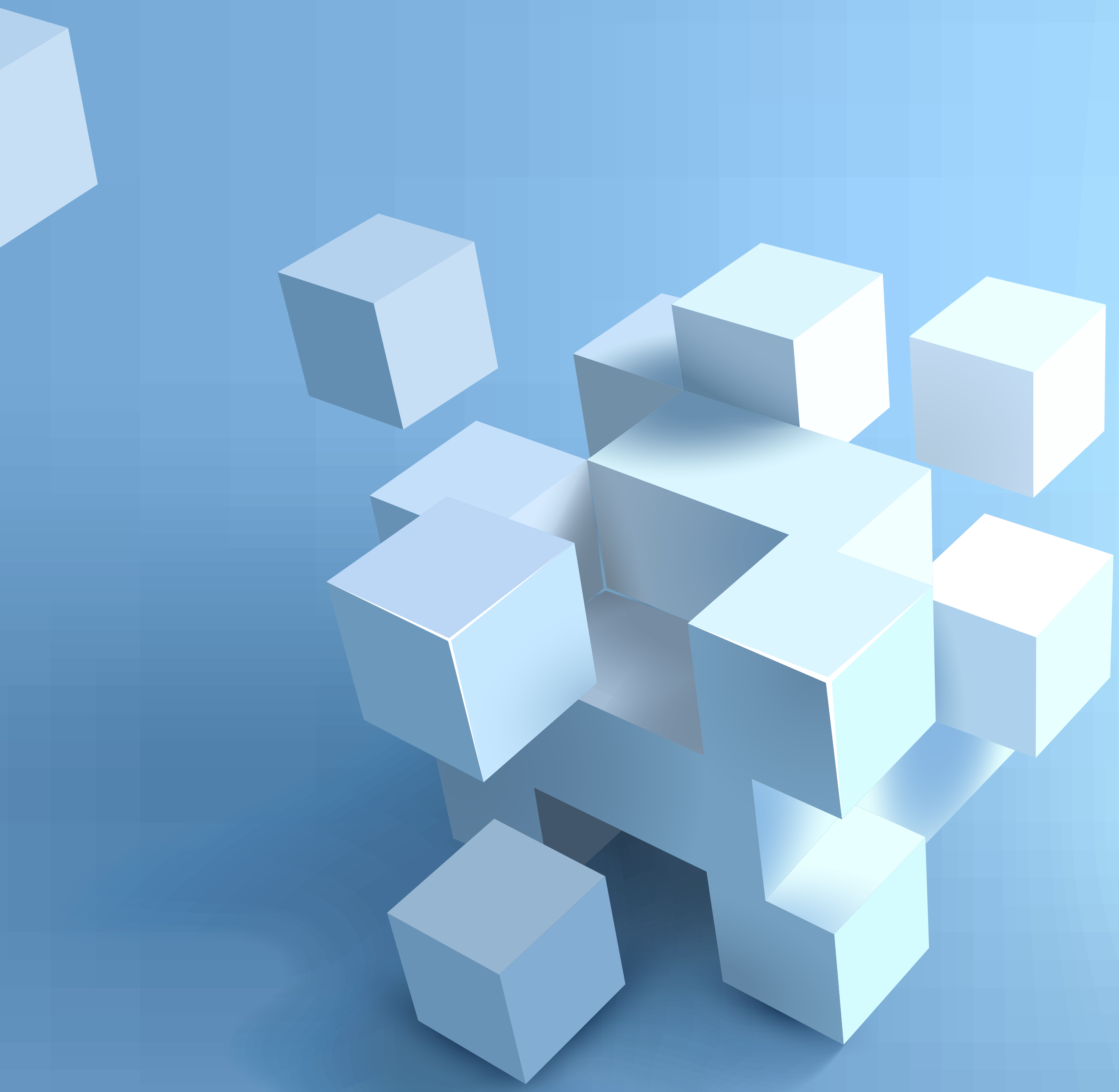
THORN Group Ltd.



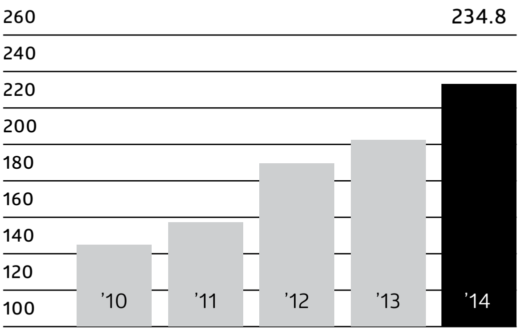
THORN Group Ltd.

2014 Financial Report

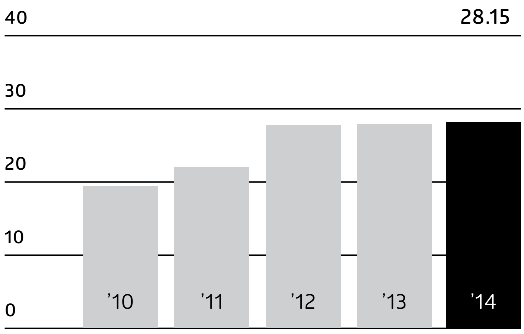
BUILDING FOR THE FUTURE

FINANCIAL SUMMARY

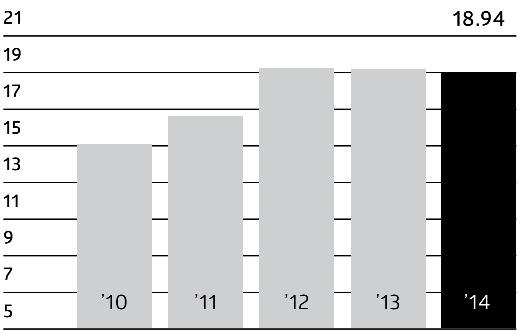
REVENUE
(A$m)



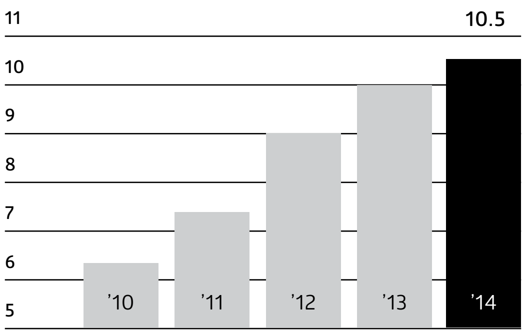
NET PROFIT AFTER TAX
(A$m)



BASIC EARNINGS PER SHARE
(cents)



DIVIDENDS PAID PER SHARE
(cents)



RESULTS SUMMARY FOR THE YEAR

In thousands of AUD	2014	2013
Revenue	**234,855**	203,203
Profit before Tax	**41,032**	40,788
Net Profit after Tax	**28,151**	28,021
Earnings per Share (cents)	**18.94**	19.11
Net Cash from Operating Activities	**104,025**	93,328

Thorn Group Limited and its Controlled Entities
ACN 072 507 147

Contents

Notice of meeting

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 26 August 2014, commencing at 11:00am.

DIRECTORS' REPORT

The directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as the 'consolidated entity') for the financial year ended 31 March 2014 and the auditor's report thereon.

Contents of directors' report

1. Directors Information

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

David Carter (Age 60)
Chairperson
Independent
Non-Executive

Appointed:
3 November 2006

Qualifications
Bachelor of Economics, Bachelor of Law (Hons), Masters of Law, and a Bachelor of Civil Law

Experience
David is a lawyer and corporate advisor who was previously a partner of a major international law firm. David currently runs his own legal and corporate advisory practice. David has significant experience in corporate governance, M&A, commercial and international law. David is a Member of the Australian Institute of Company Directors.

Other current directorships
N/A

Former directorships
Azure Healthcare Limited
Victorian Energy Network Corporation

Interests in shares and options
192,729 ordinary shares

John Hughes (Age 62)
Managing Director

Appointed:
3 November 2006

Qualifications
Bachelor of Commerce

Experience
John has over 35 years experience as a senior executive in a number of leading Australian and international companies including Rural Holding Limited, Thorn EMI Rentals Australasia, Sharp Corporation, Competitive Foods, and Grace Bros.

Other current directorships
N/A

Former directorships
N/A

Interests in shares and options
3,429,113 ordinary shares

Joycelyn Morton (Age 55)
Independent
Non-Executive

Appointed:
1 October 2011

Qualifications
Bachelor of Economics

Experience
Joycelyn began her career with Coopers & Lybrand (now PwC), before joining Woolworths Limited and later the Shell Group in Australia and the Netherlands.

She is a Fellow of CPA and ICAA in Australia, the Australian Institute of Company Directors and the Governance Institute of Australia.

Other current directorships
Argo Investments Limited,
Noni B Limited
Snowy Hydro Limited

Former directorships
Crane Group Limited
Count Financial Limited

Interests in shares and options
39,000 ordinary shares

Peter Henley (Age 67)
Independent
Non-Executive

Appointed:
21 May 2007

Qualifications

Experience
Peter 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 Fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

Other current directorships
AP Eagers Limited
MTA Insurances Limited

Former directorships
GE Motor Solutions Australia
GE Money Singapore and Malaysia.
United Financial Services Limited

Interests in shares and options
60,278 ordinary shares

Stephen Kulmar (Age 61)
Independent
Non-Executive

Appointed:
15 April 2014

Qualifications

Experience
Stephen is the former Managing Director and Chairman of IdeaWorks and is currently the Managing Director of Retail Oasis, a boutique retail marketing services company.

Steve has over 30 years experience in advertising and has extensive experience in retail strategy, brand strategy, channel to market strategy, business re-engineering and new retail business development.

Other current directorships
RCG Corporation Limited
Retail Oasis Pty Ltd

Former directorships
Charles Parsons Pty Ltd

Interests in shares and options
Nil ordinary shares

James Marshall (Age 41)
Executive

Appointed:
5 May 2014

Qualifications
Dip. Financial Services

Experience
James joined the company in 1993 and held several frontline and senior management positions prior to joining the Executive Team which took the company to public listing in 2006.

James has extensive knowledge of the consumer leasing and receivables management industries and has been instrumental in driving the development and growth of Thorn's core Radio Rentals business since the IPO.

Most recently as Chief Operating Officer, James has led the development and implementation of the Group's strategic initiatives in financing and receivables management.

Other current directorships
N/A

Former directorships
N/A

Interests in shares and options
126,887 ordinary shares

Paul Lahiff (Age 61)
Independent
Non-Executive

Appointed:
21 May 2007

Retired:
22 August 2013

Qualifications
Bachelor of Science

Experience
Paul operates his own consultancy firm specialising in financial services strategy. He has over 30 years experience in the financial services industry and has held senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector.

He is a Fellow of the Financial Services Institute of Australia (FINSIA) and is a member of the Australian Institute of Company Directors (AICD).

Other current directorships
N/A

Former directorships
N/A

Interests in shares and options
Nil ordinary shares

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's role encompasses Finance, Information Technology, Business Development and Risk Management. Peter holds a Bachelor of Commerce degree from the University of Western Sydney, is a member of CPA Australia and has undertaken the Senior Executive programme at London Business School.

3. Directors' Meetings

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

Director	Board Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B
John Hughes	13	13	5[a]	5[a]	6[a]	6[a]
David Carter	13	13	5	5	6	6
Joycelyn Morton	13	13	5	5	6	6
Peter Henley	13	13	5	5	6	6
Paul Lahiff	4	4	2	3	1	1

A – Number of meetings attended

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

(a) Mr John Hughes was not a member of the Audit Risk and Compliance Committee or the Remuneration and Nomination Committee but attended the meetings by invitation.

(b) Mr Stephen Kulmar was appointed as a non-executive director on 15 April 2014.

(c) James Marshall was appointed as an executive director on 5 May 2014.

4. Corporate Governance Statement

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

4.1 Board of Directors

Role of the Board

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

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

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

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

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

Board Processes

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

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

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

Director and Executive Education

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

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

Independent Professional Advice and Access to Company Information

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

Composition of the Board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out on pages 2 to 3 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; and
- directors are subject to re-election every three years (except for the Managing Director).

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

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

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

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

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

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

4.2 Remuneration and Nomination Committee

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

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

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

- David Carter (Chairperson) – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- Joycelyn Morton – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive (Retired 22 August 2013)

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

Stephen Kulmar was appointed the Chairperson on the Remuneration and Nomination Committee on 15 April 2014.

From time to time, the Committee takes advice from external consultants to identify potential candidates for the Board. The Committee makes recommendations to the Board on the candidates, which votes on them. The Board then appoints the most suitable candidates. Board candidates must stand for election at the general meeting of shareholders immediately following their appointment.

Korn Ferry and Heidrick and Struggles were engaged during the financial year by the Board to assist in the recruitment of a Non-Executive Director. Fees of $93,925 were incurred.

Korn Ferry were engaged during the financial year by the Board to assist in the recruitment of a new Managing Director and Chief Executive Officer. Fees of $165,962 were incurred.

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 at least three times a year and as required. The Committee met six times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 4.

4.3. Remuneration Report – Audited

The directors are pleased to present the remuneration report setting out the remuneration information for key management personnel (KMP), for the year ended 31 March 2014 and is prepared in accordance with section 300A of the Corporations Act 2001.

The KMP of the Company and the consolidated entity for the year ended 31 March 2014 were:

Directors

David Carter
Peter Henley
Joycelyn Morton
Paul Lahiff (retired 22 August 2013)

Senior Executives

John Hughes	Chief Executive Officer (CEO)
James Marshall	Chief Operating Officer (COO)
Peter Eaton	Chief Financial Officer (CFO)

2013 Annual General Meeting (AGM) First Strike

Despite solid financial performance, at the 2013 AGM the Company received 27.47% of votes cast against our Remuneration Report. In contrast, in 2012, only 1.5% of security holders voted against the Remuneration Report. This change in sentiment concerned the Board.

As part of the review post the 2013 AGM, members of the Board including the Chairperson met with numerous stakeholders to discuss Thorn's remuneration arrangements. The Board appreciated the engagement with all stakeholders who have taken the time to share their views.

The issues identified by shareholders and their representatives in respect of the 2013 remuneration structure, the remuneration report and the actions taken by the Board to address these are:

STI disclosure including limits	Section 4.3.1 of this report provides comprehensive detail of the STI including, in particular, that no amount of STI is paid unless budgeted NPAT is achieved. Further, only 30% of the financial KPI is paid at target.
Retention payments to CEO	During 2013 the Board were advised to ensure the CEO and his corporate knowledge was retained during a period of transition. A detailed explanation of the reasons for the retention payments to the CEO (CFO and COO) is set out in this report.
LTI scheme structure	The 2012 LTI grant has a performance period of 5 years and is only eligible to commence vesting on the 3rd anniversary if a ROCE gateway is met. Importantly, only once that gateway is met will the awards vest on the 3rd, 4th and 5th anniversary if relative TSR hurdles are achieved. No LTI was granted in the 2014 year.
Fee cap increase	The fee pool for NEDs has ensured the Board had the capacity to recruit a new director.
Disclosure of comparator group	The comparator group for the LTI, and against which KMP remuneration is benchmarked, has been disclosed at www.thorn.com.au.

The board recognises its disclosure and explanation of the remuneration framework and rationale for its decisions did not meet shareholder's and their representative's expectations in 2013.

At the time of the 2013 AGM, the 2014 remuneration packages had already been determined and it was not possible to make significant changes for this year. The board has undertaken a comprehensive review of the remuneration framework and structure and the disclosure of its current practices. The disclosure throughout this remuneration report seeks to transparently explain how the remuneration has been structured and the rationale for various remuneration decisions.

The action taken, and decisions being considered, by the board for the 2015 financial year include:

- Further benchmarking of KMP remuneration; and
- Review and revision of the STI and LTI structure and framework with regard to:
  - Market and industry practice; and
  - More closely linking remuneration to Company strategy and shareholder interests in both the short and long term.

Details of any changes to the remuneration framework will be disclosed to the market, where required, and in the 2015 remuneration report, once approved by the Board.

2014 Remuneration highlights

CEO retirement	– John Hughes advised the Board of his retirement in November 2013, effective 30 June 2014.
Appointment of new CEO	– James Marshall, previously Chief Operating Officer was appointed to replace John Hughes as Chief Executive Officer and Managing Director effective 1 June 2014. – Mr Marshall's annual remuneration was set at the time of his appointment and is detailed on page 14.
Senior executive pay freeze	– Senior executives and General Manager salaries did not receive any fixed pay or variable remuneration increases in the 2014 financial year except where there was a change in responsibility.
Short term incentives (STI) reflect on target performance for 2014	– 2014 financial performance was ahead of both the prior comparative period and budget. – The result was however impacted by the Company's investment in new business opportunities. – Consequently the average short term incentive is at the bottom of the range.
Long term incentives (LTI)	– The final tranche of the 2010 plan was calculated and paid during the year. Any performance rights that did not vest were forfeited. – There was no grant of LTI during the 2014 year.
Senior Executives retention payments	– A retention payment of $150,000 was paid to John Hughes, CEO – A retention payment of $50,000 was paid to James Marshall, COO and Peter Eaton, CFO. – This is explained on page 12.
2013 AGM remuneration vote first strike	– A first strike was registered after 27.47% voted against the remuneration report as compared to 1.5% in 2012.

4.3.1. Principles of remuneration

The remuneration framework is set out to ensure rewards are appropriate for results achieved and are aligned to corporate strategic goals and shareholder wealth creation. The Board and Remuneration and Nomination Committee ensure sound remuneration governance practice, that KMP remuneration is competitive and transparent, whilst aligning shareholder interests through creation of sustainable growth and ensuring rewards reflect actual performance.

Remuneration levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. Independent advice is obtained on the appropriateness of remuneration packages, given trends in comparable companies 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 creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the executive;
- the executive's ability to influence 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 executive's compensation.

Fixed remuneration	STI	LTI
– Includes base salary, superannuation and fringe benefits – Set with reference to the market, internal relativities, qualifications, skills, performance and experience – Reviewed annually[1]	– Annual cash payment – Eligibility for payment depends on the Company achieving its budgeted NPAT as well as achievement against individual KPIs – KPIs are set at the start of each financial year	– The LTI is a performance rights scheme with a 5 year vesting period – No LTI vests if a ROCE gateway hurdle is not met – If the ROCE gateway hurdle is met, vesting of the performance rights depends on the Company's TSR performance relative to a peer group[1]

1 Remuneration is reviewed annually against comparable ASX listed entities. A list of these entities is available on the Thorn website (www.thorn.com.au)

The performance based STI and LTI components are described in more detail below.

i) Short Term Incentives

The STI is an annual cash incentive reviewed by the Board against operational and financial Key Performance Indicators (KPIs) for the financial year. The following table outlines the major features of the 2014 STI:

Features	Description
Funding of the STI	– The STI pool is funded when the Company achieves its budgeted NPAT – No STI is payable if the Company does not meet its budgeted NPAT
Minimum requirements	– No amount of STI is paid if budgeted NPAT is not met
STI that can be earned	– Below target performance – nil – On target performance – 30 per cent of fixed base – Maximum STI for stretch performance – 100 percent of fixed base – A sliding scale is applied when performance is between "target" and "stretch"
What is target performance?	– Target performance is budget NPAT

Features	Description
What is stretch performance?	– Stretch performance is when actual NPAT is equal to or greater than 125% of budget NPAT
KPIs	– Individual KPIs are set at the beginning of each financial year comprising financial and non-financial measures
Weightings of KPIs	– 70 per cent relates to financial KPIs – 30 per cent relates to non-financial KPIs
What is the financial KPI?	– Budgeted NPAT
What are the non-financial KPIs?	– The non-financial KPIs are agreed with the Board at the start of the financial year – Vary with position and responsibility – The KPIs relate to people, customer satisfaction, strategy, systems, risk and staff development
Performance period	– 1 April 2013 to 31 March 2014
Assessment & Approval	– At the end of the financial year, the Remuneration and Nomination Committee assesses the actual performance of the consolidated entity, and each individual's performance against the KPI's to determine how much of the bonus pool is payable. – The Board has the discretion to take into account unbudgeted extraordinary items approved by the Board. – The performance evaluation in respect of the year ended 31 March 2014 has taken place in accordance with this process. The Remuneration and Nomination Committee recommends the cash incentive to be paid to the individuals for approval by the Board.
2014 performance	– The financial hurdle was met – The amounts payable to KMP are detailed on page 17

Deferred component	– The Board has determined that it is not appropriate to introduce a deferral due to:
	  – The nature of the business is such that it is very difficult to shift profit between years;
	  – The profit budget is increased annually so that management is highly motivated to achieve those budgets out of annual revenues; and
	  – The quality of earnings is high and the risk of deferral is low
	– While the Board did not move to include a deferral of STI in 2014 and does not expect it will do so in 2015, it has determined to keep the matter under review as it moves forward with an overall review of the remuneration framework.

Clawback provisions	– The Board has not yet adopted a clawback policy as the Long Term Incentive, which vests over 3, 4 and 5 years provides the capacity to clawback a component of remuneration in the event of a matter of significant concern.

ii) Long Term Incentive (LTI)

The most recent grant of long-term incentives was in December 2012 in the form of performance rights. The grant is directly linked to the performance of the Company, the returns generated and relative increases in shareholder wealth. This structure is used to ensure appropriate alignment to shareholder value over a specified timeframe.

Performance rights provide the right to receive shares only if and when a particular performance based hurdle and vesting condition are met. The holders of the performance rights are entitled to receive one ordinary share per performance right.

During the 2014 financial year, the final tranche of the 2010 plan was due for testing. This was undertaken in June 2013. Shares were allotted to the participants of the scheme and any outstanding performance rights were forfeited. Details of the share allotted and rights forfeited are available on page 18.

No performance rights were granted during the 2014 financial year.

The following table sets out the key features of the LTI plan.

Features	Description
Instrument	– Performance rights – zero exercise price options
Maximum LTI award level	– LTI awards are capped at 50% of fixed remuneration at grant date using the face value of the shares at grant date to calculate the number to be granted.
Dividend treatment	– No dividends are paid on unvested awards
Share dilution limits	– No share dilution limits are in place given the quantum of the LTI
Gateway Hurdle	– The average Return on Capital Employed (ROCE) for the measurement period must be equal to or greater than 20% – If ROCE < 20%: no performance rights vest – If ROCE > 20%: performance rights are able to vest subject to the performance hurdles (see below) being met
Why ROCE was chosen	– It is a key indicator of the quality and efficiency of the returns the consolidated entity is achieving and is aligned to shareholder wealth
Why was ROCE set at 20%	– While the 20% ROCE hurdle appears to be lower than the ROCE performance in the previous years, it appropriately reflects the change in business model – The Company's strategy to be a diversified financial services organisation has seen lease and loan receivables grow substantially but ahead of earnings performance – The Company has expanded its services to grow but margins will be lower than when the business was primarily Radio Rentals – The Remuneration and Nomination Committee and the Board therefore consider that the 20% ROCE hurdle is appropriate – It is important to recognise that 20% ROCE has been set as a gateway. It opens the gate for testing against TSR – The ROCE calculation will be audited
Performance Hurdles	– The company's TSR performance is measured against 30 comparable ASX listed securities (available at www.thorn.com.au) – Where the Company's TSR performance is rated below the 50th percentile, no performance rights vest. – Proportionate vesting occurs if the Company is ranked at or above the 50th percentile until the 90th percentile, when 100% of the rights vest.
Why TSR was chosen	– It is widely accepted as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments – TSR will be calculated by an independent expert

Features	Description
Performance period	– The performance period for the LTI is 5 years
Vesting Dates	– 1/3 of the grant vests at 3 years – 1/3 of the grant vests at 4 years – 1/3 of the grant vests at 5 years
Testing	– The LTI is currently structured to vest over 5 years to align with a shareholder's long term perspective – The Board believes it is appropriate to vest the LTI if the gateway hurdle and performance hurdle has been met over the 5 year period notwithstanding that it may not have been met at 3 or 4 year test dates – The current structure ensures the executive team remains focussed on improving shareholder returns over a 5 year period
Termination	– In the event that a participant's employment is terminated, any unvested performance rights will lapse
Clawback provisions	– There are no clawback provisions – The LTI has an extended vesting period, vesting in 3, 4 and 5 years – The extended vesting period provides the capacity to clawback a component of remuneration in the event of a matter of significant concern

CEO retention and retirement payments

The Board recognised that it needed to retain the services of the CEO, John Hughes during a period of strategic growth and expansion after the expiry of his contract. The Board recognised that the LTI grant could not effectively retain the CEO due to his contractual term only being for two years, therefore, sought his agreement to remain with the Company notwithstanding he would not be eligible for his LTI.

Institutional shareholders advised they were concerned that the corporate knowledge and expertise of the CEO would be lost to the Company. They recommended the Board should take steps to retain the CEO.

In determining the retention structure, the Board recognised that as the CEO was already a significant shareholder and his interests were strongly aligned to the broader shareholder interests. It was resolved that retention and retirement payments were appropriate and to be paid in cash. Therefore, in the 2014 financial year the CEO was paid a retention payment of $150,000.

In the 2015 financial year the CEO will be paid a retention payment of $37,500 and a retirement benefit of $300,000.

COO and CFO retention payments

The Board recognised that the continuing arrangement with the CEO may be perceived to impact the career paths of the COO and CFO, both of whom the Board considered key to the ongoing success of the Company.

The Board recognised that the LTI grant in December 2012 did not have a strong retention effect as there were no other LTI amounts vesting before May 2015. In order to address this, the COO and CFO would receive retention payments.

In the 2014 financial year, the COO and CFO were paid an additional $50,000 each.

In the 2015 financial year, the COO and CFO will be paid a further $100,000 each should they remain with the Company until 31 March 2015.

Services from Remuneration Consultants

The Remuneration and Nomination Committee engaged Executive Research Services (ERS) as remuneration consultant to the Board to review the amounts and elements of the KMP remuneration and provide recommendations in relation thereto. ERS provided valuable market analysis in relation to the remuneration of the KMP, non-executive directors and other general managers of the consolidated entity.

The Remuneration and Nomination Committee also engaged KPMG Executive Remuneration Advisory to provide advice on the remuneration framework and the remuneration report. KPMG did not provide remuneration recommendations pursuant to the Corporations Act.

Consultant fees incurred for the financial year were $21,725 to ERS and $40,000 to KPMG. Other fees paid to KPMG are set out in the financial statements.

The Board is satisfied that the remuneration recommendations made by ERS and the advice provided by KPMG Executive Remuneration Advisory were free from undue influence by members of the KMP about whom the recommendations may relate as the consultants were directly engaged by and reported to the Board.

Consequences of Performance on Shareholder's Wealth

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

The profit performance for the 2014 was marginally better than 2013 and better than budget. The STI financial performance hurdle was met.

	2014	2013	2012	2011	2010
Profit attributable to owners of the Company	**$28,151,000**	$28,021,000	$27,849,000	$22,038,000	$19,495,000
Basic EPS[1]	**18.94c**	19.11c	19.24c	16.84c	15.12c
Dividends paid	**$15,563,000**	$14,656,000	$12,272,000	$9,464,000	$7,059,000
Dividends per share	**10.50c**	10.00c	8.95c	7.30c	6.32c
Change in share price	**0.09**	0.49	(0.62)	1.07	0.63
Return on capital employed[2]	**21.83%**	24.78%	30.34%	35.02%	30.72%
Return on equity[3]	**26.17%**	28.14%	33.00%	36.97%	32.59%

1 Although NPAT increased in 2014, Basic EPS decreased due to an additional 1,782,014 shares being issued under the Dividend Reinvestment Plan.

2 Calculated as total profit before interest and tax divided by the average capital employed.

3 Calculated as total profit before interest and tax divided by the average equity.

Senior Executive Contract details

Name	Title	Term / Notice	Details
John Hughes	Chief Executive Officer and Managing Director	31 March 2015 6 month notice period	Annual base salary of $617,000 inclusive of superannuation. A tenure bonus of $37,500 is payable at 30 June 2014. A termination benefit of $300,000 is payable.
James Marshall	Chief Operating Officer	Ongoing 3 month notice period	Annual base salary of $309,000 inclusive of superannuation. A retention payment of $100,000 is payable at 31 March 2015. No termination benefit is payable.

Name	Title	Term / Notice	Details
Peter Eaton	Chief Financial Officer	Ongoing 3 month notice period	Annual base salary of $309,000 inclusive of superannuation. A retention payment of $100,000 is payable at 31 March 2015. No termination benefit is payable.

James Marshall was appointed Chief Executive Officer and Managing Director from 1 June 2014 following the retirement of John Hughes. The remuneration details of James Marshall from 1 June 2014 are:

Name	Title	Term / Notice	Details
James Marshall	Chief Executive Officer and Managing Director	Ongoing 6 month notice period	Annual base salary of $490,000 inclusive of superannuation. No termination benefit is payable. Eligible to participate in an STI and LTI plan.

Non-Executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2013 AGM, is not to exceed $650,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

The following fee structure was applicable for the financial years:

Base fee per annum	2014	2013
Chair of the Board	**$166,000**	$140,000
Directors	**$83,000**	$70,000
Additional fees per annum		
Chair of Audit, Risk and Compliance Committee	**$15,000**	$20,000
Member of the Audit, Risk and Compliance Committee	**–**	$5,000
Chair of Remuneration and Nomination Committee	**$10,000**	–
Member of the Remuneration and Nomination Committee	**–**	$2,500

Notes to the Non-Executive Directors fees

- Non-executive directors do not receive performance-related remuneration and do not participate in employee share based payment schemes.
- The Chair of the Board was not paid an additional fee for undertaking the role of Chair of the Remuneration and Nomination Committee.
- No Committee fees were paid in 2014 as they were incorporated into the base fees.
- The above fees do not include superannuation.

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

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

2014	Short-term			Post-employment	Long-term benefits		Share-based payments	
Name	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Super-annuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $
Directors								
Non-Executive Directors								
David Carter (Chairman)	166,000	–	–	15,259	–	–	–	181,259
Peter Henley	83,000	–	–	7,630	–	–	–	90,630
Joycelyn Morton	98,000	–	–	9,008	–	–	–	107,008
Paul Lahiff[1]	33,200	–	–	3,023	–	–	–	36,223
Subtotal non-executive directors	380,200	–	–	34,920	–	–	–	415,120
Executive Directors								
John Hughes	590,526	208,916	3,379	17,474	8,510	150,000	–	978,805
Subtotal Executive directors	590,526	208,916	3,379	17,474	8,510	150,000	–	978,805
Total directors remuneration	970,726	208,916	3,379	52,394	8,510	150,000	–	1,393,925
Other Key Management Personnel								
James Marshall	261,178	104,627	11,414	17,474	16,904	100,000	63,700	575,297
Peter Eaton	275,853	104,627	8,239	17,474	4,846	100,000	63,700	574,789
Subtotal other Key Management Personnel	537,031	209,254	19,703	34,948	21,749	200,000	127,400	1,150,085
Total Key Management Personnel compensation (group)	1,507,757	418,170	23,082	87,342	30,259	350,000	127,400	2,544,010

1 The remuneration for Paul Lahiff for 2014 reflects remuneration during the period to 22 August 2013, the date of his retirement.

2013	Short-term			Post-employment	Long-term benefits		Share-based payments	
Name	Salary & fees $	STI cash bonus $[(A)]	Non-monetary benefits $[(B)]	Super-annuation benefits $	Long Service Leave $	Retention payment $	Options and rights $[(C)]	Total $
Non-Executive Directors								
David Carter, (Chairman)	147,500	–	–	13,275	–	–	–	160,775
Peter Henley	72,577	–	–	6,532	–	–	–	79.109
Joycelyn Morton	89,539	–	–	8,059	–	–	–	97,598
Paul Lahiff[1]	77,346	–	–	6,961	–	–	–	84,307
Subtotal non-executive directors	386,962	–	–	34,827	–	–	–	421,789
Executive Directors								
John Hughes	591,025	200,000	3,556	16,283	7,845	–	108,793	927,502
Subtotal Executive directors	591,025	200,000	3,556	16,283	7,845	–	108,793	927,502
Total directors remuneration	977,987	200,000	3,556	51,110	7,845	–	108,793	1,349,291
Other Key Management Personnel								
James Marshall	236,506	93,000	11,414	16,283	2,191	–	31,354	390,748
Peter Eaton	267,371	105,000	13,387	16,283	7,235	–	36,264	445,540
Subtotal other Key Management Personnel	503,877	198,000	24,801	32,566	9,426	–	67,618	836,288
Total Key Management Personnel compensation (group)	1,481,864	398,000	28,357	83,676	17,271	–	176,411	2,185,579

The below table summarise KMP remuneration split by Fixed, Short Term and Long Term.

Name		Fixed %	At Risk – STI %	At Risk – LTI %	Total %
John Hughes	2014	63	37	n/a	100
	2013	66	22	12	100
James Marshall	2014	51	38	11	100
	2013	65	27	8	100
Peter Eaton	2014	52	37	11	100
	2013	65	27	8	100

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

A. The short term incentive bonus for 2014 is for performance during the financial year.

B. Non-monetary benefits as disclosed in both tables includes cost of providing a motor vehicle and any fringe benefits tax attributable thereto.

C. The fair value of the performance rights is calculated at the date of grant using a Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to the expected vesting date. The value disclosed is the portion of the fair value of the performance rights allocated to this reporting period. In valuing the performance rights, market conditions have been taken into account. The following factors and assumptions were used in determining the fair value of performance rights at grant date.

Grant Date	Initial Test Date	Expiry Date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
7 Dec 2012	1 Jun 2015	31 Dec 2017	$1.40	Nil	$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2016	31 Dec 2017	$1.28	Nil	$1.910	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2017	31 Dec 2017	$1.15	Nil	$1.910	32.0%	2.7%	6.0%

4.3.3 2013 STI outcomes – audited

The STI pool was funded as the Company achieved its NPAT target. KMP achieved their personal KPIs which related to new systems implementation for Radio Rentals, development of new offerings and further development of Company strategic objectives. No bonus payments were forfeited in the period.

		Short Term Incentive	
	Salary ($)	Bonus paid as a % of maximum opportunity	Included in Remuneration ($)
Directors			
John Hughes	617,000	33.86%	208,916
Executives			
James Marshall	309,000	33.86%	104,627
Peter Eaton	309,000	33.86%	104,627

4.3.4 Equity Instruments

Performance rights granted as compensation in the year

No performance rights were granted during the year ended 31 March 2014.

Analysis of performance rights available for vesting

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

	Performance Rights Granted		Financial Years In Which Grant Vests	Values Yet To Vest $	
	Number	Date		Min[(a)]	Max[(b)]
Executive					
James Marshall	63,291	7 Dec 2012	2015 – 2018	Nil	N/A
	63,291	7 Dec 2012	2016 – 2018	Nil	N/A
	63,291	7 Dec 2012	2017 – 2018	Nil	N/A
Peter Eaton	63,291	7 Dec 2012	2015 – 2018	Nil	N/A
	63,291	7 Dec 2012	2016 – 2018	Nil	N/A
	63,291	7 Dec 2012	2017 – 2018	Nil	N/A

(a) The minimum value of the performance rights to vest is nil as the performance rights criteria may not be met and consequently the performance rights may not vest.
(b) The maximum value of the performance rights yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised.
(c) The performance rights that did not vest will be retested at the next vesting date.
(d) Due to his retirement, John Hughes' performance rights were forfeited in the period.
(e) Due to their resignations Antoine Laval and Brenton Glaisters' performance rights were forfeited in the period.
(f) The performance rights for Ian Scott were disclosed in the prior period as he was a key management person for the 2013 financial year.

Analysis of Movements in Performance Rights

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

Value of Performance Rights

	Granted in year[(a)] $	Exercised in year[(b)] $	Forfeited in year[(c)] $
John Hughes	–	170,649	1,268,074
James Marshall	–	39,819	18,099
Peter Eaton	–	56,884	25,855
	–	267,352	1,312,028

(a) The fair value of the performance rights is calculated at the date of the grant based upon the Monte Carlo simulation model.
(b) The value of performance rights exercised during the year is calculated as the market price of shares of the Company as at close of trade on the date the performance rights were exercised. The market price as at the close of trade on 17 June 2013 was $2.09, the date the performance rights were exercised and ordinary shares were allotted.
(c) The value of the performance rights forfeited during the year is calculated as the market price of the share of the Company as at the close of trade on the date the performance rights were forfeited.

Performance Rights Over Equity Instruments Granted

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

	Held at 1 April 2013	Granted as Compensation	Exercised	Lapsed during the year	Held at 31 March 2014	Vested during the year
John Hughes[1]	688,384	–	81,650	606,734	–	81,650
James Marshall	217,585	–	19,052	8,660	189,873	19,052
Peter Eaton	229,461	–	27,217	12,371	189,873	27,217

1. 569,620 performance rights of John Hughes lapsed during the year due to his planned retirement on 30 June 2014 and 37,114 lapsed due to the end of the 2010 plan.

4.4 Audit, Risk and Compliance Committee

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

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

- Joycelyn Morton (Chairperson) – Independent, Non-Executive
- David Carter – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive (Retired 22 August 2013)

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

The internal and external auditors, the Managing Director and the Chief Financial Officer are invited to Audit, Risk and Compliance Committee meetings at the discretion of the Committee. The Committee is required to meet at least twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 4.

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

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2014 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

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

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

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

4.5 Risk Management

Oversight of the Risk Management System

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

Risk Profile

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

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

Risk Management, Compliance and Control

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

Comprehensive practices have been established to ensure:

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

Quality and Integrity of Personnel

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

Financial Reporting

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

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

Environmental Legislation

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

Internal Audit

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

4.6 Ethical Standards

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

Conflict of Interest

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

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of director-related entity transactions with the Company and the consolidated entity are set out in note 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, workplace health and safety, equal opportunity and compliance with laws. The Code encourages reporting of unethical behaviour. The Company has a Whistleblower Policy and a confidential whistleblowing service which provides its staff with an avenue to report suspected unethical, illegal or improper behaviour.

Securities Trading Policy

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

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

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

Diversity Policy

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

The consolidated entity's diversity performance is as follows:

Gender Representation	2014 Male	2014 Female	2013 Male	2013 Female
Board Representation[1]	**83%**	**17%**	80%	20%
Key Management Personnel Representation	**100%**	**–**	100%	–
Group Representation	**53%**	**47%**	52%	48%

1 The change in Board representation in 2014 is a due to the CEO transition process.

4.7 Communication with Shareholders

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

In summary, the Continuous Disclosure policy operates as follows:

- the policy identifies information that needs to be disclosed;
- the Managing Director, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX;
- the full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX;
- proposed major changes in the consolidated entity which may impact the share ownership rights are submitted to a vote of shareholders;

- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

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

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

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

5. Principal Activities

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

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

5.1. Operating and Financial Review

Overview of the Group

The Thorn Group is a diversified financial services company providing alternative financial solutions to consumers and businesses. Thorn operates through four core segments:

- Consumer leasing of household products through Radio Rentals and the leasing of motor vehicles through Rent Drive Buy.
- Credit management, debt recovery, credit information services, debt purchasing and other financial services through NCML.
- Equipment financing for small and medium enterprises through Thorn Equipment Finance.
- Personal loans through Thorn Financial Services.

Financial Performance

Revenue for the 2014 financial year increased by 16% on the previous corresponding period ("PCP"), growing from $203,203,000 to $234,855,000.

Revenue for the Consumer Leasing segment grew 16%, from $170,020,000 to $196,800,000 as Radio Rentals achieved 10 out of 12 record installation months. Operating lease revenue grew, primarily attributable to increased units on rent, most notably in the furniture category. The growth in finance lease revenue was driven by increased smartphone installations and the introduction of RTB 48 month contract. The introduction of the longer term made larger products and whole room packages more affordable. The change in mix impacted gross margin as a lower margin on sale for smartphones is realised.

Retention performance was again strong, with 48% of customers completing a Rent Try $1 Buy® agreement taking another item.

Write-off performance remained consistent with prior year, however provisioning increased in-line with receivables growth. Costs increased in Radio Rentals as new stores operated and additional resources were required in the store network due to the growth in the number of units on rent.

Operating expenses for the consumer leasing segment also increased versus PCP as Rent Drive Buy continues in its trial phase.

Reported segment earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 3% from $47,998,000 to $49,450,000.

One-off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP. In the current year, losses pertaining to the trial costs associated with Rent

Drive Buy as well as depreciation and costs associated with the ERP implementation were incurred. Underlying EBITDA increased by 5.8%.

In thousands of AUD	2014	2013
Consumer Leasing reported EBITDA	**49,450**	47,998
Debt sale	**–**	(850)
Rent Drive Buy trial	**239**	136
ERP Implementation	**358**	–
Consumer Leasing underlying EBITDA	**50,047**	47,284

A restructure of the Credit Management segment commenced in the second half of the 2013 financial year. This restructure, in addition to improved operational performance resulted in a revenue increase of 9.2%, from $18,874,000 to $20,611,000. The uplift was driven by increased contingent collections and PDL revenue. Segment EBITDA increased by 10.4% from $3,670,000 to $4,051,000.

One-off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale. Underlying EBITDA grew by 4%.

In thousands of AUD	31 March 2014	31 March 2013
Credit Management reported EBITDA	**4,051**	3,670
Debt sale	**(810)**	(554)
Credit Management Underlying EBITDA	**3,241**	3,116

Revenue for Thorn Equipment Finance ("TEF") grew by 35.7% from $6,129,000 to $8,317,000. The revenue increase is attributable to the growth in receivables, which increased to $63,551,000 versus $46,521,000 in the PCP. Expenses were in-line with PCP, resulting in segment EBITDA increasing by 182% from $1,051,000 to $2,964,000.

Thorn Financial Services ("TFS") revenue increased by 18% from $7,920,000 to $9,346,000. The interest revenue increase was attributable to growth in receivables, from $21,754,000 to $28,431,000 which was driven by the expanded range of offers under the Thorn Money brand.

Bad debts slightly increased as a percentage of the receivables, whilst overheads were higher than PCP as a result of business development initiatives which saw the addition of key personnel. Consequently, segment EBITDA decreased by 27.6% from $1,637,000 to $1,185,000.

Corporate expenses were up 26.9% from $8,302,000 to $10,532,000 primarily increasing in-line with business growth, recruitment and retirement costs in relation to the CEO.

Finance expenses increased by 14.7% due to higher borrowings compared to the PCP. Borrowings as at 31 March 2013 were $28,900,000 versus $40,496,000 as at 30 March 2014.

As a result, consolidated profit before income tax increased by 0.6% from $40,788,000 to $41,032,000. Net profit after tax increased by 0.5% from $28,021,000 to $28,151,000.

One-off factors impacted the underlying performance of the consolidated entity versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP and the loss pertaining to the trial costs associated with Rent Drive Buy. Underlying NPAT increased 4.5%.

In thousands of AUD	31 March 2014	31 March 2013
Reported NPAT	**28,151**	28,021
Debt sale	**(810)**	(1,404)
Rent Drive Buy trial costs	**239**	136
CEO termination/recruitment costs	**500**	–
Software	**358**	–
Tax effect	**(86)**	380
Underlying NPAT	**28,352**	27,133

Financial Position

The key assets of the consolidated entity grew during the period.

The consumer lease receivables book grew by 31% to $125,356,000 due to increased installations of smartphones and introduction of RTB 48 month contract. Commercial lease receivables grew by 37% to $63,551,000 through the continued development of strategic partnerships with brokers and introducers. The consumer finance book grew 31% to $28,226,000.

Capital Management

Net cash from operating activities increased from $93,328,000 to $104,025,000. This was primarily attributable to increased receipts from customers in all segments.

Borrowings increased to $40,496,000. Net debt to equity remained relatively low at 22.2%. The consolidated entity continues to meet all debt covenants.

Dividends paid or recommended

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

2014	Cents per share	Total amount $'000s	Franked/unfranked	Date of payment
Final 2013	6.0	8,863	Franked	18 July 2013
Interim 2014	4.5	6,700	Franked	17 January 2014
Total amount		15,563		

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

Final 2014	Cents per share	Total amount $'000s	Franked/unfranked	Date of payment
	6.5	9,717	Franked	17 July 2014

Risks

Credit risk is the most significant risk to the consolidated entity. Credit risk grew in-line with the growth of the loan and lease receivables in all segments, except TFS where bad debts increased slightly as a percentage of the loan receivables.

Legislative changes

The consolidated entity continued to be involved in discussions with Federal Treasury in relation to the enhancements to the National Consumer Credit Protection legislation, which primarily involves more disclosure around financial service products. No changes are expected in the short term.

A review of Centrepay was undertaken by the Federal Government and a draft paper was released in August 2013. The consolidated entity does not expect any changes to its current arrangements in the short term.

Strategic Initiatives

The following initiatives, which include the introduction of new products and the further expansion of each operating segment continues the consolidated entity's strategy of providing alternative financial solutions.

- Thorn Money was launched as an online brand offering unsecured loans to $15,000 and secured loans to $25,000;
- The first Cashfirst store opened in Campbelltown, NSW;
- A new website was launched in October for Radio Rentals, the primary brand of the Consumer Leasing segment, providing a significantly better platform for Radio Rentals to attract new customers;
- An extended term, 48 month Rent Try $1 Buy® contract was launched in November, providing our customers with additional payment flexibility; and
- Work relating to branding and products for Radio Rentals and TFS continues at various phases of the research and development cycle.

Outlook

Despite soft economic conditions, the consolidated entity is trading solidly. The continued investments in new business opportunities are expected to deliver solid NPAT growth.

5.2 Shareholder returns

	2014	2013	2012	2011	2010
Profit attributable to owners of the Company	**$28,151,000**	$28,021,000	$27,849,000	$22,038,000	$19,495,000
Basic EPS[1]	**18.94c**	19.11c	19.24c	16.84c	15.12c
Dividends paid	**$15,563,000**	$14,656,000	$12,272,000	$9,464,000	$7,059,000
Dividends per share	**10.50c**	10.00c	8.95c	7.30c	6.32c
Change in share price	**0.09**	0.49	(0.62)	1.07	0.63
Return on capital employed[2]	**21.83%**	24.78%	30.34%	35.02%	30.72%
Return on capital employed[3]	**26.17%**	28.14%	33.00%	36.97%	32.59%

1. Although NPAT increased in 2014, Basic EPS decreased due to an additional 1,782,014 shares being issued under the Dividend Reinvestment Plan.
2. Calculated as total profit before interest and tax divided by the average capital employed.
3. Calculated as total profit before interest and tax divided by the average equity.

6. Events Subsequent To Reporting Date

Subsequent to the reporting date, the Board of Thorn Group Limited appointed James Marshall as an executive director on 5 May 2014. James will become Chief Executive Officer and Managing Director on 1 June 2014. John Hughes will be an executive director from 1 June 2014 to 30 June 2014, the date of his retirement.

In addition, the board appointed Stephen Kulmar as a new non-executive director of the Company on 15 April 2014.

On 17 April 2014, John Hughes entered into a consulting agreement with the consolidated entity. The agreement commences on 1 August 2014 for a period of 12 months. A consultancy fee of $90,000 per annum plus superannuation will be paid.

Other than the above, 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.

7. Likely Developments

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

For further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, refer to section 5.1, the Operating and Financial Review on page 22.

8. 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:

	Ordinary shares	Performance Rights over ordinary shares
David Carter	192,729	Nil
James Marshall	126,887	189,873
John Hughes	3,429,113	Nil
Peter Henley	60,278	Nil
Joycelyn Morton	39,000	Nil
Stephen Kulmar	Nil	Nil

The Company has not granted any options over its shares.

9. Performance rights

Performance rights granted to directors and officers of the Company

During the financial year, no performance rights over unissued ordinary shares in the Company were granted. Pages 16 to 17 provides the details of those performance rights which have not vested at the date of the report.

Unissued shares under options

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

10. Indemnification and Insurance of Officers and Auditors

Indemnification

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

Insurance Premiums

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

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

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

11. Non-Audit Services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence; and

– as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

12. Lead Auditor's Independence Declaration

The Lead Auditor's independence declaration is set out on page 28 and forms part of the directors' report for financial year ended 31 March 2014.

13. Rounding Off

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

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

David Carter
Chairperson

Dated at Sydney
20 May 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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 2014 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

Anthony Travers
Partner

Dated at Sydney
21 May 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of AUD	Note	2014	2013
Revenue	3	**234,855**	203,203
Employment benefits expense	4	**(48,859)**	(42,837)
Finance lease cost of sales		**(38,583)**	(26,118)
Depreciation and amortisation expense		**(36,213)**	(32,259)
Impairment losses on loans and receivables		**(17,029)**	(10,395)
Marketing expenses		**(11,358)**	(11,023)
Property expenses		**(9,345)**	(8,957)
Transport expenses		**(6,737)**	(6,202)
Communication and IT expenses		**(4,684)**	(3,844)
Finance expenses		**(2,073)**	(1,807)
Travel expenses		**(1,323)**	(1,325)
Other expenses		**(17,619)**	(17,648)
Profit before income tax		**41,032**	40,788
Income tax expense	6	**(12,881)**	(12,767)
Profit for the period		**28,151**	28,021
Other comprehensive income		**–**	–
Total comprehensive income for the year		**28,151**	28,021
Basic earnings per share (cents)	20	**18.94**	19.11
Diluted earnings per share (cents)	20	**18.91**	19.09

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 33 to 60.

STATEMENT OF FINANCIAL POSITION

In thousands of AUD	Note	2014	2013
Assets			
Cash and cash equivalents	7	**2,393**	4,871
Trade and other receivables	8	**68,981**	58,463
Total current assets		**71,374**	63,334
Trade and other receivables	8	**89,015**	67,139
Deferred tax assets	10	**3,260**	2,898
Property, plant and equipment	11	**4,423**	3,655
Rental assets	12	**52,644**	52,929
Intangible assets	13	**31,734**	31,401
Total non-current assets		**181,076**	158,022
Total assets		**252,450**	221,356
Liabilities			
Trade and other payables	14	**25,903**	26,117
Loans and borrowings	15	**9,099**	–
Employee benefits	16	**5,621**	4,719
Income tax payable		**7,039**	4,520
Provisions	17	**498**	502
Total current liabilities		**48,160**	35,858
Loans and borrowings	15	**31,397**	28,900
Employee benefits	16	**248**	338
Provisions	17	**1,025**	887
Total non-current liabilities		**32,670**	30,125
Total liabilities		**80,830**	65,983
Net assets		**171,620**	155,373
Equity			
Issued capital		**99,060**	95,483
Reserves		**2,851**	2,769
Retained earnings		**69,709**	57,121
Total equity		**171,620**	155,373

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 33 to 60.

STATEMENT OF CHANGES IN EQUITY

In thousands of AUD	Share capital	Equity remuneration reserve	Retained earnings	Total equity
Balance at 1 April 2012	93,898	2,557	43,756	140,211
Total comprehensive income				
Net profit for the period	–	–	28,021	28,021
Other comprehensive income	–	–	–	–
Transactions with owners of the company				
Issue of shares under dividend reinvestment plan	1,585	–	–	1,585
Share based payments transactions	–	212	–	212
Dividends to shareholders	–	–	(14,656)	(14,656)
Balance at 31 March 2013	95,483	2,769	57,121	155,373
Balance at 1 April 2013	**95,483**	**2,769**	**57,121**	**155,373**
Total comprehensive income				
Net profit for the period	**–**	**–**	**28,151**	**28,151**
Other comprehensive income	**–**	**–**	**–**	**–**
Transactions with owners of the company				
Issue of shares under dividend reinvestment plan	**3,577**	**–**	**–**	**3,577**
Share based payments transactions	**–**	**82**	**–**	**82**
Dividends to shareholders	**–**	**–**	**(15,563)**	**(15,563)**
Balance at 31 March 2014	**99,060**	**2,851**	**69,709**	**171,620**

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 33 to 60.

STATEMENT OF CASH FLOW

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		**255,109**	222,660
Cash paid to suppliers and employees		**(138,438)**	(120,612)
Cash generated from operations		**116,671**	102,048
Interest paid		**(2,073)**	(1,807)
Interest received		**151**	260
Income tax paid		**(10,724)**	(7,173)
Net cash from operating activities	26	**104,025**	93,328
Cash flows from investing activities			
Proceeds from sale of assets		**1,655**	1,126
Acquisition of rental assets		**(70,178)**	(60,463)
Thorn Equipment Finance settlements		**(32,325)**	(33,161)
Acquisition of property, plant and equipment		**(2,538)**	(1,874)
Acquisition of software		**(2,724)**	(1,784)
Net cash used in investing activities		**(106,113)**	(96,156)
Cash flows from financing activities			
Proceeds from borrowings		**24,996**	18,900
Repayment of borrowings		**(13,400)**	(4,000)
Dividends paid		**(11,986)**	(13,071)
Net cash used in financing activities		**(390)**	1,829
Net decrease in cash and cash equivalents		**(2,478)**	(999)
Cash and cash equivalents at April 1		**4,871**	5,870
Cash and cash equivalents at 31 March	7	**2,393**	4,871

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 33 to 60.

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, 62 Hume Highway, Chullora NSW 2190. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2014 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity were the leasing of household products, leasing of motor vehicles, the provision of loans, equipment finance and the provision of receivables management services.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 20 May 2014.

(b) Basis of Preparation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The consolidated financial statements have been prepared on the historical cost basis except where assets are carried at fair value.

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

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

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

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

(i) Valuation of goodwill and other intangibles

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

(ii) Impairment of goodwill

Note 13 contains information about the assumptions and their risk factors relating to goodwill impairment. The consolidated entity assesses whether goodwill is impaired at least annually. The calculations include an estimation of the recoverable amount of the cash generating unit to which the goodwill is allocated.

(iii) Rent Try $1 Buy® asset depreciation

Where assets are installed on Rent Try $1 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.

1. Significant Accounting Policies (continued)

(iv) Impairment of receivables

Note 19 contains information about the credit risk associated with receivables. The consolidated entity assesses the impairment of receivables monthly. The calculations include an assessment of the expected rates of loss and for consumer lease receivables, an estimate of collateral.

(v) Purchased debt ledgers

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

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

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities (including special purpose entities) controlled by the consolidated entity. The consolidated entity controls an entity when is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The consolidated entity has established a special purpose entity (SPE), Thorn ABS Warehouse Trust No.1, for the purpose of securitising finance lease receivables acquired and other receivables it intends to originate. The SPE entity is wholly owned by the consolidated entity and included in the consolidated financial statements, based on the evaluation of the substance of its relationship with the consolidated entity and the SPE's risks and rewards.

The following circumstances indicate a relationship in which the consolidated entity controls and subsequently consolidates the SPE:

- The activities of the SPE are being conducted on behalf of the consolidated entity according to its specific business needs so that the consolidated entity obtains benefits from the SPE's operation.
- The consolidated entity has the decision making powers to obtain the majority of the benefits of the activities of the SPE.
- The consolidated entity retains the majority of the residual of ownership risks of the SPE or its asset in order to obtain benefits from its activities.

(d) Revenue

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

Lease Rental Revenue

The consolidated entity derives revenue from finance and operating leases.

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

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

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

Collection Revenue

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

Purchased Debt Ledgers Revenue

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

Interest

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

(e) Cost of Sales

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

(f) Income Tax

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

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

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

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

Tax consolidation

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

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

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are 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

1. Significant Accounting Policies (continued)

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

(g) Finance expenses

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

(h) Intangible Assets

Goodwill

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

Subsequent measurement

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

Other Intangibles

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

Amortisation

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

- Customer relationships 5 years
- Software 3 – 10 years

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

(i) Financial Instruments

Non-derivative financial instruments

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

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

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

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

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

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

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

(j) Trade and Other Receivables

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

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

(k) Loans and Borrowings

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

(l) Rental Assets

Recognition and Measurement

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

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

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

Depreciation

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

The estimated useful lives in the current and comparative periods are 2 to 6 years.

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

(m) Property, Plant and Equipment

Recognition and Measurement

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

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

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

Depreciation

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

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

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

1. Significant Accounting Policies (continued)

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

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

(n) Impairment

Non-Financial Assets

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

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

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

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

Financial Assets

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

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

Reversals of Impairment

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

An impairment loss in respect of goodwill is not reversed.

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

(o) Employee Benefits

(i) Defined Contribution Superannuation Funds

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

(ii) Long Service Leave

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

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

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

(iv) Share-based Payment Transactions

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

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

(v) Termination Benefits

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

(p) Provisions

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

Make good costs for leased property

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

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

(q) Trade and Other Payables

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

(r) Lease Payments

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

(s) Goods and Services Tax

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

1. Significant Accounting Policies (continued)

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

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

(t) Earnings Per Share

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

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

(u) Share Capital

Ordinary shares

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

Dividends

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

Dividend Reinvestment Plan

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

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

(v) Segment Reporting

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

(w) Changes in Accounting Policy

All new Accounting Standards and Interpretations applicable to annual reporting periods commencing on or before 1 April 2014 have been applied to the consolidated entity effective from their required date of application. The initial application of these Standards and Interpretations has not had a material impact on the financial position or the financial results of the consolidated entity.

There has been no other change in accounting policy during the year.

(x) New Standards and Interpretations Not Yet Adopted

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

- AASB 2010-7 and AASB 2009-11 Amendments to AASB 9 introduce new requirements for the classification and measurement of financial assets. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. AASB 9 introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. The amendments, which become mandatory for the consolidated entity's 31 March 2016 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements remove the individual KMP disclosure requirements from AASB124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply for the consolidated entity's 31 March 2015 financial statements and cannot be adopted early. The Corporations Act 2001 requirements in relation to the remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective financial years beginning on or after 1 January 2014) made amendments to AASB 139 Financial Instruments: Recognition and Measurement, which permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument and is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Since the Group transacts derivatives directly with banks, the amendments are not expected to have a significant impact on the Group's financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2015.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The adoption of the amendments may increase the disclosures by the consolidated entity.

2. Segment Reporting

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

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

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

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

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

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

2. Segment Reporting (continued)

For the twelve months ended 31 March 2014

2014 *In thousands of AUD*	Consumer Leasing	Credit Management	Thorn Equipment Finance	Thorn Financial Services	Consolidated
External revenues	**196,800**	**20,241**	**8,317**	**9,346**	**234,704**
Inter-segment revenue	**–**	**370**	**–**	**–**	**370**
Segment revenue	**196,800**	**20,611**	**8,317**	**9,346**	**235,074**
Operating expenses	**(147,350)**	**(16,560)**	**(5,353)**	**(8,161)**	**(177,424)**
Profit before interest, tax, depreciation and amortisation	**49,450**	**4,051**	**2,964**	**1,185**	**57,650**
Depreciation	**(1,363)**	**(247)**	**(50)**	**(71)**	**(1,731)**
Profit before interest, tax and amortisation	**48,087**	**3,804**	**2,914**	**1,114**	**55,919**
Capital Expenditure	**75,105**	**308**	**32,325**	**30**	**107,768**
Segment Assets	**151,041**	**26,427**	**49,977**	**25,005**	**252,450**
Segment Liabilities	**(78,692)**	**(2,138)**	**–**	**–**	**(80,830)**

2013 *In thousands of AUD*	Consumer Leasing	Credit Management	Thorn Equipment Finance	Thorn Financial Services	Consolidated
External revenues	170,020	18,874	6,129	7,920	202,943
Segment revenue	170,020	18,874	6,129	7,920	202,943
Operating expenses	(122,022)	(15,204)	(5,078)	(6,283)	(148,587)
Profit before interest, tax, depreciation and amortisation	47,998	3,670	1,051	1,637	54,356
Depreciation	(1,212)	(262)	(48)	(13)	(1,535)
Profit before interest, tax and amortisation	46,786	3,408	1,003	1,624	52,821
Capital Expenditure	63,822	299	33,161	–	97,282
Segment Assets	142,676	24,519	34,996	19,165	221,356
Segment Liabilities	(63,789)	(2,194)	–	–	(65,983)

Reconciliation of reportable segment profit or loss

In thousands of AUD	2014	2013
Profit before interest and tax for reportable segments	**55,919**	52,821
Unallocated amounts:		
Other corporate expenses	**(10,532)**	(8,302)
Depreciation & Amortisation	**(2,433)**	(2,184)
Net financing costs	**(1,922)**	(1,547)
Profit before tax	**41,032**	40,788
Income tax expense	**(12,881)**	(12,767)
Profit after tax	**28,151**	28,021

Reconciliation of reportable revenue

In thousands of AUD	2014	2013
Revenue for reportable segments	**235,074**	202,943
Other revenue	**151**	260
Elimination of inter-segment revenue	**(370)**	–
Revenue	**234,855**	203,203

3. Revenue

In thousands of AUD	2014	2013
Operating leases	**108,041**	102,191
Finance lease sales	**51,507**	37,876
Interest	**54,343**	44,023
Collection revenue	**17,474**	15,801
PDL revenue	**3,136**	3,073
Other income	**354**	239
	234,855	203,203

Adjustments to the carrying amount of purchased debt ledgers as a result of changes in estimated cash flows were immaterial during the year. These have been included in PDL revenue above.

4. Employment Benefits

In thousands of AUD	2014	2013
Wages and salaries	**44,387**	39,163
Contributions to defined contribution superannuation funds	**3,173**	2,930
Increase in liability for annual leave	**323**	69
Increase in liability for long service leave	**256**	54
Termination benefits	**638**	409
Equity settled share-based payment transactions	**82**	212
	48,859	42,837

5. Auditors' Remuneration

In whole AUD	2014	2013
Audit services		
KPMG Australia:		
Audit and review of financial reports	**345,000**	327,000
	345,000	327,000
Other services		
KPMG Australia		
Taxation services – compliance	**60,000**	115,000
Taxation services – advice	**30,000**	175,000
Other services	**45,000**	5,000
	135,000	295,000

6. Income Tax Expense

Recognised in the Income Statement

In thousands of AUD	2014	2013
Current tax expense		
Current year	**13,227**	10,245
Adjustment for prior years	**16**	(105)
Deferred tax expense		
Origination and reversal of temporary differences	**(362)**	2,627
Total income tax expense in the income statement	**12,881**	12,767

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2014	2013
Profit before tax	**41,032**	40,788
Prima facie income tax using the domestic corporation tax rate of 30% (2013: 30%)	**12,310**	12,236
Change in income tax expense due to:		
Non-deductible expenses	**555**	636
(Over)/Under provided in prior years	**16**	(105)
Income tax expense on pre-tax accounting profit	**12,881**	12,767

7. Cash and Cash Equivalents

In thousands of AUD	2014	2013
Bank balances	**2,283**	**4,761**
Call deposits	**110**	**110**
Cash and cash equivalents	**2,393**	**4,871**

Included in cash are amounts of $1,340,000 (2013: Nil) which are held as part of the consolidated entity's funding arrangements that are not available to the consolidated entity.

8. Trade and Other Receivables

In thousands of AUD	2014	2013
Current		
Trade receivables	**4,062**	4,504
Finance lease receivables	**37,316**	28,815
Loan receivables	**15,583**	12,744
Purchased debt ledgers	**3,581**	3,697
Lease deposits	**564**	584
Other receivables and prepayments	**7,875**	8,119
	68,981	58,463
Non-current		
Finance lease receivables	**74,033**	56,119
Loan receivables	**9,689**	6,422
Purchased debt ledgers	**5,293**	4,598
	89,015	67,139

Trade receivables are shown net of provision for impairment losses amounting to $972,000 (2013: $894,000).

Provision for impairment losses relating to finance lease receivables amounting to $10,526,000 (2013: $8,053,000) reflects the risk to the consolidated entity of the expected early return or loss of products throughout the life of the contract.

Loan receivables are shown net of provision for impairment losses amounting to $3,159,000 (2013: $2,588,000).

The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 19.

9. Purchased Debt Ledgers

Purchased Debt Ledgers (PDL) are measured at fair value and are classified as level 3 under the hierarchy set out in AASB 7 Financial Instruments: Disclosure. The following table shows a reconciliation of the PDL balances:

In thousands of AUD	2014	2013
At the beginning of the year	**8,295**	6,703
Net additions	**5,897**	5,609
Collections	**(8,436)**	(7,090)
Revenue	**3,136**	3,073
Total	**8,874**	8,295

PDLs are classified as follows:

In thousands of AUD	2014	2013
Current	**3,581**	3,697
Non-current	**5,293**	4,598
Total	**8,874**	8,295

9. Purchased Debt Ledgers (continued)

The following summarises the assumptions used in these calculations:

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

A change of five percent in forecast collections at the reporting date would have increased or decreased the consolidated entity's equity and profit or loss by $271,000 (2013: $210,000).

10. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	**2014**	2013	**2014**	2013	**2014**	2013
Rental assets	**26,824**	21,094	**–**	–	**26,824**	21,094
Property, plant and equipment	**338**	94	**–**	–	**338**	94
Trade, loan and other receivables	**1,240**	1,019	**–**	–	**1,240**	1,019
Finance lease receivables	**–**	–	**(28,648)**	(22,086)	**(28,648)**	(22,086)
Accruals	**1,965**	1,746	**–**	–	**1,965**	1,746
Provisions	**1,241**	1,130	**–**	–	**1,241**	1,130
PDL liability	**300**	–	**–**	(99)	**300**	(99)
Tax assets/(liabilities)	**31,908**	25,083	**(28,648)**	(22,185)	**3,260**	2,898

11. Property, Plant and Equipment

In thousands of AUD	Land and Buildings	Leasehold Improvements	Plant and Equipment[1]	Total
Year ended 31 March 2013				
Opening net book amount	20	2,154	1,266	3,440
Additions	–	1,203	671	1,874
Depreciation charge for the year	(2)	(883)	(774)	(1,659)
Closing net book amount	18	2,474	1,163	3,655
At 31 March 2013				
Cost	70	9,002	6,770	15,842
Accumulated depreciation	(52)	(6,528)	(5,607)	(12,187)
Net book amount	18	2,474	1,163	3,655
Year ended 31 March 2014				
Opening net book amount	**18**	**2,474**	**1,163**	**3,655**
Additions	**–**	**1,245**	**1,293**	**2,538**
Depreciation charge for the year	**(2)**	**(966)**	**(802)**	**(1,770)**
Closing net book amount	**16**	**2,753**	**1,654**	**4,423**
At 31 March 2014				
Cost	**70**	**10,247**	**7,833**	**18,150**
Accumulated depreciation	**(54)**	**(7,494)**	**(6,179)**	**(13,727)**
Closing net book amount	**16**	**2,753**	**1,654**	**4,423**

1. Intangibles to the carrying amount of $3,508,000 were reclassed from property plant and equipment to Intangible assets in 2013 comparatives.

12. Rental Assets

In thousands of AUD	2014	2013
Opening balance	**52,929**	48,478
Acquisitions	**70,178**	60,463
Disposals	**(3,184)**	(2,908)
Depreciation	**(32,049)**	(28,540)
Transfers to finance leases	**(36,759)**	(26,328)
Transfers from finance leases	**1,529**	1,764
Balance at 31 March	**52,644**	52,929

13. Intangible Assets

In thousands of AUD	Goodwill	Customer Relationships	Software[1]	Total
Year ended 31 March 2013				
Opening net book amount	22,276	7,037	2,364	31,677
Additions	–	–	1,784	1,784
Amortisation charge for the year	–	(1,760)	(300)	(2,060)
Closing net book amount	22,276	5,277	3,848	31,401
At 31 March 2013				
Cost	29,350	8,797	6,575	44,722
Amortisation and Impairment Losses	(7,074)	(3,520)	(2,727)	(13,321)
Net book amount	22,276	5,277	3,848	31,401
Year ended 31 March 2014				
Opening net book amount	**22,276**	**5,277**	**3,848**	**31,401**
Additions	**–**	**–**	**2,727**	**2,727**
Amortisation charge for the year	**–**	**(1,760)**	**(634)**	**(2,394)**
Closing net book amount	**22,276**	**3,517**	**5,941**	**31,734**
At 31 March 2014				
Cost	**29,350**	**8,797**	**9,302**	**47,449**
Amortisation and Impairment Losses	**(7,074)**	**(5,280)**	**(3,361)**	**(15,715)**
Net book amount	**22,276**	**3,517**	**5,941**	**31,734**

1. Intangibles to the carrying amount of $3,508,000 have been reclassed from property plant and equipment to intangible assets in 2013.

Impairment tests for Cash Generating Units (CGU) containing goodwill

The following units have significant carrying amounts of goodwill:

In thousands of AUD	2014	2013
Consumer Leasing	**15,604**	15,604
Credit Management	**6,672**	6,672
	22,276	22,276

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

Key assumptions used for value-in-use calculations

Consumer Leasing

During the forecast period, revenue is assumed to grow at an average of 3% p.a. and the pre-tax discount rate is assumed at 10.54% (2013: 9.42%). A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2%. The value in use calculation in 2014 was determined on a similar basis to the 2013 calculation.

Credit Management

During the forecast period, revenue is assumed to grow at an average of 8% p.a. and the pre-tax discount rate is assumed at 11.66% (2013: 9.42%). A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2%. The value in use calculation in 2014 was determined on a similar basis to the 2013 calculation.

The Credit Management discount rate increased to 11.66% due to:

- an increase in the risk free rate in-line with the 10 year government bond rate;
- an increase in the beta; and
- the inclusion of a size premium.

The recoverable amount of the CGU's exceeds their carrying value at 31 March 2014.

Management believes that any reasonable change in the key assumptions on which the estimates and/or the discount rate are based would not cause the carrying amount of the CGU to exceed its recoverable amount.

14. Trade and Other Payables

In thousands of AUD	**2014**	**2013**
Current		
Trade payables	**16,031**	16,517
Other creditors and accruals	**7,359**	6,810
Deferred rental revenue	**2,152**	2,359
Property lease accrual	**361**	431
	25,903	26,117

15. Loans and Borrowings

In thousands of AUD	**2014**	**2013**
Current liabilities		
Secured loans	**9,099**	–
Non-current liabilities		
Secured loans	**31,397**	28,900
	40,496	28,900

Financing Loan Facilities

In thousands of AUD	**2014**	**2013**
Secured loan facilities available	**100,000**	50,000
	100,000	50,000
Secured loan facilities utilised at balance date	**40,496**	28,900
	40,496	28,900
Secured loan facilities not utilised at reporting date	**59,504**	21,100
	59,504	21,100

Financing arrangements

Loan facilities

Thorn Australia Pty Limited has loan facility of $50,000,000 secured by a fixed and floating charge over the assets of the consolidated entity.

The consolidated entity entered into a warehouse loan facility of $50,000,000 secured by rentals and payments receivable in respect of the underlying lease receivable contracts during the financial year. The amounts due and payable on the warehouse loan facility in the next 12 months are disclosed as current.

For more information about the consolidated entity's exposure to interest rate risk and liquidity risk see note 19.

16. Employee Benefits

In thousands of AUD	2014	2013
Current		
Salaries and wages accrued	**1,312**	1,079
Liability for long service leave	**1,783**	1,437
Liability for annual leave	**2,526**	2,203
	5,621	4,719
Non-Current		
Liability for long service leave	**248**	338
	248	338

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $3,173,000 for the financial year ended 31 March 2014 (2013: $2,930,000).

17. Provisions

In thousands of AUD	Make Good	Total
Balance at 1 April 2013	**1,389**	1,389
Provisions made during the year	**345**	345
Provisions used during the year	**(237)**	(237)
Unwind of discount	**26**	26
Balance at 31 March 2014	**1,523**	1,523

	2014	2013
Current	**498**	502
Non-current	**1,025**	887
	1,523	1,389

Make Good

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

18. Capital and Reserves

	2014	2013
On issue at the beginning of year	**147,584,880**	146,374,703
Issue of new shares on vesting of performance rights	**127,919**	409,339
Issue of shares under dividend investment plan	**1,782,014**	800,838
On issue at the end of year	**149,494,813**	147,584,880

- 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
2014				
Final 2013	**6.0**	**8,863**	**Franked**	**18 July 2013**
Interim 2014	**4.5**	**6,700**	**Franked**	**17 January 2014**
Total amount		**15,563**		
2013				
Final 2012	5.5	8,051	Franked	18 July 2012
Interim 2013	4.5	6,605	Franked	17 January 2013
Total amount		14,656		

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

Dividend Reinvestment Plan (DRP)

The Company operated a DRP during the period. In accordance with the Company's DRP, 1,782,014 new ordinary shares totalling $3,577,000 were issued.

Details of the DRP are disclosed in Note 1(u).

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

	Cents per share	Total amount	Franked/ unfranked	Expected date of payment
Final ordinary	6.5	9,717,163	Franked	17 July 2014

18. Capital and Reserves (continued)

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2014 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 $4,164,498 (2013: $3,795,040).

In thousands of AUD	**2014**	**2013**
Dividend franking account		
30% franking credits available to shareholders of Thorn Group Limited for subsequent financial years	**30,813**	24,241

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.

19. Financial Risk Management

(a) Financial Risk Management Objectives and Policies

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

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

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

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

Credit risk

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

To manage credit risk, the consolidated entity has formulated comprehensive credit policies covering credit assessments and compliance with regulatory and statutory requirements. Credit underwriting includes the use of a scorecard system or credit bureau report or a detailed internal risk profile for each application. The scorecard system is revised periodically and adjusted for a number of factors including geographic location and market changes.

Credit risk for purchased debt ledgers is managed through a stringent process involving analysis of the target entity and its customer history and with reference to the industry.

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 reputation.

The consolidated entity's access to financing arrangements is disclosed in Note 15.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency that will affect the consolidated entity's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. The consolidated entity has foreign currency risk on the purchase of rental assets directly imported that are denominated in USD. The consolidated entity manages its exposure to foreign currency risk by utilising forward exchange contracts where appropriate.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as profit before financing costs divided by total assets. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 18 for quantitative data.

(b) Credit Risk

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

In thousands of AUD	**2014**	**2013**
Trade receivables	**4,062**	4,504
Consumer Finance lease receivables	**61,372**	49,817
Commercial Finance lease receivables	**49,977**	84,934
Loan receivables	**25,272**	19,166
Purchased debt ledgers	**8,874**	8,295
	149,557	116,899

Impairment losses

Trade receivables

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

In thousands of AUD	**Gross 2014**	**Impairment 2014**	**Gross 2013**	**Impairment 2013**
Not past due	**1,488**	**–**	1,056	–
Past due 0 – 30 Days	**1,925**	**133**	2,329	151
Past due 31 – 180 Days	**1,621**	**839**	2,013	743
	5,034	**972**	5,398	894

The net value of trade receivables as at 31 March 2014 was $4,062,000 (2013: $4,504,000)

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

Consumer finance lease receivables

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

The provision for impairment losses as at 31 March 2014 is $8,961,000 (2013: $6,590,000). 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 2014 is $39,696,000 (2013: $29,377,000).

Commercial finance lease receivables

The ageing of the consolidated entity's commercial finance lease receivables at the reporting date was:

19. Financial Risk Management (continued)

In thousands of AUD	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	**49,832**	**–**	35,134	–
Past due 0 – 30 Days	**1,113**	**968**	1,041	1,058
Past due 31 – 180 Days	**597**	**597**	405	405
	51,542	**1,565**	36,580	1,463

The net value of commercial finance lease receivables as at 31 March 2014 was $49,977,000 (2013: $35,117,000)

Loan receivables

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

In thousands of AUD	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	**24,924**	**1,066**	19,459	1,309
Past due 0 – 30 Days	**1,571**	**157**	1,129	113
Past due 31 – 180 Days	**1,936**	**1,936**	1,166	1,166
	28,431	**3,159**	21,754	2,588

The net value of loan receivables as at 31 March 2014 was $25,272,000 (2013: $19,166,000)

(c) Liquidity Risk

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2014.

31 March 2014

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 Year or Less	2-5 Years	5 Years or More
Secured loan facilities	**40,496**	**46,966**	**11,468**	**35,498**	**–**
Trade and other payables	**23,390**	**23,390**	**23,390**	**–**	**–**
	63,886	**70,356**	**34,858**	**35,498**	**–**

31 March 2013

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 Year or Less	2-5 Years	5 Years or More
Secured loan facilities	28,900	33,001	1,745	31,256	–
Trade and other payables	23,327	23,327	23,327	–	–
	52,227	56,328	25,072	31,256	–

(d) Interest Rate Risk

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

Variable Rate Instruments

	Carrying Amount	
In thousands of AUD	**2014**	**2013**
Financial assets	**1,136**	4,761
Financial liabilities	**(40,496)**	(28,900)

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 $276,000 (2013: $169,000).

(e) Fair Values

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

(f) The Fair Value Hierarchy

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

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

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

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

The consolidated entity's financial instruments are measured at fair value. The Group's only Level 2 instruments are forward foreign exchange contracts. Other financial instruments including purchase debt ledgers are classified as Level 3.

20. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2014 was based on profit attributable to ordinary shareholders of $28,151,000 (2013: $28,021,000) and a weighted average number of ordinary shares during the year ended 31 March 2014 of 148,640,899 (2013: 146,644,775).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2014 was based on profit attributable to ordinary shareholders of $28,151,000 (2013: $28,021,000) and a weighted average number of ordinary shares during the year ended 31 March 2014 of 148,842,000 (2013: 146,488,310), which includes performance rights granted.

	2014	2013
Profit attributable to ordinary shareholders (basic)		
In thousands of AUD		
Profit attributable to ordinary shareholders (basic and diluted)	**28,151**	28,021
Weighted average number of ordinary shares (basic)		
In thousands of shares		
Issued ordinary shares at 1 April	**147,584**	146,375
Effect of shares issued	**1,057**	270
Weighted average number of ordinary shares at 31 March	**148,641**	146,645
Weighted average number of ordinary shares (diluted)		
In thousands of shares		
Issued ordinary shares at 1 April	**148,580**	146,488
Effect of shares issued	**262**	324
Weighted average number of ordinary shares (diluted) at 31 March	**148,842**	146,812
Earnings per share		
Basic earnings per share (cents)	**18.94**	19.11
Diluted earnings per share (cents)	**18.91**	19.09

21. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2014**	**2013**
Less than one year	**8,068**	8,141
Between one and five years	**10,686**	13,207
	18,754	21,348

The consolidated entity leases all store and office premises under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date. The majority of the lease payments are increased every year to reflect market rentals. The property leases do not include contingent rentals.

The consolidated entity also leases vehicles under operating leases. The lease term for these vehicles normally runs for a period of 4 years. The lease payments are set at the commencement of the lease for the term of the lease. The lease agreements for vehicles do not include contingent rentals.

Leases as lessor

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

In thousands of AUD	**2014**	**2013**
Less than one year	**29,499**	37,671
Between one and five years	**5,773**	8,549
	35,272	46,220

22. Finance Leases

Leases as lessor

The consolidated entity leases out its rental assets under finance lease, hire purchase and chattel mortgage contracts. The consolidated entity classifies Rent Try $1 Buy® contracts as finance leases where the term of the contract is 24 months, 36 months or 48 months. The asset rented has an estimated useful life equal to the contract length. The future minimum lease payments under non-cancellable finance leases are as follows:

In thousands of AUD	**2013**	**2012**
Less than one year	**87,489**	67,597
Between one and five years	**101,551**	74,631
	189,040	142,228

Unearned finance income in relation to finance leases as at 31 March 2014 was $67,162,000 (2013: $49,225,000).

23. Consolidated Entities

	Country of Incorporation	Ownership interest 2014	2013
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	**100%**	100%
Eclipse Retail Rental Pty Ltd	Australia	**100%**	100%
Rent Try Buy Pty Ltd	Australia	**100%**	100%
CashFirst Pty Ltd	Australia	**100%**	100%
1st Cash Pty Ltd	Australia	**100%**	100%
Thorn Equipment Finance Pty Ltd	Australia	**100%**	100%
Thorn Finance Pty Ltd	Australia	**100%**	100%
Votraint No 1537 Pty Ltd	Australia	**100%**	100%
National Credit Management Limited	Australia	**100%**	100%
A.C.N 119211317 Pty Ltd	Australia	**100%**	100%
Hudson Legal Pty Ltd	Australia	**100%**	100%
Thorn ABS Warehouse Series No. 1	Australia	**100%**	n/a

24. Contingencies

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

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

The consolidated entity is aware (via the "mystery shop" process, where a person presents as a customer but is not a real customer) that some verbal statements may have been made to some customers inaccurately describing the customer's rights in relation to the acquisition of similar products to those rented under its Rent Try $1 Buy® contracts. Under the National Consumer Credit Protection Act, the amount at risk in relation to any affected contract is part of any deemed "interest" payable under that contract and/or any penalties which could be imposed. No customer complaints have been received in this regard.

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

25. Deed of Cross Guarantee

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

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are listed in Note 23 (excluding Thorn ABS Warehouse Series No. 1).

25. Deed of Cross Guarantee (continued)

The consolidated Statement of Comprehensive Income comprising of entities which are parties to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2014, is the same as the consolidated Statement of Comprehensive Income in this financial report.

The consolidated Statement of Financial Position in this financial report includes the assets and liabilities of Thorn ABS Warehouse Series No. 1. Excluding the Thorn ABS Warehouse Series No. 1, cash and cash equivalents would decrease by $1,340,000 and trade and other payables would decrease by $1,340,000.

26. Reconciliation of Cash Flows from Operating Activities

In thousands of AUD	**2014**	**2013**
Cash flows from operating activities		
Profit for the period	**28,151**	28,021
Adjustments for:		
Depreciation and amortisation	**36,213**	32,259
Equity settled transactions	**82**	212
Transfer of rental assets to financial leases	**36,759**	26,328
Thorn Equipment Finance settlements	**32,325**	33,161
Operating profit before changes in working capital and provisions	**133,530**	119,981
Changes in working capital and provisions, net of the effects of the Purchase of subsidiaries		
(Increase) in trade and other receivables	**(32,394)**	(35,303)
Decrease in deferred tax assets	**(362)**	2,627
Increase/(Decrease) in income tax liability	**2,519**	3,260
Increase/(Decrease) in trade and other payables	**(214)**	2,719
Increase in provisions and employee benefits	**946**	44
Net cash from operating activities	**104,025**	93,328

27. Parent Entity Disclosures

As at, and throughout, the financial year ending 31 March 2014 the parent entity of the consolidated entity was Thorn Group Limited.

In thousands of AUD	**2014**	**2013**
Result of Parent Entity		
Profit for the period	**15,563**	14,656
Other comprehensive income	**–**	–
Total comprehensive income for the period	**15,563**	14,656
Financial position of the parent entity at year end		
Current assets	**7,039**	4,520
Total assets	**108,950**	102,772
Current liabilities	**7,039**	4,520
Total liabilities	**7,039**	4,520
Total equity of the parent comprising of:		
Share capital	**99,060**	95,483
Equity remuneration reserve	**2,851**	2,769
Total Equity	**101,911**	98,252

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 25. The deed guarantees the debts of the subsidiaries.

28. Related Parties

Key management personnel remuneration

In AUD	**2014**	**2013**
Short-term employee benefits	**1,949,009**	1,908,221
Post-employment benefits	**87,342**	83,676
Long service leave benefits	**380,259**	17,271
Share based payments	**127,400**	176,411
	2,544,010	2,185,579

Individual directors and executives compensation disclosures

Information regarding individual director's and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report on pages 1 to 27.

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

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 2013	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2014
Directors					
David Carter	**241,300**	**11,429**	**60,000**	**–**	**192,729**
John Hughes	**3,347,463**	**–**	**–**	**81,650**	**3,429,113**
Peter Henley	**60,278**	**–**	**–**	**–**	**60,278**
Joycelyn Morton	**34,000**	**5,000**	**–**	**–**	**39,000**
Executives					
James Marshall	**107,835**	**–**	**–**	**19,052**	**126,887**
Peter Eaton	**340,218**	**–**	**–**	**27,217**	**367,435**

	Held at 1 April 2012	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2013
Directors					
David Carter	262,600	3,700	25,000	–	241,300
John Hughes	3,586,183	–	500,000	261,280	3,347,463
Peter Henley	60,278	12,500	12,500	–	60,278
Paul Lahiff	32,157	–	–	–	35,157
Joycelyn Morton	20,000	14,000	–	–	34,000
Executives					
James Marshall	116,870	–	70,000	60,965	107,835
Peter Eaton	403,124	–	150,000	87,094	340,218

DIRECTORS' DECLARATION

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

   a. the financial statements and notes that are set out on pages 29 to 60 and the remuneration disclosures that are contained in section 4.3 of the Remuneration Report in the Directors' report are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and

   c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 23 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 2014.

Signed in accordance with a resolution of the directors:

David Carter
Chairperson

John Hughes
Managing Director

Dated at Sydney
20 May 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial report

We have audited the accompanying financial report of Thorn Group Limited (the 'Company'), which comprises the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, Notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration set out on pages 33 to 60 of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (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.

Independence

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

Auditor's opinion

In our opinion:

a. the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 31 March 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Anthony Travers
Partner

Dated at Sydney
20 May 2014

ADDITIONAL ASX INFORMATION

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	1,524
1,001 – 5,000	3,336
5,001 – 10,000	1,475
10,001 – 100,000	1,555
100,001 – 9,999,999,999	75
Total	**7,965**

b. The number of shareholders in less than marketable parcels is 285.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2014 are:

Shareholder	Number of ordinary fully paid shares held
Vinva Investment Management Limited	9,677,638
Kinetic Investment Partners Limited	9,517,105
IOOF Holdings Ltd	9,167,286
Investors Mutual Limited	8,289,380

d. Voting Rights

The Company only has ordinary shares on issue.

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

e. 20 largest shareholders – ordinary shares

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1.	J P Morgan Nominees Australia Limited	25,551,679	17.09
2.	National Nominees Limited	13,292,395	8.89
3.	HSBC Custody Nominees (Australia) Limited	10,370,927	6.94
4.	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	8,666,804	5.80
5.	BNP Paribas Noms Pty Ltd <DRP>	7,873,353	5.27
6.	Citicorp Nominees Pty Limited	6,022,428	4.03
7.	Dove Nest Pty Ltd <Golden Heath Person Sf A/C>	3,479,113	2.33
8.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,128,922	1.42
9.	Australian Executor Trustees Limited <No 1 Account>	928,819	0.62
10.	Mr Jeffrey Douglas Pappin	690,000	0.46
11.	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	583,840	0.39
12.	Henderson International Pty Ltd <Skibo Super Fund A/C>	513,839	0.34
13.	UBS Nominees Pty Ltd	486,699	0.33
14.	Farjoy Pty Ltd	437,500	0.29
15.	Mr Peter Eaton	367,435	0.25
16.	Mr Michael John Horn	341,625	0.23
17.	Romadak Pty Ltd <Romadak Super Fund A/C>	322,879	0.22
18.	HGT Investments Pty Ltd	300,000	0.20
19.	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	260,433	0.17
20.	Mr Francis Maxwell Hooper	256,171	0.17

CORPORATE DIRECTORY

Directors

David Carter
Chairman

James Marshall
Managing Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Stephen Kulmar
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

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Auditor to Thorn Group Limited

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Sydney NSW 2000

Registry

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