THORN Group Ltd.

More than ever before

2011 Shareholder Review

radio rentals | rentlo | National Credit Management Limited | cashfirst | THORN Business Services

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 NSW on **Thursday, 25 August 2011**, commencing at **2.00pm**.

Thorn Group Limited
ACN 072 507 147

Thorn can provide the convenience of a microwave oven in this kitchen, as well as scores of other household goods.

(See page 09)

Thorn can provide employment opportunities at hundreds of locations around Australia.

(See page 07)

Since 1937, we've been helping Australians live a more comfortable life. That's still our aim today – and now we're able extend it through a wider range of services than ever before.

Our vision:

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

Thorn can help more Australians access the latest digital technology.

(See page 09)

Thorn can provide commercial finance and credit collection services for Dad's business.

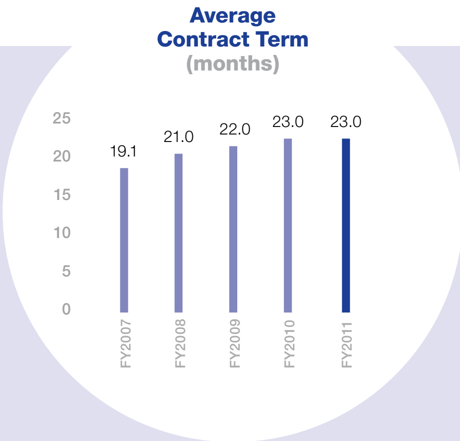
(See page 12)

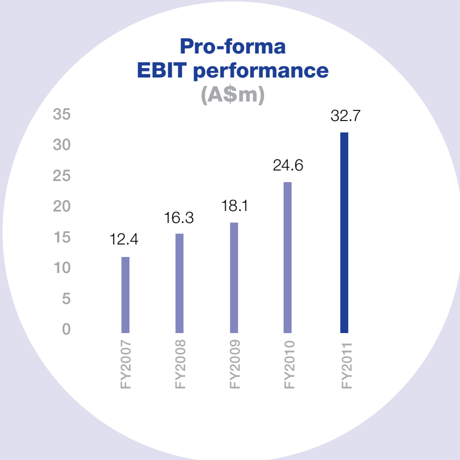
Thorn can help with the finance for Dad's laptop.

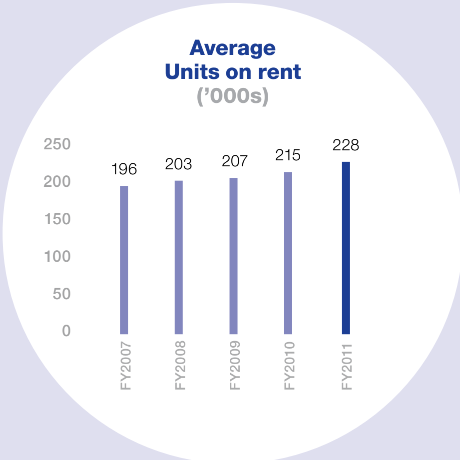
(See page 09)

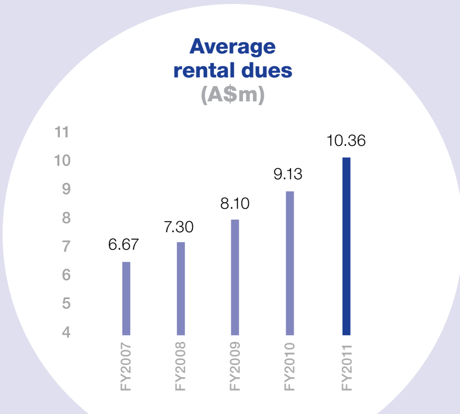
Financial highlights

- Revenue up 8.6% to $157.6 million
- Normalised NPAT of $23.0 million – a 40% increase on the previous corresponding period
- Consistent low levels of arrears
- Positive operating cashflow
- EPS of 17.01 cents
- Strong balance sheet
- Full year dividend per share of 8.49 cents









Operational highlights

- 10.5% increase in total customers
- Strong demand for household necessities
- Thorn branded flat panel TVs introduced
- Kiosk trial initiated in Sydney
- 5 new 'One Person Branches'
- 75%+ of new customers on automated payments
- Cashfirst loan book doubled to $12.0 million
- Acquisition of National Credit Management Limited

Chairman's introduction

For the 5th consecutive year, your Company has delivered outstanding results.

On behalf of the Board it is my pleasure to present to you the 5th annual report of Thorn Group Limited.

For the 5th consecutive year, your Company has delivered outstanding results for the year ended 31 March 2011. The continuing slowdown in the retail business sector has not stopped Thorn's rental business from delivering impressive results.

Profit

At the end of May the Company announced its results for the year ended 31 March 2011, and these were at the top end of market forecasts with a net profit after tax of \$22m, which included a once off expense of \$1.0m due to the acquisition of National Credit Management Limited (NCML) in March 2011.

On a reported basis, the Company achieved a net profit which was 13.8% above last year's results, and 40% on a normalised basis at \$23m.

Dividends

On 25 May the Board declared a fully franked final dividend of 4.95 cents which will be paid on 22 July 2011. This brings the full year dividend to 8.49 cents this year compared to 6.32 cents last year – an increase of 38%.

Acquisition

In March this year we acquired NCML, a credit collection service provider for a cash consideration of \$31.4m. NCML will add another strand to our financial services offering, and will make an immediate impact on the results for this year.

In July the Company successfully completed a rights issue to raise \$30m equity which has once again left the Company with a strong balance sheet for future growth.

Corporate governance

Your Board acknowledges that it has an important role to play in fostering and upholding high standards of Corporate Governance. Pages 2 to 5 of the Financial Report set out details of the Company policies and practises with regards to Corporate Governance issues.

The Company also sets its remuneration policy for directors and senior executives in the Remuneration Report on pages 5 to 13 of the Financial Report.

Outlook

Despite subdued consumer spending the current year has started positively and with the addition of NCML for a full year, the Company is on track to deliver significant earnings growth.

People

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

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

Bernard L. Carrasco
Chairman and Non-Executive Director

Managing Director's report

At a time when many other organisations are finding trading conditions to be difficult, it is pleasing to see the strength and resilience of Thorn come to the fore.

Overview

At a time when many other organisations are finding trading conditions to be difficult, particularly in consumer electronics, it is pleasing to see the strength and resilience of Thorn come to the fore. The Company has clearly demonstrated over a number of years that it has the capacity to perform under both strong and uncertain economic environments, which underscores the positive market acceptance and potential of our product offerings.

The strength of Thorn's recurring revenue streams, positive cashflows and conservative gearing also places the Company in a very solid financial position that enables it to comfortably expand current operations and take maximum advantage of other strategic opportunities that might arise.

Further to this, we have set a sound base for strategic development of the business through Cashfirst, Thorn Business Services and the recent acquisition of National Credit Management Limited (NCML).

The NCML acquisition, which occurred just at the end of the financial year, provides the opportunity for Thorn to expand its financial services platform and further develop its debtor management expertise and knowledge base. NCML has a focus on high quality corporate clients with long term relationships.

It is noteworthy that the board and management of Thorn have investigated a number of opportunities over the past 4 years; however NCML was the only one to meet our strict acquisition guidelines. This is testament to the rigorous review process undertaken by the Company.

Total customer growth of 10.5% is an outstanding result and a 7.5% lift in the core Radio Rentals and Rentlo businesses clearly demonstrates the continued success of our 'Rent-Try-$1Buy™' offering and overall marketing strategy.

Growth has primarily been organic and driven through national television campaigns that emphasise our focus on giving customers 'a fair go', particularly those who may have had a previous credit default. Our focus on a person's current situation and not their past is a key element in our credit assessment process as part of our Responsible Rental and Lending Policy.

Thorn was one of the first financial services organisations to receive an Australian Credit Licence and we continued to achieve low levels of customer accounts in arrears. This is again testament to the stringent standards that are enforced throughout the business to ensure that we meet customer's needs within their financial capacity.

The other key area of growth has been in Cashfirst, which doubled in size to a loan book of $12m, again demonstrating our ability to provide a well structured product to a market area of significant opportunity.

Thorn Business Services continued along a path of restructure and enhancement of offerings, however growth was impacted by a slower than expected development of vendor relationships. The business finished the year with a good platform in place for future advances.

Staff training and development continued as a key focus area, particularly as we strive to improve staff retention. The Thorn 'Levels Training Program' is a particularly important part of our staff retention strategy and provides staff with significant rewards and recognition for achievement. 'Levels Training' is now compulsory for all staff in the Radio Rentals/Rentlo store network and is an excellent means of also objectively assessing the capabilities of staff and their potential for development through the business.

Outlook

As Thorn enters its 75th year of operations, the suite of products and services offered across the various businesses sees Thorn well positioned in the market to generate strong growth.

John Hughes
Managing Director and CEO

Our brands

radio rentals

Offering an extensive range of technology, home and office needs, all cleverly packaged into a range of rental deals and flexible terms.

rentlo

South Australia's newest home appliance rental company providing home and business solutions.

cashfirst™

Provides unsecured personal loans with easy credit requirements and flexible terms.

THORN Business Services

Specialising in providing rental solutions for corporations and government.

National Credit Management Limited

A provider of credit and receivables management services throughout Australia.

Radio Rentals and Rentlo

Store upgrade and expansion program

- ✓ **Lifestyle store upgrades**
- ✓ **Showrooms**
- ✓ **Kiosks**
- ✓ **One person branches**

The store network is in its 3rd year of a major revamp through a number of key initiatives including the upgrading of some 15 Full Service Branches (FSB) to the new lifestyle concept, the opening of 5 new 'one person branches', 2 showrooms launched and a 'kiosk' trial commenced.

Each of these different store types is tailored to optimise the Company's presence in various markets in the most cost effective manner.

Full Service Branches are the mainstay of the network and are generally some 250–300 square metres. Some 50% of these have been upgraded over the past 2 years with the balance being planned for a revamp in the coming 2 years with conversion to the new lifestyle design, which has met with a positive response from both customers and staff. With the majority of stock displayed on the sales floor and featuring lifestyle settings it enables customers to really appreciate the way products will look 'in home'.

In order to enhance the market presence in a number of areas where there are large customer numbers but rents are high, particularly in metropolitan areas, we have expanded the network footprint by opening a number 'showrooms' which are some 75-100 square metres and again incorporate a 'lifestyle' design. These showrooms are linked to either an FSB or a 'support centre' for logistics and administration. With the addition of Lake Haven on the Central Coast in NSW and Collingwood in Melbourne there are now 6 showrooms in operation.

A further additive to lifting our customer awareness in metropolitan areas has been the commencement of a 'kiosk' trial in Mt Druitt in Sydney's western suburbs **(right)**, linked to the Blacktown FSB. This concept has met with immediate success and increased installations without any negative impacts on the level of business generated through Blacktown – a very positive indicator.

Following the success of the 'one person branch' (OPB) trial in Bateman's Bay in southern NSW, which links a 'man and a van' in the local area with the support of administration and logistics from our Wollongong Service Centre, another 5 OPBs were opened in Bega and Inverell NSW, Warrnambool Vic, Mt Gambier in SA and Albany in WA.

In the coming year there are plans a number of new outlets, spread across showrooms, kiosks and OPBs. The break-up of these will depend on where we find the best quality locations.

The internet continues to be a major source of new business and along with telephone enquiries represented some 70% of enquiries for the year. Where many other traditional retailers have lagged in their adoption of the internet to enhance market penetration it has proven to be a powerful marketing tool in the growth of the Radio Rentals/Rentlo business.

Rent, Try, $1Buy!™ – an industry icon

- **Market leading proposition**
- **Increased average customer contract length**
- **40% customer retention for a new product**

Rent, Try, $1Buy!™ has become an industry icon and its popularity is directly related to the ability for customers to enjoy the benefits and flexibility of rental along with the potential to obtain ownership. This is a real positive for customers, particularly by comparison to any other offering in the market.

The high level of customer satisfaction with Rent, Try, $1Buy!™ has consequently led to an increase in the average contract length as customers strive for ownership.

Further to this some 40% of all customers completing a Rent, Try, $1Buy!™ contract for a product commenced a new contract for another product – a very positive endorsement by our customers!

Giving customers ‘a fair go’

- **‘Your Credit History is History’**
- **‘No Knockback Guarantee’**
- **‘Responsible Rental Policy’**

The ‘Your Credit History is History’ and ‘No Knockback Guarantee’ promotions emphasise to consumers that we will give them ‘a fair go’ and that we place emphasis on their current circumstances and not their past. Further to this our ‘Responsible Rental Policy’ ensures that customers are provided with product that suits their needs and budget and that they are not overcommitted.

Customer feedback obtained through our internal Customer Satisfaction Team along with external research continues to emphasise positive attitudes by customers towards the business, particularly in regards to giving them ‘a fair go’ when no one else would. This is enhanced by our Rent, Try, $1Buy!™ proposition, which provides customers with an assurance that they can obtain ownership of a product after 36 months rental and not be renting indefinitely.

Outstanding Customer Growth

- ✓ **7.5% increase**
- ✓ **Customer base approaching 100,000**

Over the past 4 years there has been a very strong and continuous growth in our customer base and this is a particularly positive indicator as to the value of our proposition to consumers. We are now approaching 100,000 customers, which is a real milestone, and many of these have maintained a relationship with the Company over many years as they have completed a Rent, Try, $1Buy!™ contract and then commenced another for a different type of product. In recent years many of our customers renting furniture are past customers who have rented a washing machine, refrigerator or TV.

We are very proud of the level of customer loyalty and retention that we achieve and this is emphasised by the numerous new customer enquiries that are referred by current and previous customers.

QUICK FACTS:

We're now approaching 100,000 customers: a real milestone.

New Product Initiatives

- ✓ **Thorn brand relaunched**
- ✓ **Expanded furniture range**
- ✓ **Higher featured whitegoods**

The Thorn brand has over 80 years of history in the market as a quality product and its relaunch through a range of flat panel TVs has been well received by our customers. These products go through extensive testing to ensure they meet the highest quality standards which is of paramount importance to our business given the service guarantee provided to our customers. Other product categories are now being considered for possible inclusion under the Thorn banner.

There has been dramatic growth in our furniture segment, particularly through the take-up of bedroom packages and lounge suites, which suggests that there has been a high level of latent demand. A key requirement from customers is for higher quality products, which will last the test of time, at affordable prices. Again, this is the guiding principle for all products selected for our ranges.

Solid growth in installations of refrigerators and washing machines, suggests a continuing level of financial uncertainty being felt by families and their position as 'need' products in any household. In addition there has been strong demand for higher featured products in these categories, especially larger fridges and bigger capacity washers, which also demonstrates that many of our customers are certainly aspirational.

Thorn Business Services

- ✓ **Considerable market demand**
- ✓ **Specialist provider for SME market**
- ✓ **Vendor network development**

There is a continued lack of equipment financing available for small, medium enterprises (SMEs), particularly in the under $100k funding area, which provides Thorn Business Services (TBS) with a significant opportunity for future growth. As a specialist provider of equipment finance solutions for business TBS can tailor a package to meet the specific needs of the customer.

Vendor relationships are a becoming increasingly important in this market area and good inroads have been made in creating a solid national network across a number of market segments. In many circumstances vendors introduce TBS as their preferred finance partner which then enables them to more easily market their products. Pre-approval checklists ensure that potential clients meet strict lending criteria and aids in simplifying the approval process.

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

QUICK FACTS:

Foundations laid for development in the 2012 financial year.

Cashfirst

- ✓ **Doubling of loan book to $12m, driven by national Pay TV campaign**
- ✓ **Account base of over 7,000 customers**
- ✓ **80% of business written with new customers**

Following a year of refinements in approval matrices and processes, Cashfirst, our unsecured term loan product, was taken national through a pay TV campaign **(below)** which commenced in November 2010. The results from this campaign were outstanding and formed the foundation of substantial growth which culminated in the loan book reaching $12m by year-end.

Although there was extremely positive growth the rigorous approval process meant that only 15–20% of applications were approved, which is evidence of the quality loan book that is being created. Customer arrears and write-offs improved during the year and again underlines this quality focus.

A customer loyalty program was also introduced and this enables customers who have completed a full loan term to commence a new loan at a discounted rate.

The national pay TV program will be continued through the coming year with expectations of further solid growth.

QUICK FACTS:

Loan book doubled to $12.0 million.

National Credit Management Limited (NCML)

- ✓ A national provider of integrated receivables management services
- ✓ Focus on high quality corporate clients with long term relationships
- ✓ Expands debtor management expertise & increases knowledge base

NCML was acquired by Thorn in late March 2011 and therefore had no material impact on the year's results, however it does provide the Company with a sound opportunity for future growth and development, primarily in the field of debtor management.

Thorn is already extensively involved in debtor management through its current businesses and NCML will provide it with the ability to further enhance these skills and capabilities.

NCML has a focus on high quality corporate and government clients, many of whom have been customers for over 15 years.

QUICK FACTS:

NCML acquired by Thorn in late March 2011.

Commercial Collection Services

Consumer Collection Services

Purchased Debt ledgers

National Credit Management Limited

	Future Development
• More than 800 customers • Business to business collection services on a commission and 'fee for service' basis • Complementary value added services offering (eg. legal recovery and field solutions) • Incorporates Hudson Legal which provides legal services to NCML and third parties	• Under-represented in NSW and Queensland – prospective clients identified • Expansion of service offering • Further development of Hudson Legal
• Provides business to consumer collection services predominately on a 'fee for service' basis • Mainly targeting high volume, low value utilities, telco, government body debts and financial services organisations • Diverse customer base and strong relationships with 'blue chip' clients	• Increased activity with key clients through further development of strategic relationships • Tenders for major government contracts
• Provides business to consumer collection services and purchases debt ledgers (PDLs) from banks and finance companies • The PDL division was established in April 2006 • Strong PDL track record underpinned by prudent pricing methodology, significant due diligence and robust collections operations	• Favourable industry trends will drive growth • 'Selective' purchases • Potential to charge interest (standard industry practice) with IT upgrade

QUICK FACTS:

Potential for future acquisitions.

Financial Summary

for the year ended 31 March 2011

Income Statement

In thousands of AUD	2011	2010
Revenue	**157,604**	145,108
Cost of sales	**(57,890)**	(58,633)
Sales, administrative and marketing expenses	**(67,289)**	(61,895)
Operating profit before financing costs	**32,679**	24,612
Net finance (costs) / income	**(369)**	(608)
Profit before income tax	**32,310**	24,004
Income tax expense	**(10,272)**	(4,509)
Profit for the period	**22,038**	19,495

Balance Sheet

In thousands of AUD	2011	2010
Assets		
Cash and cash equivalents	**9,038**	5,747
Inventory – finished goods	–	869
Trade and other receivables	**40,591**	25,549
Total current assets	**49,629**	32,165
Trade and other receivables	**35,351**	29,159
Deferred tax assets	**3,030**	3,397
Property, plant and equipment	**3,932**	2,437
Rental assets	**41,178**	35,211
Intangible assets	**38,721**	15,604
Total non-current assets	**122,212**	85,808
Total assets	**171,841**	117,973
Liabilities		
Trade and other payables	**28,845**	23,348
Employee benefits and provisions	**4,555**	4,016
Loans and borrowings	–	6,000
Income tax payable	**6,148**	1,948
Total current liabilities	**39,548**	35,312
Loans and borrowings	**36,000**	–
Employee benefits and provisions	**1,290**	894
Total non-current liabilities	**37,290**	894
Total liabilities	**76,838**	36,206
Net assets	**95,003**	81,767
Equity		
Issued capital	**64,517**	64,517
Reserves	**2,307**	1,645
Retained earnings	**28,179**	15,605
Total equity	**95,003**	81,767

Disclaimer: This financial summary is an edited extract from the 2011 financial statements and is provided for information purposes only. Complete audited financial statements including all explanatory notes, are available in the Investor Centre section at www.thorn.com.au

For the year ended 31 March 2011

Statements of Cash Flows

In thousands of AUD	2011	2010
Cash flows from operating activities		
Cash receipts from customers	**161,550**	142,654
Cash paid to suppliers and employees	**(87,855)**	(79,410)
Cash generated from operations	**73,695**	63,244
Interest paid	**(612)**	(690)
Interest received	**247**	82
Income tax paid	**(5,614)**	(4,769)
Net cash from operating activities	**67,716**	57,867
Cash flows from investing activities		
Proceeds from sale of rental assets	**927**	1,061
Acquisition of property, plant and equipment	**(1,795)**	(1,140)
Acquisition of rental assets	**(52,646)**	(47,549)
Acquisition of subsidiary (net of cash acquired)	**(31,447)**	–
Net cash used in investing activities	**(84,961)**	(47,628)
Cash flows from financing activities		
Proceeds from borrowings	**30,000**	–
Dividends paid	**(9,464)**	(7,059)
Net cash from / (used in) financing activities	**20,536**	(7,059)
Net increase in cash and cash equivalents	**3,291**	3,180
Cash and cash equivalents at 1 April	**5,747**	2,567
Cash and cash equivalents at 31 March	**9,038**	5,747

Remuneration Report

		Short-term				Post-employment	Share-based payments	
In AUD		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total $	Superannuation benefits $	Options and rights $(C)	Total $
DIRECTORS								
Non-Executive								
Bernard Carrasco	**2011**	**127,423**	**–**	**–**	**127,423**	**11,468**	**–**	**138,891**
	2010	119,492	–	–	119,492	10,772	–	130,264
David Carter	**2011**	**80,500**	**–**	**–**	**80,500**	**7,245**	**–**	**87,745**
	2010	67,346	–	–	67,346	6,061	–	73,407
Peter Henley	**2011**	**65,000**	**–**	**–**	**65,000**	**5,850**	**–**	**70,850**
	2010	62,346	–	–	62,346	5,611	–	67,957
Paul Lahiff	**2011**	**62,423**	**–**	**–**	**62,423**	**5,618**	**–**	**68,041**
	2010	57,346	–	–	57,346	5,161	–	62,507
Executive								
John Hughes	**2011**	**519,433**	**499,333**	**–**	**1,018,766**	**14,596**	**230,999**	**1,264,361**
	2010	502,733	517,500	–	1,020,233	14,296	49,243	1,083,772
Total directors remuneration	**2011**	**854,779**	**499,333**	**–**	**1,354,112**	**44,777**	**230,999**	**1,629,888**
	2010	809,263	517,500	–	1,326,763	41,901	49,243	1,417,907

Four year performance summary

In thousands of AUD		2011	2010	2009	2008
Operating Performance					
Total revenue	$m	**157.6**	145.1	127.6	116.7
Normalised net profit (before significant items)	$m	**23.0**	16.4	12.3	10.9
Significant items	$m	**(1.0)**	3.1	–	–
Reported net profit	$m	**22.0**	19.5	12.3	10.9
Operating cash flow	$m	**67.7**	57.9	45.9	42.5
Capital expenditure – rental assets	$m	**52.6**	47.5	42.6	37.1
Balance Sheet Structure					
Total assets	$m	**171.8**	117.9	102.7	91.5
Capital employed	$m	**132.3**	82.6	76.1	63.2
Equity	$m	**95.0**	81.8	69.2	62.3
Net debt	$m	**27.0**	–	3.4	–
Per Share Performance					
Number of shares	m	**129.9**	129.4	128.7	127.9
Weighted average number of shares – basic	m	**129.6**	128.9	128.2	127.5
Weighted average number of shares – diluted	m	**130.7**	129.5	129.5	129.5
Basic earnings per share	cents	**17.01**	15.12	9.61	8.55
Diluted earnings per share	cents	**16.86**	15.06	9.52	8.42
Share price at year end	cents	**2.19**	1.12	0.49	0.55
Dividend per share	cents	**8.49**	6.32	4.79	4.26
Dividend payout ratio	%	**50**	50	50	50
Financial Ratios					
Interest cover based on EBITA	x	**53.1**	35.7	30.3	38.2
Debt to Equity	%	**37.8**	7.3	8.6	8.0

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Corporate directory

Directors

Bernard Carrasco
Chairman

John Hughes
Managing Director

David Carter
Non-Executive Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

Thorn Group Limited
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Telephone: +61 2 9101 5000
Facimile: +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 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 NSW on **Thursday, 25 August 2011**, commencing at **2.00pm**.

Directors' report

for the year ended 31 March 2011

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 2011 and the auditor's report thereon.

1. Directors

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

Name and independence status	Experience, special responsibilities, qualifications and other directorships
Bernard Carrasco Chairperson Independent Non-Executive Director *Appointed:* 3 November 2006	Bernard Carrasco is a business consultant advising privately owned businesses. Bernard's previous positions include Managing Director of Email Metering, Chief Financial Officer and a Director of OneSteel Limited, Chief Financial Officer of BHP Steel, a Director of Steel and Tube Holdings Limited (New Zealand) and Chairman of the ASX listed Tutt Bryant Group Limited (from 2005 to 2010). Bernard holds qualifications from Ecole Supérieure de Commerce, Marseille, France and an MBA, from the University of Cape Town, South Africa. He is also a former fellow of the Institute of Chartered Management Accountants, UK.
John Hughes CEO and Managing Director *Appointed:* 3 November 2006	Prior to joining the Company, John was Managing Director of ASX listed Ruralco Holdings Limited until its merger with Tasmanian based Roberts Limited in 2006. He was previously Managing Director of Thorn EMI Rentals Australasia ('Thorn') and led the reshaping of that company into a highly successful consumer electronics and financial services organisation. Prior to Thorn he was Managing Director of Dominos Pizza Australia and has over 30 years experience as a senior executive in a number of leading Australian and international companies including Sharp Corporation, Competitive Foods and Grace Bros. John holds a Bachelor of Commerce degree from the University of New South Wales and is a Fellow of the Australian Institute of Company Directors.
David Carter Independent Non-Executive Director *Appointed:* 3 November 2006	David Carter is a lawyer and corporate advisor who was previously a partner of a major international law firm. David has significant experience in corporate, commercial and international law. David is Chairman of the ASX listed TSV Holdings Limited (from 2010) as well as a director of Cause Connect Ltd a not for profit company and Glutagen Pty Ltd an early stage biotech. David holds a Bachelor of Economics, Bachelor of Laws (Hons) degree, Masters of Laws degree from Monash University, and a Bachelor of Civil Law degree from Oxford University.
Peter Henley Independent Non-Executive Director *Appointed:* 21 May 2007	Peter Henley has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held senior management positions with AGC, Nissan Finance and most recently GE Money. Peter is a non-executive director and member of the Audit and Risk Committee of the ASX listed AP Eagers Limited (from 2006). Peter is a non-executive director, deputy chairman and a member of the Audit and Risk Committee of MTA Insurance Ltd and a Fellow of the Australian Institute of Management. He has also been a Director of GE Motor Solutions Australia and GE Money, Singapore.
Paul Lahiff Independent Non-Executive Director *Appointed:* 21 May 2007	Paul Lahiff is Chairman of Stephenson Mansell Group, a Director of the Cancer Council NSW, NSW Councillor Australia-Britain Chamber of Commerce and operates his own consultancy firm specialising in financial services strategy. He has over 30 years experience in the financial services industry including roles as Managing Director of the ASX listed Mortgage Choice (from 2003 to 2009), Permanent Trustee, Heritage Building Society and WDScott, as well as senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector. Paul holds a Bachelor of Science Degree from Sydney University and is a Fellow of the Australian Institute of Management (AIM), Fellow of the Financial Services Institute of Australia (FINSIA) and is a member of the Australian Institute of Company Directors (AICD).

Directors' report
for the year ended 31 March 2011 continued

2. Company Secretary

Peter Eaton joined the Company in 1999 and was the Company's Finance Manager before assuming the role of Group Financial Controller in 2005 and the positions of Chief Financial Officer and Company Secretary in August 2006. Peter has a detailed understanding of the business, the domestic rental market and its drivers and provides input into key management decisions. Peter's role encompasses Finance, Information Technology and Risk Management. Peter holds a Bachelor of Commerce degree from the University of Western Sydney and is a member of the Australian Society of Certified Practising Accountants (CPA).

3. Directors' Meetings

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

	Board Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Bernard Carrasco	13	13	4	5	2	2
John Hughes	13	13	5	–	2	–
David Carter	13	13	5	5	2	2
Peter Henley	13	13	5	5	–	–
Paul Lahiff	13	13	4	–	2	2

A – Number of meetings attended

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

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

Mr Lahiff was not a member of the Audit Risk and Compliance Committee but attended the meetings by invitation.

4. Corporate Governance Statement

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

4.1 Board of Directors

Role of the Board

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

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

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

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

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

Board Processes

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

The full Board currently holds scheduled meetings each year, 8–12 per annum, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. The Board Charter requires the full Board to meet at least once per year to review the performance of the directors, committees, and senior executives, as well as, the relationship between the Board and management and matters of general corporate governance.

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

Director and executive education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of directors. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

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

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.

Directors' report
for the year ended 31 March 2011 continued

Composition of the Board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out on page 1 of this report. The composition of the Board is determined using the following principles:

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

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

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

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

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

A supplier will be considered 'material' if:

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

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

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

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

Diversity

The board is committed to having an appropriate blend of diversity on the Board and in the consolidated entity's senior executive positions. The Board is in the process of establishing a policy regarding gender, age, ethnic and cultural diversity.

4.2 Remuneration and Nomination Committee

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

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

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

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

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

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

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

The Remuneration and Nomination Committee meets twice a year and as required. The Committee met twice during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 2.

4.3 Remuneration Report – Audited

4.3.1 Principles of remuneration

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

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

Directors' report
for the year ended 31 March 2011 continued

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

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

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

Fixed Remuneration

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

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

Performance Linked Remuneration

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

Short-Term Incentive

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

The financial performance objective for 2011 is 'profit after tax' as compared to the budgeted amount. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety, customer satisfaction and staff development.

At the end of the financial year the Board assesses the actual performance of the consolidated entity, and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount, is awarded depending on results, between 30 percent for minimum performance and 100 percent for stretch performance. The pre-determined maximum amount is the base salary at the balance date. No bonus is awarded where performance falls below the minimum. The performance evaluation in respect of the year ended 31 March 2011 has taken place in accordance with this process.

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

Long-Term Incentive

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

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

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

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

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

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

The long-term incentive plan introduced upon listing expired during the 2011 period. A new long-term incentive plan was introduced in April 2010, effective from 1 April 2010. The plan operates in exactly the same manner as the previous plan; however TSR performance is measured against 19 comparable ASX listed securities.

Consequences of performance on shareholder's wealth

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

	2011	**2010**	**2009**	**2008**	**2007**
Profit attributable to owners of the Company	**$22,038,000**	$19,495,000	$12,320,000	$10,899,000	$6,542,000
Dividends paid	**$9,464,000**	$7,059,000	$5,594,000	$3,513,000	–
Change in share price	**1.07**	0.63	(0.06)	(0.20)	0.25
Return on capital employed	**19.02%**	20.35%	17.19%	17.77%	14.51%

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

Other Benefits

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

Directors' report
for the year ended 31 March 2011 continued

Service Contracts

John Hughes, Managing Director, has a contract of employment dated 31 March 2010 with the Company, with an expiry date 31 March 2013. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and Managing Director will early in each financial year, consult and agree objectives for achievement during that year.

At any time the service contract can be terminated either by the Company or John Hughes providing six months' notice. The Company may make a payment in lieu of notice of six months, equal to six months of base salary. This payment represents market practice at the time the terms were agreed.

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

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

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

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

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

Non Executive Directors

Total remuneration for all non-executive directors is not to exceed $550,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. From 1 April 2011 Directors' fees are $70,000 per annum.

The Chairperson receives up to twice the base fee. Non-executive directors do not receive performance-related remuneration. Directors' fees cover all main Board activities. Non-executive directors are paid $5,000 for membership of the Audit, Risk and Compliance Committee and $2,500 for membership of the Remuneration and Nomination Committee. The Chairperson of the Audit, Risk and Compliance Committee receives $20,000 per annum (from 1 June 2010).

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

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and group executives who receive the highest remuneration:

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

	Short-term				Post-employ-ment	Long-term benefits		Share-based payments			
In AUD	Salary & fees $	STI cash bonus $[A]	Non-monetary benefits $[B]	Total	Super-annuation benefits $	Long Service Leave $	Term-ination benefits	Options and rights $[C]	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Directors											
Non-Executive directors											
Bernard Carrasco											
2011	**127,423**	**–**	**–**	**127,423**	**11,468**	**–**	**–**	**–**	**138,891**	**–**	**–**
2010	119,492	–	–	119,492	10,772	–	–	–	130,264	–	–
David Carter											
2011	**80,500**	**–**	**–**	**80,500**	**7,245**	**–**	**–**	**–**	**87,745**	**–**	**–**
2010	67,346	–	–	67,346	6,061	–	–	–	73,407	–	–
Peter Henley											
2011	**65,000**	**–**	**–**	**65,000**	**5,850**	**–**	**–**	**–**	**70,850**	**–**	**–**
2010	62,346	–	–	62,346	5,611	–	–	–	67,957	–	–
Paul Lahiff											
2011	**62,423**	**–**	**–**	**62,423**	**5,618**	**–**	**–**	**–**	**68,041**	**–**	**–**
2010	57,346	–	–	57,346	5,161	–	–	–	62,507	–	–
Executive directors											
John Hughes											
2011	**519,433**	**499,333**	**–**	**1,018,766**	**14,596**	**–**	**–**	**230,999**	**1,264,361**	**58**	**18**
2010	502,733	517,500	–	1,020,233	14,296	–	–	49,243	1,083,772	52	5
Total directors remuneration											
2011	**854,779**	**499,333**	**–**	**1,354,112**	**44,777**	**–**	**–**	**230,999**	**1,629,888**	**–**	**–**
2010	809,263	517,500	–	1,326,763	41,901	–	–	49,243	1,417,907	–	–

Directors' report
for the year ended 31 March 2011 continued

In AUD	Short-term: Salary & fees $	Short-term: STI cash bonus $[A]	Short-term: Non-monetary benefits $[B]	Short-term: Total	Post-employment: Superannuation benefits $	Long-term benefits: Long Service Leave $	Termination benefits	Share-based payments: Options and rights $[C]	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Executives											
Peter Eaton, Chief Financial Officer and Company Secretary											
2011	**231,211**	**229,600**	**10,298**	**471,109**	**14,596**	**6,942**	**–**	**77,000**	**569,647**	**54**	**14**
2010	223,537	238,050	10,566	472,153	14,296	9,483	–	19,697	515,629	50	4
James Marshall, GM Rental											
2011	**189,983**	**192,267**	**11,414**	**393,664**	**14,596**	**9,287**	**–**	**53,900**	**471,447**	**52**	**11**
2010	159,426	173,880	14,505	347,811	14,296	1,092	–	–	363,199	48	–
Ian Scott, GM Financial Services											
2011	**153,787**	**157,733**	**–**	**311,520**	**14,596**	**–**	**–**	**–**	**326,116**	**48**	**–**
2010	148,589	163,013	–	311,602	14,296	–	–	–	325,898	50	–
Andrea Rooke, GM Human Resources											
2011	**145,567**	**81,500**	**10,344**	**237,411**	**14,540**	**–**	**–**	**–**	**251,951**	**32**	**–**
2010	144,495	157,500	4,458	306,453	13,005	–	–	–	319,458	49	–
Allan Chadwick, GM Business Services[2]											
2011	**110,000**	**25,000**	**10,916**	**145,916**	**10,726**	**–**	**–**	**–**	**156,642**	**16**	**–**
2010	33,846	10,000	2,339	46,185	3,046	–	–	–	49,231	20	–
Steve Urquhart, GM Retail & Purchasing[1]											
2011	**146,789**	**80,000**	**6,243**	**233,032**	**13,211**	**–**	**–**	**–**	**246,243**	**32**	**–**
2010	28,229	–	2,385	30,614	2,541	–	–	–	33,155	–	–
Former											
Peter Krideras, GM Merchandising & Marketing (resigned 31 October 2009)											
2010	94,622	–	9,864	104,486	17,590	–	145,686	–	267,762	–	–
Total executives remuneration											
2011	**977,337**	**766,100**	**49,215**	**1,792,652**	**82,265**	**16,229**	**–**	**130,900**	**2,022,046**	**–**	**–**
2010	832,744	742,443	44,117	1,619,304	79,070	10,575	145,686	19,697	1,874,332	–	–
Total directors and executive officer remuneration											
2011	**1,832,116**	**1,265,433**	**49,215**	**3,146,764**	**127,042**	**16,229**	**–**	**361,899**	**3,651,934**	**–**	**–**
2010	1,642.007	1,259,943	44,117	2,946,067	120,971	10,575	145,686	68,940	3,292,239	–	–

1. The remuneration for Steve Urquhart for 2010 reflects remuneration during the period from 11 January 2010, the date of his appointment.
2. The remuneration for Allan Chadwick for 2010 reflects remuneration during the period from 1 December 2009, the date of his promotion.

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

A. The short term incentive bonus for 2011 is for performance during the 31 March 2011 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 Perform-ance right $	Exercise Price	Price of shares on grant date $	Expected Volatility %	Risk free interest rate %	Dividend yield %
1 April 2010	15 Dec 2010	15 May 2013	0.85	Nil	1.085	48.4	5.2	8.2
1 April 2010	15 Dec 2011	15 May 2013	0.77	Nil	1.085	48.4	5.2	8.2
1 April 2010	15 Dec 2012	15 May 2013	0.69	Nil	1.085	48.4	5.2	8.2

4.3.3 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and the five highest paid Company and consolidated entity executives are detailed below.

	Short Term Incentive Bonus		
	Included In Remuneration $[a]	% Vested In Year	% Forfeited In Year[b]
Directors			
John Hughes	499,333	93	7
Executives			
Peter Eaton	229,600	93	7
James Marshall	192,267	93	7
Ian Scott	157,733	93	7
Andrea Rooke	81,500	50	50
Allan Chadwick	25,000	21	79
Steve Urquhart	80,000	50	50

a. Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria.

b. The amounts forfeited are due to the performance or service criteria not being fully met in relation to the current year

Directors' report
for the year ended 31 March 2011 continued

4.3.4 Equity Instruments

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Years in which Grant Vests	Values yet to Vest $	
	Number	Date		Min[a]	Max[b]
Director					
John Hughes	815,291	1 Apr 2010	2011–2014	Nil	N/A
Executive					
Peter Eaton	271,764	1 Apr 2010	2011–2014	Nil	N/A
James Marshall	190,235	1 Apr 2010	2011–2014	Nil	N/A

Analysis of performance rights available for vesting during the year as remuneration

Details of the performance rights available for vesting as remuneration during the year to each director of the Company and each of the five named Company executives and relevant group executives are detailed below:

	Performance Rights Granted		% Vested in Current Year[c]	% Forfeited in Year[d]	Financial Years in which Grant Vests	Values yet to Vest $	
	Number	Date	%	%		Min[a]	Max[b]
Director							
John Hughes	61	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	543	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	12,500	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	271,764	1 Apr 2010	93.75	–	2011–2014	Nil	N/A
Executive							
Peter Eaton	24	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	217	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	5,000	13 Dec 2006	98.75	1.25	2008–2011	N/A	N/A
	90,588	1 Apr 2010	93.75	–	2011–2014	Nil	N/A
James Marshall	63,412	1 Apr 2010	93.75	–	2011–2014	Nil	N/A

a. The minimum value of the performance rights to vest is nil as the performance rights criteria may not be met and consequently the performance rights may not vest.

b. The maximum value of the performance rights yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised.

c. Performance rights were forfeited during the period as the performance hurdle had not been met.

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

e. The performance rights expire on the earlier of their expiry date, 15 May 2013, or termination of the individual's employment.

Analysis of movements in performance rights

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

Value of performance rights

	Granted in year[a] $	Exercised in year[b] $	Forfeited in year[c] $
John Hughes	900,000	501,937	194
Peter Eaton	300,000	168,501	78
James Marshall	210,000	112,953	–
	1,410,000	783,391	272

a. The value of performance rights granted during the year is calculated as the market volume weighted average price for the five trading days preceding the grant date.

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 23 August 2010 was $1.38 and the market price as at the close of trade on 22 December 2010 was $1.90.

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 2010	Granted as Compensation	Exercised	Lapsed during the year	Held at 31 March 2011	Vested during the year
John Hughes	13,104	815,291	267,719	164	560,512	267,719
Peter Eaton	5,241	271,764	90,101	66	186,838	90,101
James Marshall	–	190,235	59,449	–	130,786	59,449

Directors' report
for the year ended 31 March 2011 continued

4.4 Audit, Risk and Compliance Committee

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

The members of the Audit, Risk and Compliance Committee during the year were:
- David Carter (Independent Chairman) – Independent, Non-Executive
- Bernard Carrasco – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive

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

The internal and external auditors, the Managing Director and the Chief Financial Officer are invited to Audit, Risk and Compliance Committee meetings at the discretion of the Committee. The Committee is required to meet at least twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 2.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2011 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

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

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

4.5 Risk Management

Oversight of the risk management system

The Board oversees the establishment, implementation and review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the consolidated entity (including sustainability risk). The Managing Director and the Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to 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, occupational health and safety, property, financial reporting and the purchase, development and use of information systems.

Risk management and compliance and control

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

Comprehensive practices have been established to ensure:

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

Quality and integrity of personnel

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

Directors' report
for the year ended 31 March 2011 continued

Financial Reporting

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

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

Environmental legislation

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

Internal Audit

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

4.6 Ethical Standards

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

Conflict of Interest

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

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

Code of conduct

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

The Company's Code of Conduct covers issues such as delivering shareholder value, managing conflicts of interest, confidentiality, fair and honest dealings, occupational health and safety, equal opportunity and compliance with laws. The Code encourages reporting of unethical behaviour.

Securities Trading Policy

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

The policy outlines the restricted trading period for the Company as the month immediately before:
- the release of the Company's half yearly or yearly results; or
- the Annual General Meeting.

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

4.7 Communication with Shareholders

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

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

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

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

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

Directors' report
for the year ended 31 March 2011 continued

5. Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the renting and sale of browngoods, whitegoods, PC's and furniture products and the provision of unsecured cash loans. The consolidated entity acquired National Credit Management Limited (NCML) in March 2011. The principle activities of NCML are collections services and receivables management.

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

Increases were achieved in both revenue and profit for the 2011 financial year with total revenues growing from $145,108,000 to $157,604,000, an 8.6% improvement.

The growth in revenue was attributable to lease revenue, with finance lease revenue increasing from $62,980,000 to $69,216,000, an improvement of 9.9% driven by continued demand for flat panel televisions and PCs. Operating lease revenue increased from $76,065,000 to $83,098,000, an improvement of 9.2%, as whitegoods and furniture continued to perform strongly.

The increase in gross profit from $86,475,000 to $99,714,000 was favourably impacted by the introduction of a direct import program under the Thorn brand name and the appreciation of the Australian dollar. This improvement resulted in profit before income tax increasing 34.6%, from $24,004,000 to $32,310,000. Net profit after tax increased 13%, from $19,495,000 to $22,038,000. Prior year net profit after tax was favourably impacted by the Federal Government's temporary investment allowance amounting to $3,136,000.

Net cash from operating activities increased from $57,867,000 to $67,716,000.

The acquisition of NCML saw an increase in debt to $36,000,000.

5.2 Shareholder returns

	2011	2010	2009	2008	2007
Profit attributable to owners of the company	**$22,038,000**	$19,495,000	$12,320,000	$10,899,000	$6,542,000
Basic EPS	**17.01c**	15.12c	9.61c	8.55c	11.77c
Dividends paid	**$9,464,000**	$7,059,000	$5,594,000	$3,513,000	–
Dividends per share	**7.30c**	6.32c	4.79c	4.26c	0.97c
Change in share price	**1.07**	0.63	(0.06)	(0.20)	0.25
Return on capital employed	**19.02%**	20.35%	17.19%	17.77%	14.51%

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

5.3 Review of Financial Information

Capital structure and treasury policy

The consolidated entity's capital structure changed during the period due to the acquisition of National Credit Management Limited. The debt to equity ratio increased to 37.8% and net debt to equity increased to 28.4%. The Company intends to undertake a pro-rata capital raising in the next 12 months to reduce these ratios to the historically low positions and again provide the consolidated entity a strong platform for growth.

Liquidity and funding

The consolidated entity has unused funding facilities as at 31 March 2011 of $14,000,000 and has sufficient funds available to finance its operations.

Net cash flows from operating activities were $67,716,000 as compared to $57,867,000 in the prior year.

Impact of Legislation and other external requirements

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

6. Dividends

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

	Cents per share	Total amount $'000s	Franked/unfranked	Date of payment
Final 2010	3.76	4,867	Franked	22 July 2010
Interim 2011	3.54	4,597	Franked	20 January 2011
Total amount		9,464		

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

Declared after end of year

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

	Cents per share	Total amount $'000s	Franked/unfranked	Date of payment
Final 2011	4.95	6,428	Franked	22 July 2011
Total amount		6,428		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 March 2011 and will be recognised in subsequent financial reports.

7 Events Subsequent To Reporting Date

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

8 Likely Developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. The company intends to undertake a pro-rata capital raising during the 2012 period.

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

Directors' report

for the year ended 31 March 2011 continued

9. Directors' Interests

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

	Thorn Group Limited	
	Ordinary shares	Performance Rights over ordinary shares
Bernard Carrasco	150,000	Nil
John Hughes	3,405,115	560,512
David Carter	221,000	Nil
Paul Lahiff	31,250	Nil
Peter Henley	37,580	Nil

The Company has not granted any options over its shares.

10. Performance rights

Performance rights granted to directors and officers of the Company

During the financial year, the Company has granted performance rights over unissued ordinary shares in the Company to three officers of the Company. Page 13 provides details of those performance rights which have not vested at the date of this report.

Unissued shares under options

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

11. Indemnification and Insurance of Officers and Auditors

Indemnification

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

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

Insurance Premiums

During the financial year, the Company has paid insurance premiums of $40,498 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

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

12. Non-Audit Services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence; and
- as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 7.

13. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for financial year ended 31 March 2011.

14. Rounding Off

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

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

Bernard Carrasco
Chairman

Dated at Sydney
24 May 2011

Lead auditor’s independence declaration

under Section 307C of the Corporations Act 2001

To: the directors of Thorn Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2011 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

G Boydell

Greg Boydell
Partner

Sydney
24 May 2011

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

Statement of comprehensive income

for the year ended 31 March 2011

In thousands of AUD	Note	2011	2010
Revenue	3	**157,604**	145,108
Other income	4	**254**	32
Cost of sales		**(57,890)**	(58,633)
Sales and marketing expenses		**(46,010)**	(43,027)
General and administration expenses		**(21,279)**	(18,868)
Results from operating activities		**32,679**	24,612
Finance income	6	**247**	82
Finance expenses	6	**(616)**	(690)
Net finance costs		**(369)**	(608)
Profit before income tax		**32,310**	24,004
Income tax expense	8	**(10,272)**	(4,509)
Profit for the period		**22,038**	19,495
Other comprehensive income for the period, net of income tax		**–**	–
Total comprehensive income for the period		**22,038**	19,495
Basic earnings per share (cents)	22	**17.01**	15.12
Diluted earnings per share (cents)	22	**16.86**	15.06

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 27 to 59.

Statement of financial position

for the year ended 31 March 2011

In thousands of AUD	Note	2011	2010
Assets			
Cash and cash equivalents	9	**9,038**	5,747
Trade and other receivables	10	**40,591**	25,549
Inventory – finished goods		**–**	869
Total current assets		**49,629**	32,165
Trade and other receivables	10	**35,351**	29,159
Deferred tax assets	12	**3,030**	3,397
Property, plant and equipment	13	**3,932**	2,437
Rental assets	14	**41,178**	35,211
Intangible assets	15	**38,721**	15,604
Total non-current assets		**122,212**	85,808
Total assets		**171,841**	117,973
Liabilities			
Trade and other payables	16	**28,845**	23,348
Employee benefits	18	**4,397**	3,481
Loans and borrowings	17	**–**	6,000
Income tax payable	11	**6,148**	1,948
Provisions	19	**158**	535
Total current liabilities		**39,548**	35,312
Loans and borrowings	17	**36,000**	–
Employee benefits	18	**237**	192
Provisions	19	**1,053**	702
Total non-current liabilities		**37,290**	894
Total liabilities		**76,838**	36,206
Net assets		**95,003**	81,767
Equity			
Issued capital		**64,517**	64,517
Reserves		**2,307**	1,645
Retained earnings		**28,179**	15,605
Total equity		**95,003**	81,767

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 27 to 59.

Statement of changes in equity

for the year ended 31 March 2011

In thousands of AUD	Share capital	Equity remuneration reserve	Retained earnings	Total equity
Balance at 1 April 2009	64,517	1,576	3,169	69,262
Total comprehensive income				
Net profit for the year	–	–	19,495	19,495
Other comprehensive income	–	–	–	–
Equity settled transactions	–	69	–	69
Dividends to shareholders	–	–	(7,059)	(7,059)
Balance at 31 March 2010	64,517	1,645	15,605	81,767
Balance at 1 April 2010	**64,517**	**1,645**	**15,605**	**81,767**
Total comprehensive income	**–**	**–**	**–**	**–**
Net profit for the year	**–**	**–**	**22,038**	**22,038**
Other comprehensive income	**–**	**–**	**–**	**–**
Equity settled transactions	**–**	**662**	**–**	**662**
Dividends to shareholders	**–**	**–**	**(9,464)**	**(9,464)**
Balance at 31 March 2011	**64,517**	**2,307**	**28,179**	**95,003**

The statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 27 to 59.

Statement of cash flows

for the year ended 31 March 2011 continued

In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		**161,550**	142,654
Cash paid to suppliers and employees		**(87,855)**	(79,410)
Cash generated from operations		**73,695**	63,244
Interest paid		**(612)**	(690)
Interest received		**247**	82
Income tax paid		**(5,614)**	(4,769)
Net cash from operating activities	28	**67,716**	57,867
Cash flows from investing activities			
Proceeds from sale of rental assets		**927**	1,061
Acquisition of property, plant and equipment		**(1,795)**	(1,140)
Acquisition of rental assets		**(52,646)**	(47,549)
Acquisition of subsidiary (net of cash acquired)	31	**(31,447)**	–
Net cash used in investing activities		**(84,961)**	(47,628)
Cash flows from financing activities			
Proceeds from borrowings		**30,000**	–
Dividends paid		**(9,464)**	(7,059)
Net cash from/(used in) financing activities		**20,536**	(7,059)
Net increase in cash and cash equivalents		**3,291**	3,180
Cash and cash equivalents at 1 April		**5,747**	2,567
Cash and cash equivalents at 31 March	9	**9,038**	5,747

The statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 27 to 59.

Notes to the consolidated financial statements
for the year ended 31 March 2011

1. Significant Accounting Policies

Thorn Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 47 Rickard Road, Bankstown, NSW, 2200. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2011 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The consolidated entity is primarily involved in the rental and sale of browngoods, whitegoods, PCs and furniture products, the provision of unsecured cash loans and receivables management.

(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) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 24 May 2011.

(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 15 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.

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

1. Significant Accounting Policies continued

(iii) Rent Try Buy® asset depreciation

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

(iv) Impairment of finance lease receivables

Note 21 contains information about the credit risk associated with finance lease receivables. The consolidated entity assesses the impairment of finance lease receivables at least annually. The calculations include an assessment of the expected rates of disconnections and the estimate of collateral.

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

The consolidated entity has applied amendments to the Corporations Act (2001) that remove the requirement for the consolidate entity to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 29.

(c) Basis of Consolidation

Subsidiaries

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

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Revenue

Revenues are measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. The following specific recognition criteria must also be met before revenue is recognised.

Lease Rental Revenue

The consolidated entity derives revenue from finance and operating leases.

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

Operating leases arise where substantially all of the 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 as it accrues, net of discounts. Revenue also arises from charges such as late fees, termination fees and damage liability reduction fees. These revenues are recognised when due and payable.

(e) Cost of Sales

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

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

(f) Income Tax

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

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

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

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

Tax consolidation

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

1. Significant Accounting Policies continued

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(g) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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 intangibles assets excluding goodwill. Amortisation is calculated on a straight line basis so as to write off the net 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 7 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 are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

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

(j) Trade and Other Receivables

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

Purchased debt ledgers are recognised at fair value plus any directly attributable transaction costs.

Trade and other receivables are stated at their amortised cost less impairment losses.

(k) Loans And Borrowings

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

(l) Rental Assets and Property, Plant and Equipment

Recognition and Measurement

Rental assets, and items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Gains and losses on disposal of an item of rental assets and property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within 'other income' or 'general and administration expenses' in profit or loss.

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

1. Significant Accounting Policies continued

Depreciation

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

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

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

– Freehold Buildings	20 years
– Leasehold Property	The lease term, to a maximum of 5 years
– Plant and Equipment	3–10 years
– Rental Assets	3–6 years

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

(m) Inventories

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

(n) Impairment

Non Financial Assets

The carrying amounts of the consolidated entity's assets, other than inventory and deferred tax assets, are reviewed at each balance 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 revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

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

Financial Assets

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

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

Reversals of Impairment

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

An impairment loss in respect of goodwill is not reversed.

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

(o) Employee Benefits

(i) Defined Contribution Superannuation Funds

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

(ii) Long Service Leave

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

(iv) Share-based payment transactions

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

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

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

1. Significant Accounting Policies continued

(v) Termination benefits

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

(p) Provisions

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

Makegood costs for leased property

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

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

(q) Trade and Other Payables

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

(r) Lease payments

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

(s) Goods and Services Tax

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

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

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

(t) Earnings per share

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

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

(u) Share Capital

Ordinary shares

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

Dividends

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

(v) Segment reporting

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

(w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 31 March 2011, but have not been applied in preparing this financial report:

- AASB 124 *Related Party Disclosures (Revised December 2009)* simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements of government-related entities. The amendments, which become mandatory for the consolidated entity's 31 March 2012 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2010-14 *Amendments to Australian Accounting Standards – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The amendments, which become mandatory for the consolidated entity's 31 March 2012 financial statements, are not expected to have a significant impact on the financial statements.

2. Segment Reporting

The consolidated entity has two reportable segments which are the rental division and the credit management division. The rental division business involves the rental and sale of browngoods, whitegoods, PCs and furniture products and the servicing of personal loans.

The credit management division is comprised of the NCML business which was acquired on 23 March 2011. NCML provide receivables management, debt recovery, credit information services, debt purchasing and other financial services. The consolidated entity operates in one geographic segment, Australia. All revenues are generated externally.

As the credit management division was acquired on 23 March 2011 the contribution to the results from this division for the year ended 31 March 2011 is insignificant.

	Rental division		Credit management division		Total	
In thousands of AUD	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Capital expenditure	**54,423**	48,689	**18**	–	**54,441**	48,689
Reportable segment assets	**144,787**	117,973	**27,054**	–	**171,841**	117,973
Reportable segment liabilities	**74,809**	36,206	**2,029**	–	**76,838**	36,206

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

3. Revenue

In thousands of AUD	2011	2010
Operating lease revenue	**83,098**	76,065
Finance lease and retail sales	**39,858**	40,473
Interest income	**34,648**	28,570
	157,604	145,108

4. Other income

In thousands of AUD	2011	2010
Net gain on disposal of rental assets	**99**	32
Net gain on disposal of property, plant and equipment	**155**	–
	254	32

5. Personnel Expenses

In thousands of AUD	2011	2010
Wages and salaries	**28,539**	26,771
Contributions to defined contribution superannuation funds	**2,011**	1,816
Increase in liability for annual leave	**31**	79
Increase/(decrease) in liability for long service leave	**166**	(66)
Termination benefits	**130**	145
Equity settled share-based payment transactions	**662**	69
	31,539	28,814

6. Finance income and expenses

In thousands of AUD	2011	2010
Interest income on bank deposits	**247**	82
Finance income	**247**	82
Interest expense on financial liabilities	**(616)**	(690)
Finance expense	**(616)**	(690)
Net finance income/(expense)	**(369)**	(608)

7. Auditors' Remuneration

In AUD	2011	2010
Audit services		
KPMG Australia:		
Audit and review of financial reports	**268,300**	260,500
	268,300	260,500
Other services		
KPMG Australia:		
Taxation services – compliance	**61,837**	66,000
Due diligence services	**224,492**	40,000
Other services	**5,000**	–
	291,329	106,000

8. Income Tax Expense

Recognised in the Income Statement

In thousands of AUD	2011	2010
Current tax expense		
Current year	**9,621**	4,562
Adjustment for prior years	**104**	51
Deferred tax expense		
Origination and reversal of temporary differences	**547**	(104)
Total income tax expense in income statement	**10,272**	4,509

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2011	2010
Profit before tax	**32,310**	24,004
Prima facie income tax using the domestic corporation tax rate of 30% (2010: 30%)	**9,693**	7,201
Change in income tax expense due to:		
Non-deductible expenses	**475**	393
Investment allowance	**–**	(3,136)
Under provided in prior years	**104**	51
Income tax expense on pre-tax accounting profit	**10,272**	4,509

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

9. Cash and Cash Equivalents

In thousands of AUD	2011	2010
Bank balances	**8,839**	5,697
Call deposits	**199**	50
Cash and cash equivalents	**9,038**	5,747

10. Trade and Other Receivables

In thousands of AUD	2011	2010
Current		
Trade receivables	**4,750**	1,179
Finance lease receivables	**20,978**	17,156
Loan receivables	**7,472**	4,119
Purchase Debt Ledgers	**3,463**	–
Lease deposits	**487**	444
Other receivables and prepayments	**3,441**	2,651
	40,591	25,549
Non-current		
Finance lease receivables	**30,481**	28,619
Loan receivables	**3,012**	540
Purchase Debt Ledgers	**1,858**	–
	35,351	29,159

Trade receivables are shown net of impairment losses amounting to $706,000 (2010: $648,000).

Finance lease receivables are shown net of impairment losses amounting to $5,372,000 (2010: $5,100,000).

Loan receivables are shown net of impairment losses amounting to $1,707,000 (2010: $868,000).

The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 21.

11. Current Tax Assets and Liabilities

The current tax liability for the consolidated entity of $6,148,000 (2010: $1,948,000) represents the amount of income taxes payable in respect of current and prior financial periods.

12. 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	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Rental assets	**14,545**	13,787	**–**	–	**14,545**	13,787
Property, plant and equipment	**83**	224	**–**	–	**83**	224
Trade, loan and other receivables	**724**	688	**–**	–	**724**	688
Finance lease receivables	**–**	–	**(15,438)**	(13,732)	**(15,438)**	(13,732)
Accruals	**1,999**	1,842	**–**	–	**1,999**	1,842
Provisions	**1,117**	588	**–**	–	**1,117**	588
Tax assets/(liabilities)	**18,468**	17,129	**(15,438)**	(13,732)	**3,030**	3,397

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

13. Property, Plant and Equipment

In thousands of AUD	Land and Buildings	Leasehold Improvements	Plant And Equipment	Total
Cost				
Balance at 1 April 2009	70	58	14,259	14,387
Additions	–	–	1,140	1,140
Disposals	–	–	(2,878)	(2,878)
Balance at 31 March 2010	**70**	**58**	**12,521**	**12,649**
Balance at 1 April 2010	**70**	**58**	**12,521**	**12,649**
Additions	**–**	**–**	**1,795**	**1,795**
Acquisition through business combinations	**–**	**–**	**2,106**	**2,106**
Disposals	**–**	**–**	**(1,363)**	**(1,363)**
Balance at 31 March 2011	**70**	**58**	**15,059**	**15,187**
Depreciation and Impairment Losses				
Balance at 1 April 2009	43	58	10,949	11,050
Depreciation charge for the year	–	–	1,409	1,409
Disposals	–	–	(2,247)	(2,247)
Balance at 31 March 2010	43	58	10,111	10,212
Balance at 1 April 2010	**43**	**58**	**10,111**	**10,212**
Depreciation charge for the year	**2**	**–**	**1,135**	**1,137**
Acquisition through business combinations	**–**	**–**	**1,267**	**1,267**
Disposals	**–**	**–**	**(1,361)**	**(1,361)**
Balance at 31 March 2011	**45**	**58**	**11,152**	**11,255**
Carrying amounts				
At 1 April 2009	27	–	3,310	3,337
At 31 March 2010	27	–	2,410	2,437
At 1 April 2010	**27**	**–**	**2,410**	**2,437**
At 31 March 2011	**25**	**–**	**3,907**	**3,932**

14. Rental Assets

In thousands of AUD	2011	2010
Opening balance	**35,211**	33,891
Acquisitions	**52,646**	47,549
Disposals	**(2,070)**	(2,542)
Depreciation	**(22,048)**	(19,988)
Transfers to finance leases	**(24,990)**	(26,478)
Transfers from finance leases	**2,429**	2,779
Closing balance	**41,178**	35,211

15. Intangible Assets

In thousands of AUD	Goodwill	Customer relationships	Software	Total
Cost				
Balance at 1 April 2009	22,678	–	–	22,678
Balance at 31 March 2010	22,678	–	–	22,678
Balance at 1 April 2010	**22,678**	**–**	**–**	**22,678**
Acquisitions through business combinations	**13,702**	**8,797**	**622**	**23,121**
Balance at 31 March 2011	**36,380**	**8,797**	**622**	**45,799**
Amortisation and impairment losses				
Balance at 1 April 2009	7,074	–	–	7,074
Balance at 31 March 2010	7,074	–	–	7,074
Balance at 1 April 2010	**7,074**	**–**	**–**	**7,074**
Amortisation charge for the year	**–**	**–**	**4**	**4**
Balance at 31 March 2011	**7,074**	**–**	**4**	**7,078**
Carrying amounts				
At 1 April 2009	15,604	–	–	15,604
At 31 March 2010	15,604	–	–	15,604
At 1 April 2010	**15,604**	**–**	**–**	**15,604**
At 31 March 2011	**29,306**	**8,797**	**618**	**38,721**

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

15. Intangible Assets continued

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

In thousands of AUD	2011	2010
Rental – consumer	**15,604**	15,604
Collections – NCML	**13,702**	–
Total	**29,306**	15,604

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

Rental

During the forecast period, revenue is assumed to grow at an average of 5% pa, operating costs are assumed to grow at an average of 5% pa, and the pre tax weighted average cost of capital is assumed at 14.38%. A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 1%. The value in use calculation in 2011 was determined on a similar basis to the 2010 calculation

Collections – NCML

During the forecast period, revenue is assumed to grow at an average of 12% pa, operating costs are assumed to grow at an average of 13% pa, and the pre tax weighted average cost of capital is assumed at 14.38%. A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 1%.

16. Trade and Other Payables

In thousands of AUD	2011	2010
Current		
Trade payables	**18,524**	14,415
Other creditors and accruals	**7,988**	6,854
Deferred rental revenue	**2,142**	1,837
Property lease accrual	**191**	242
	28,845	23,348

17. Loans and Borrowings

In thousands of AUD	2011	2010
Current liabilities		
Secured bank loans	–	6,000
	–	6,000
Non-current liabilities		
Secured bank loans	**36,000**	–
	36,000	–

Financing Facilities

In thousands of AUD	2011	2010
Bank facility available	**50,000**	20,000
	50,000	20,000
Bank facility utilised at balance date	**36,000**	6,000
	36,000	6,000
Bank facility not utilised at reporting date	**14,000**	14,000
	14,000	14,000

Financing arrangements

Bank loans

Thorn Australia Pty Limited has two loans provided by the Westpac Banking Corporation. The loans are denominated in Australian dollars. The loans are due to expire in June 2012 and March 2014.

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

For more information about the consolidated entity's exposure to interest rate risk and liquidity risk see Note 21.

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

18. Employee Benefits

In thousands of AUD	2011	2010
Current		
Salaries and wages accrued	**979**	761
Liability for long service leave	**1,418**	1,063
Liability for annual leave	**2,000**	1,657
	4,397	3,481
Non Current		
Liability for long service leave	**237**	192
	237	192

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $2,011,000 for the financial year ended 31 March 2011 (2010: $1,816,000).

19. Provisions

In thousands of AUD	Make Good	Total
Balance at 1 April 2010	**1,237**	**1,237**
Provisions made during the year	**92**	**92**
Provisions used during the year	**(114)**	**(114)**
Unwind of discount	**(4)**	**(4)**
Balance at 31 March 2011	**1,211**	**1,211**
Current	**158**	**158**
Non-current	**1,053**	**1,053**
	1,211	**1,211**

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.

20. Capital and Reserves

Share Capital

In thousands of shares	2011	2010
On issue at the beginning of year	**129,442**	128,726
Issue of new shares on vesting of performance rights	**417**	716
On issue at the end of year	**129,859**	129,442

- 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
2011				
Final 2010	**3.76**	**4,867**	**Franked**	**22 July 2010**
Interim 2011	**3.54**	**4,597**	**Franked**	**20 January 2011**
Total amount		**9,464**		
2010				
Final 2009	2.91	3,743	Franked	23 July 2009
Interim 2010	2.56	3,316	Franked	14 January 2010
Total amount		7,059		

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

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

20. Capital and Reserves continued

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

	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final ordinary	4.95	$6,428,017	Franked	22 July 2011

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2011 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by $2,754,864 (2010: $2,085,340).

In thousands of AUD	2011	2010
Dividend franking account		
30% franking credits available to shareholders of Thorn Group Limited for subsequent financial years	**14,486**	8,728

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.

21. Financial risk management

(a) Financial Risk Management Objectives and Policies

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

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

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

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

Credit risk

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

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

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

Liquidity risk

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

The consolidated entity's access to financing arrangements is disclosed in Note 17.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the consolidated entity's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The consolidated entity has not entered into any derivatives in order to manage market risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as profit before financing costs divided by total assets. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 20 for quantitative data.

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

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

21. Financial risk management continued

(b) Credit Risk

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

In thousands of AUD	2011	2010
Trade receivables	**4,750**	1,179
Finance lease receivables	**51,459**	45,775
Loan receivables	**10,484**	4,659
Purchased debt ledgers	**5,321**	–
	72,014	51,613

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

Impairment losses

Trade receivables

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

In thousands of AUD	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	**1,833**	**–**	–	–
Past due 0–30 Days	**2,217**	**266**	994	247
Past due 31–120 Days	**1,406**	**440**	833	401
	5,456	**706**	1,827	648

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

Finance lease receivables

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

The provision for impairment losses as at 31 March 2011 is $5,372,000 (2010: $5,100,000). 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 2011 is $34,000,000 (2010: $30,600,000).

Loan receivables

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

In thousands of AUD	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	**10,750**	**1,055**	4,875	588
Past due 0–30 Days	**875**	**86**	422	50
Past due 31–120 Days	**566**	**566**	230	230
	12,191	**1,707**	5,527	868

(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 2011.

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2–5 years	5 years or more
31 March 2011					
Bank loans	**36,000**	**41,608**	**2,738**	**38,870**	**–**
Trade and other payables	**26,512**	**26,512**	**26,512**	**–**	**–**
	62,512	**68,120**	**29,250**	**38,870**	**–**
31 March 2010					
Bank loans	6,000	6,512	6,512	–	–
Trade and other payables	21,269	21,269	21,269	–	–
	27,269	27,781	27,781	–	–

(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	2011	2010
Financial assets	**8,839**	5,697
Financial liabilities	**(36,000)**	(6,000)

A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's equity and profit or loss by $190,000 (2010: $4,500).

(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.

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

22. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2011 was based on profit attributable to ordinary shareholders of $22,038,000 (2010: $19,495,000) and a weighted average number of ordinary shares during the year ended 31 March 2011 of 129,561,981 (2010: 128,924,177).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2011 was based on profit attributable to ordinary shareholders of $22,038,000 (2010: $19,495,000) and a weighted average number of ordinary shares during the year ended 31 March 2011 of 130,737,290 (2010: 129,460,000), which includes performance rights granted.

	2011	2010
Profit attributable to ordinary shareholders (basic)		
In thousands of AUD		
Profit attributable to ordinary shareholders (basic and diluted)	**22,038**	19,495
Weighted average number of ordinary shares (basic)		
In thousands of shares		
Issued ordinary shares at 1 April	**129,442**	128,726
Effect of shares issued	**120**	198
Weighted average number of ordinary shares at 31 March	**129,562**	128,924
Weighted average number of ordinary shares (diluted)		
In thousands of shares		
Issued ordinary shares at 1 April	**129,460**	129,460
Effect of shares issued	**1,277**	–
Weighted average number of ordinary shares (diluted) at 31 March	**130,737**	129,460
Earning per share		
Basic earnings per share (cents)	**17.01**	15.12
Diluted earnings per share (cents)	**16.86**	15.06

23. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2011**	**2010**
Less than one year	**7,605**	6,671
Between one and five years	**10,809**	7,887
	18,414	14,558

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

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

Leases as Lessor

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

In thousands of AUD	**2011**	**2010**
Less than one year	**30,161**	27,124
Between one and five years	**6,628**	5,897
	36,789	33,021

24. Finance Leases

Leases as Lessor

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

In thousands of AUD	**2011**	**2010**
Less than one year	**51,165**	44,617
Between one and five years	**43,296**	40,606
	94,461	85,223

Unearned finance income in relation to finance leases as at 31 March 2011 was $37,630,000 (2010: $34,348,000).

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

25. Consolidated Entities

	Country of Incorporation	Ownership interest 2011 %	2010 %
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd (a)	Australia	**100**	100
Eclipse Retail Rental Pty Ltd (a)	Australia	**100**	100
Rent Try Buy Pty Limited	Australia	**100**	100
CashFirst Pty Ltd	Australia	**100**	100
1st Cash Pty Ltd	Australia	**100**	100
Rent Drive Buy Pty Ltd	Australia	**100**	100
Mouse 2 House Pty Ltd	Australia	**100**	100
Thorn Finance Pty Ltd	Australia	**100**	100
Votraint No 1537 Pty Ltd	Australia	**100**	–
National Credit Management Limited	Australia	**100**	–
A.C.N 119211317 Pty Ltd	Australia	**100**	–
Hudson Legal Pty Ltd	Australia	**100**	–

a. entered into a deed of cross guarantee with Thorn Group Limited (refer Note 27)

26. 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 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.

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

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

27. Deed Of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 certain wholly owned subsidiaries as listed in Note 25 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

As a condition of the Class Order, Thorn Group Limited and the controlled entity Thorn Australia Pty Limited entered into a Deed of Cross Guarantee on 20 March 1997. Eclipse Retail Rental Australia Pty Limited was also added by an Assumption Deed to the Deed of Cross Guarantee on 26 March 1999. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year 31 March 2011 is set out as follows:

Statement of comprehensive income and retained earnings

In thousands of AUD	**2011**	**2010**
Revenue	**156,892**	145,108
Other income	**254**	32
Cost of sales	**(57,813)**	(58,633)
Operating expenses	**(66,927)**	(61,895)
Finance income	**239**	82
Finance expenses	**(612)**	(690)
Profit before tax	**32,033**	24,004
Income tax expense	**(10,188)**	(4,509)
Profit after tax	**21,845**	19,495
Other comprehensive income	**–**	–
Total comprehensive income for the period	**21,845**	19,495
Retained earnings at the beginning of the year	**15,605**	3,169
Dividend recognised during the period	**(9,464)**	(7,059)
Retained earnings at the end of the year	**27,986**	15,605

Notes to the consolidated financial statements
for the year ended 31 March 2011 continued

27. Deed Of Cross Guarantee continued

Statement of financial position

In thousands of AUD	2011	2010
Assets		
Cash and cash equivalents	**5,466**	5,747
Trade and other receivables	**33,592**	25,549
Inventory – finished goods	**–**	869
Total current assets	**39,058**	32,165
Trade and other receivables	**41,590**	29,159
Deferred tax assets	**2,841**	3,397
Property, plant and equipment and rental assets	**44,260**	37,648
Intangible assets	**15,604**	15,604
Investment in subsidiary	**26,263**	–
Total non-current assets	**130,558**	85,808
Total assets	**169,616**	117,973
Liabilities		
Trade and other payables	**27,610**	23,348
Employee benefits	**3,781**	3,481
Loans and borrowings	**–**	6,000
Income tax payable	**5,967**	1,948
Provisions	**158**	535
Total current liabilities	**37,516**	35,312
Loans and borrowings	**36,000**	–
Employee benefits	**237**	192
Provisions	**1,053**	702
Total non-current liabilities	**37,290**	894
Total liabilities	**74,806**	36,206
Net assets	**94,810**	81,767
Equity		
Issued capital	**64,517**	64,517
Reserves	**2,307**	1,645
Retained earnings	**27,986**	15,605
Total equity	**94,810**	81,767

28. Reconciliation of Cash Flows from Operating Activities

In thousands of AUD	2011	2010
Cash flows from operating activities		
Profit for the period	**22,038**	19,495
Adjustments for:		
Depreciation and amortisation	**23,189**	21,397
Equity settled transactions	**662**	69
Disposal of property, plant and equipment	**–**	631
Disposal of rental assets	**23,706**	25,180
Operating profit before changes in working capital and provisions	**69,595**	66,772
Changes in working capital and provisions, net of the effects of the purchase of subsidiaries		
(Increase)/Decrease in inventory	**869**	438
(Increase)/Decrease in trade and other receivables	**(12,060)**	(11,981)
(Increase)/Decrease in deferred tax assets	**786**	(104)
Increase/(Decrease) in income tax liability	**3,877**	(156)
Increase in trade and other payables	**4,418**	2,696
Increase/(Decrease) in provisions and employee benefits	**231**	202
Net cash from operating activities	**67,716**	57,867

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

29. Parent entity disclosures

As at, and throughout, the financial year ending 31 March 2011 the parent entity of the consolidated entity was Thorn Group Limited.

Result of Parent Entity

In thousands of AUD	2011	2010
Profit for the period	**9,464**	7,059
Other comprehensive income	**–**	–
Total comprehensive income for the period	**9,464**	7,059
Financial position of the parent entity at year end		
Current assets	**6,148**	1,948
Total assets	**72,972**	68,110
Current liabilities	**6,148**	1,948
Total liabilities	**6,148**	1,948
Total equity of the parent comprising of:		
Share capital	**64,517**	64,517
Reserve for own shares	**2,307**	1,645
Total Equity	**66,824**	66,162

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 27.

30. Related Parties

Key management personnel remuneration

In AUD	2011	2010
Short-term employee benefits	**3,146,764**	2,946,067
Post-employment benefits	**127,042**	120,971
Long service leave benefits	**16,229**	10,575
Termination benefits	**–**	145,686
Share based payments	**361,899**	68,940
	3,651,934	3,292,239

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report on pages 9 and 10.

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

Movements in shares

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

	Held at 1 April 2010	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2011
Directors					
Bernard Carrasco	**150,000**	–	–	–	**150,000**
David Carter	**200,000**	**21,000**	–	–	**221,000**
John Hughes	**3,337,396**	**50,000**	**(250,000)**	**267,719**	**3,405,115**
Peter Henley	**30,000**	**7,580**	–	–	**37,580**
Paul Lahiff	**31,250**	–	–	–	**31,250**
Executives					
Peter Eaton	**614,759**	–	**(400,000)**	**90,101**	**304,860**
James Marshall	**15,312**	–	–	**59,449**	**74,761**
Andrea Rooke	**4,410**	–	–	–	**4,410**

	Held at 1 April 2009	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2010
Directors					
Bernard Carrasco	150,000	–	–	–	150,000
David Carter	200,000	–	–	–	200,000
John Hughes	2,826,359	–	–	511,037	3,337,396
Peter Henley	30,000	–	–	–	30,000
Paul Lahiff	31,250	–	–	–	31,250
Executives					
Peter Eaton	410,344	–	–	204,415	614,759
James Marshall	15,312	–	–	–	15,312
Andrea Rooke	–	4,410	–	–	4,410

Notes to the consolidated financial statements

for the year ended 31 March 2011 continued

31. Acquisition of subsidiary

On 23 March 2011, the consolidated entity acquired 100% of the shares of Votraint No 1537 Pty Ltd and its subsidiaries for consideration of $26,263,000. Votraint No 1537 is the parent entity of National Credit Management Limited (NCML), a provider of receivables management, debt recovery, credit information services, debt purchasing and other financial services.

The consideration of $26,263,000 is determined as the total cash transferred of $34,359,000 less payment of debt $8,096,000. The acquisition of subsidiary disclosed in the Statement of cash flows is $31,447,000. This is determined by the total cash transferred of $34,359,000 less the cash and cash equivalents held by NCML at completion.

The acquisition of NCML will enable expansion of the consolidated entity's financial services platform and further enhance the consolidated entity's strength in receivables management which is key. In the 9 days to 31 March 2011, NCML contributed revenue of $712,000 and profit of $193,000. It is impracticable to determine the impact on consolidated entity revenues and net profit for the year ended 31 March 2011, had the acquisition occurred on 1 April 2010 due to differing financial years and the capital structure adopted by the previous owner.

Identifiable assets acquired and liabilities assumed

In thousands of AUD

Purchased Debt Ledgers	5,571
Trade and other receivables	3,388
Cash and cash equivalents	2,913
Intangible assets – customer relationships	8,797
Intangible assets – software	622
Property, plant and equipment	839
Deferred tax asset	180
Loans and borrowings	(7,997)
Trade payables	(604)
Provisions	(1,148)
Total	12,561

The following fair values have been determined on a provisional basis:

- Intangible assets (customer relationships) has been determined on a provisional basis pending the completion of an independent valuation; and
- Deferred tax relating to the intangible assets and the allocated costs basis arising from NCML joining the Thorn tax consolidated group.

Goodwill

In thousands of AUD

Total consideration transferred in cash	**26,263**
Fair value of identifiable net assets	**(12,561)**
Goodwill	**13,702**

The goodwill is attributable mainly to the skills and technical talent of NCML's work force and the synergies expected to be gained by utilising the debt collection expertise. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs

The consolidated entity incurred acquisition-related costs of $1,000,000 related to external legal fees, due diligence costs and corporate advice. All acquisition-related costs have been included in general and administrative expenses in the consolidated entity's profit and loss.

Directors' declaration

for the year ended 31 March 2011

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 23 to 59, 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 2011 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 25 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 2011.

Signed in accordance with a resolution of the directors:

Bernard Carrasco
Chairman

John Hughes
Managing Director

Dated at Sydney
24 May 2011

Independent auditor's report

for the year ended 31 March 2011

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 2011, 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 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Independent auditor's report

for the year ended 31 March 2011 continued

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 2011 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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Greg Boydell
Partner

Sydney
24 May 2011

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

Additional ASX information

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	387
1,001 – 5,000	1,227
5,001 – 10,000	901
10,001 – 100,000	1,151
100,001 and over	63
	3,729

b. The number of shareholders in less than marketable parcels is 63.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2011 are:

Shareholder	Number of ordinary fully paid shares held
National Nominees Limited	21,371,359
Cogent Nominees Pty Limited	13,400,216
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	9,508,559
HSBC Custody Nominees (Australia) Limited	9,249,039
J P Morgan Nominees Australia Limited	9,216,069
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	9,157,487
Citicorp Nominees Pty Limited	6,971,707

d. Voting Rights

The Company only has ordinary shares on issue.

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

e. 20 largest shareholders – ordinary shares

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1	National Nominees Limited	20,031,024	15.43
2	Cogent Nominees Pty Limited	11,932,293	9.19
3	HSBC Custody Nominees (Australia) Limited	9,646,994	7.43
4	RBC Dexia Investor Services Australia Nominees Pty Limited	9,236,486	7.11
5	J P Morgan Nominees Australia Limited	8,716,211	6.71
6	RBC Dexia Investor Services Australia Nominees Pty Limited	7,158,150	5.51
7	Citicorp Nominees Pty Limited	6,861,887	5.28
8	Dove Nest Pty Limited	3,405,715	2.62
9	King Equity Capital Pty Limited	712,500	0.55
10	Aust Executor Trustees NSW Ltd	704,712	0.54
11	Mr Jeffrey Douglas Pappin	605,797	0.47
12	Henderson International Pty Limited	584,500	0.45
13	Sandhurst Trustees Ltd	521,900	0.40
14	Mr Barry Arthur Henderson	400,000	0.31
15	Bond Street Custodians Limited	399,516	0.31
16	Citicorp Nominees Pty Limited	351,500	0.27
17	Mr Peter Eaton	304,860	0.23
18	Farjoy Pty Limited	300,000	0.23
19	Warbont Nominees Pty Limited	296,105	0.23
20	Mr John Gordon Bennetts	239,000	0.18

Corporate directory

Directors

Bernard Carrasco
Chairman

John Hughes
Managing Director

David Carter
Non-Executive Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

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Telephone: +61 2 9101 5000
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Auditor to Thorn Group Limited

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Sydney NSW 2000

Registry

Computershare Investor Services Pty Limited
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THORN Group Ltd.

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