Continuing to **innovate**

2012 Shareholder Review

radio rentals

rentlo

NCML experts in credit

cashfirst

THORN Equipment Finance

DID YOU KNOW?

Furniture installation volumes increased by **32%** in the 2012 financial year

Thorn is one of Australia's leading providers of retail and financial services to niche consumer and commercial markets.

We aim to continue to **innovate** in the markets we operate in and this year our fresh thinking was embraced by an even greater number of Australians. This report sets out the excellent results we had in FY2012 and the initiatives that helped us achieve them.

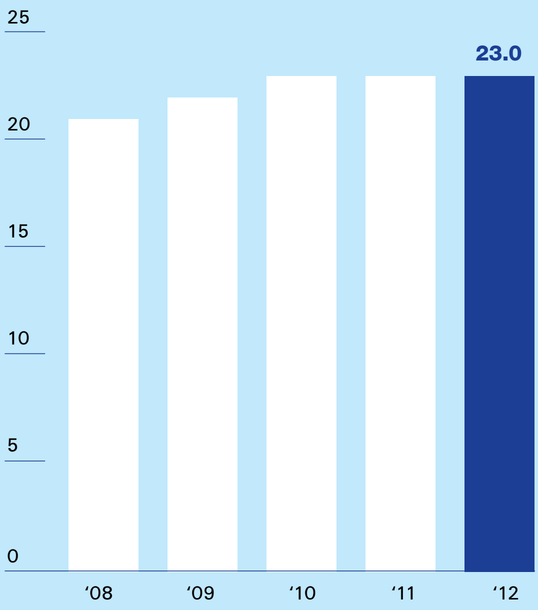
Contents

Notice of Meeting

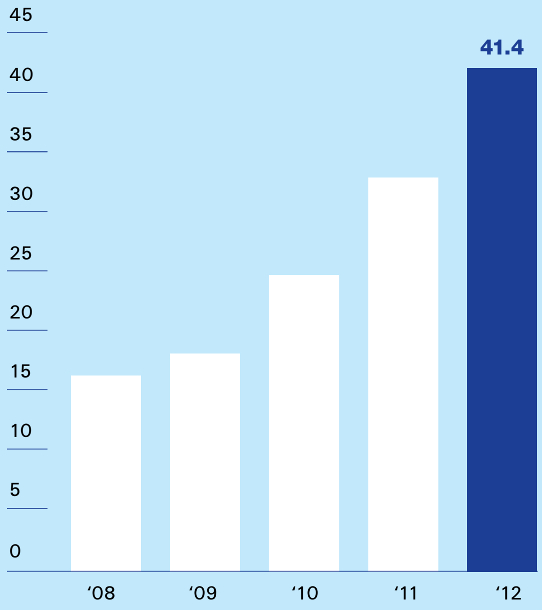
Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 23rd August 2012, commencing at 11.00am.

Thorn Group Limited
ACN 072 507 147

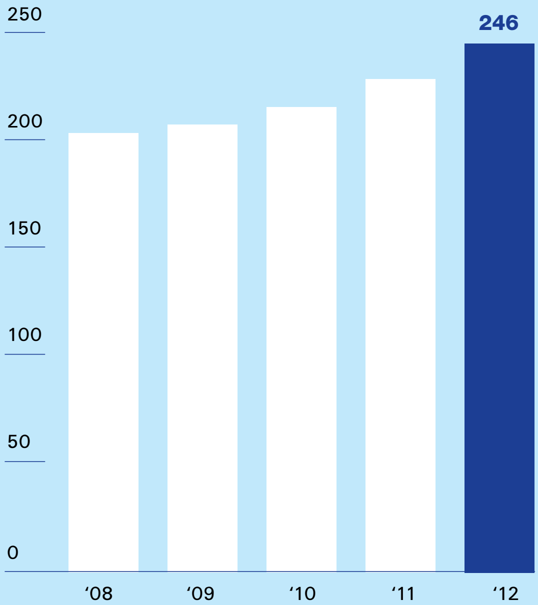
Key results



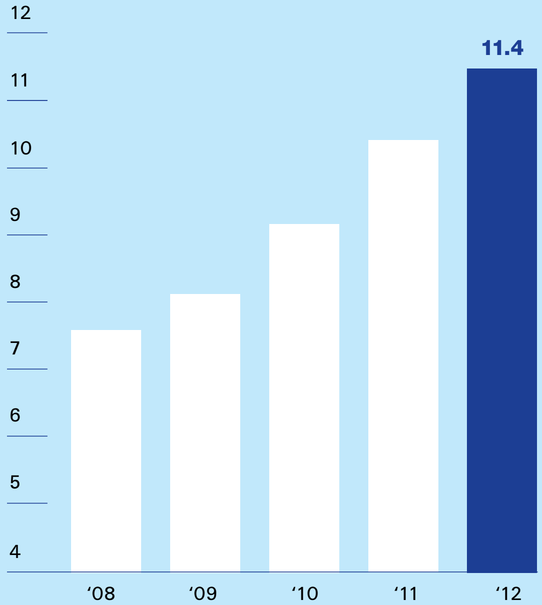
Average Contract Term
(months)



Pro-forma EBIT performance
(A$m)



Average Units on rent
('000s)



Average rental dues
(A$m)

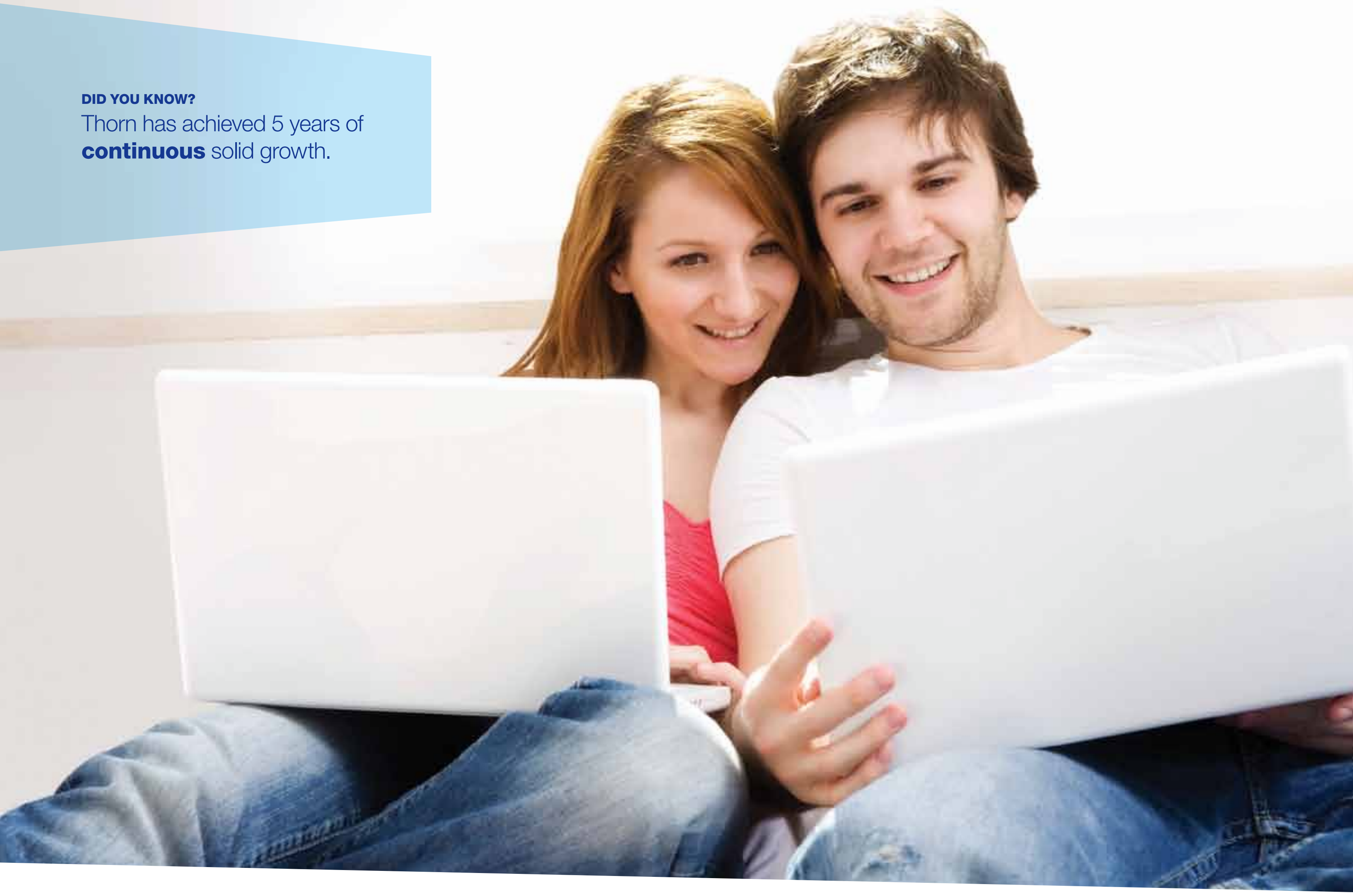
Financial highlights

- Revenue up 19.2% to $188m
- NPAT up 26.4% to $27.8m
- Positive operating cashflow
- Solid balance sheet with 6% net debt to equity
- ROCE strengthened to 21.95%
- EPS of 19.24 cents, up 14%
- Final dividend 5.5 cents, up 11%

Operational highlights

- Rental customers grew 3.1%
- New rental outlets achieving strong results
- Over 40,000 products acquired via Rent, Try, $1Buy™
- Cashfirst loan book grew above $17m
- Cashfirst customers grew 24%
- Specialist team recruited for Thorn Equipment Finance delivers lease book greater than $12m
- NCML new business and restructure project garnering solid gains

DID YOU KNOW?
Thorn has achieved 5 years of **continuous** solid growth.



Chairman's Introduction

David Carter
Chairman and
non-executive director

On behalf of the Board, it is my pleasure to present to you the 6th Annual Report of Thorn Group Limited.

I am pleased to report that the company has continued to deliver excellent results. Notwithstanding the continuing slowdown in the economy, and in particular the retail sector, Thorn has delivered another year of growth with an increase in net profit after tax of 26.4%

Over the past year the company also achieved many important milestones including:

- Continued growth in the Radio Rentals/Rentlo business despite the tough economic and retail climate;
- Cashfirst building momentum and generating positive earnings;
- Thorn Equipment Finance growing at an excellent rate with a new management team;
- NCML contributing its first full year of earnings; and
- A successful capital raising returning net debt to equity to levels of around 6%

Profit

At the end of May the company announced its results for the year ended 31 March 2012 with a net profit after tax of $27.8m which was 26.4% above last year results.

In difficult circumstances this is a most pleasing achievement.

Dividends

On 22 May the Board declared a fully franked final dividend of 5.5 cents which will be paid on 18 July 2011. This brings full year dividend to 9.5 cents this year compared to 8.49 cents last year, an increase of 12%.

Corporate governance

The Board acknowledges that it has an important role to play in fostering and upholding high standards of Corporate Governance. Pages 3 to 6 of the financial report set out details of the company policies and practices with regards to Corporate Governance issues.

The company also sets out its remuneration policy for directors and senior executives in the Remuneration Report on pages 6 to 15 of the financial report.

In 2012, the Board again commissioned an externally facilitated Board review in recognition of the changed composition of the Board and our commitment to continuous improvement. The whole Board, the Board Committees and the individual Directors were all assessed as part of this process, which involved self and peer review and also gathered the opinions of management about the Board's performance.

I am pleased to report that the review found that the Board is functioning well. Results from the review will assist Board succession planning, interactions with management and the Board's approach to strategy and planning.

Outlook

It is likely that economic and market factors will continue to present challenges in the 2013 financial year. The company will also be continuing its strategies for medium and longer long term growth which will have a short term effect on performance. However, we anticipate increased contribution from Cashfirst, Thorn Equipment Finance and NCML and a steady performance from Radio Rentals/Rentlo.

People

I would like to thank Managing Director, John Hughes, our management team and all of our staff for their efforts during the year in delivering excellent results for our shareholders in difficult economic circumstances.

I also thank shareholders for their continued support of the company and my fellow directors for their contribution during the year.

David Carter
Chairman and non-executive director

Managing Director's Report

John Hughes
Managing Director
and CEO

Overview

It is indeed satisfying to be able to report on yet another very positive performance for the Company. This is particularly pleasing given the difficult market conditions and poor results being delivered by many other organisations affected by negative consumer sentiment, price deflation and a maturing of the flat panel TV and PC markets which have been major growth drivers in the past.

Indeed, the strength and resilience of Thorn, underpinned by its significant recurring revenue streams, positive cashflows and conservative gearing, stands it in good stead and provides the ability to continue strategic development of the business.

A major factor in our success over the past five years has been the continuing innovation and reinvention of the company. It is a vastly different business today with every part being constantly reviewed and challenged in order to improve market positioning and achieve operational excellence.

The core Radio Rentals & Rentlo division once again defied industry trends and recorded sound customer growth that truly shows the relevance it has in the market, particularly through its "Rent-Try-$1Buy" offering. Also, the outstanding growth of furniture and positive results generated from the store upgrade and expansion program are testament to the good work being done by the management team to continue the development and evolution of the business.

Importantly, with Radio Rentals celebrating its 75th birthday, it demonstrates the opportunities that can exist when a business is innovative and its offerings to the market are continuously refreshed and reinvented.

The year was not without challenges and while we saw more customers moving to rental due to their changing circumstances, we also experienced an increase in customers finding it hard to cope with higher costs of living, particularly utilities. Our strong emphasis on credit assessment as part of our Responsible Rental and Lending Policy is a key element in ensuring we meet customers' needs within their financial capacity and this, coupled with our 'hardship' provisions enabled us to maintain a noteworthy arrears performance.

Thorn's financial strength provides it with the ability to expand current strategic initiatives and take advantage of other opportunities that may arise. It is this sound financial position that facilitated significant expansion of Cashfirst and Thorn Equipment Finance during the year, with some $26m of operating cash being allocated to loan book growth.

Cashfirst continued its solid path of growth with the loan book exceeding $17m at year end accompanied by a 24% growth in customers. Again the focus was on writing 'quality' business and hence arrears and bad debts remained at or below budgeted levels throughout the year. Also, with operations being completely online, the growth leverages current systems and requires minimal investment.

Thorn Equipment Finance had an impressive year of growth and the loan book exceeded $12m at year end. The foundation for this growth was laid through the appointment of a new General Manager and an expanded management team who are specialists in this market.

Whilst there is a short term investment cost, these additional skilled resources will enable the division to generate substantial new business.

NCML faced a number of challenges during the year however it provided the opportunity for the business to undergo a complete renewal, which has led to a number of positive outcomes. The restructuring will be completed by end of June 2012 and is expected to deliver significant operational efficiencies. In addition there are good levels of new business being generated and we look forward to a number of these creating solid long-term revenue streams.

Market prices being offered for Purchased Debt Ledgers (PDLs) remained high and could not be justified to generate acceptable returns hence NCML made minimal ledger acquisitions. Given the issue of PDL pricing, NCML will continue its dedicated focus on development and expansion of collection services which, excluding PDLs, account for some 75% of revenues. The collection segment also provides

Managing Director's Report continued

excellent returns on capital employed and is undergoing strong market growth.

Work is also continuing on generating synergy benefits across all areas of Thorn operations, thus enhancing overall performance and profitability.

We recently announced that a trial will commence in the second half of FY13 for Rent Drive Buy!™. This offers a unique means for customers to rent a quality vehicle on a fully maintained basis with the potential to obtain finance for the outright purchase of a vehicle after just a year of continuous payments. While it is a new product area, the business fundamentals are in line with our current operations and so it provides a promising new opportunity.

The strength and resilience of Thorn, underpinned by its significant recurring revenue streams, positive cashflows and conservative gearing, stands it in good stead

Staff retention remained a key focus area and in order to better assess potential areas for improvement we conducted an extensive survey of all staff. Responses across all areas of the business were very positive with strong indicators that a significant amount of attrition has been due to a more mobile workforce, particularly Gen Y employees. Areas identified for potential enhancement in 'staff engagement' have been addressed and action plans implemented.

The Thorn 'Levels Training Program' remains a particularly important part of our staff retention and development strategy and we are delighted that our first group of Level 5 Champions received their awards and special recognition during the year.

Outlook

While we have achieved five years of substantial continuous growth, we believe the year ahead will be challenging. There is the potential for the overall economy to be relatively subdued and poor retail conditions to continue as consumer confidence remains at low levels.

However we will continue to 'drive' performance in every area of the business, maintain our focus on developing strategic initiatives and seek new opportunities for growth. We are optimistic this will again result in a very solid performance, particularly in comparison with the rest of the market.

A solid lift in contribution is projected from Cashfirst, Thorn Equipment Finance and NCML. However, they are still maturing and so will take further time to achieve full potential. The Rent Drive Buy!™ trial will have a short term cost impact, however the board feels this is an important strategic opportunity that should not be delayed.

John Hughes
Managing Director
and CEO

Radio Rentals and Rentlo

Store Network Development

- ✓ **Hub and spoke store structure harnesses efficiencies**
- ✓ **Increasing market penetration in unserviced/underserviced markets**
- ✓ **New outlets achieving strong results**

After some four years of upgrades and relocations the store network is in a position of optimising its service reach and accessibility to customers.

Key elements of this renewal plan have been the upgrading of numerous stores and most importantly the introduction of a 'hub & spoke' structure that has enabled unserviced / underserviced areas to be advanced in a highly cost efficient manner.

The 'hub & spoke' structure incorporates a Full Service Branch as the anchor location, with either a showroom, kiosk or one person branch acting as an ancillary operation to broaden coverage of an area with sound potential but minimal current customer base. This enables a 'critical mass' to be created at the lowest possible operating cost and sets the base for potential development of a stand-alone location.

Each of these different store types, being Full Service Branches, Showrooms, Kiosks and One Person Branches are designed to optimise the Company's presence in various market areas in the most cost effective manner.

Lifestyle Full Service Branches will remain the mainstay of the network and are generally some 250-300 square metres and feature an extensive display of merchandise, especially furniture which has become a major growth segment. The majority of stock is displayed featuring lifestyle settings which enables customers to appreciate the way it will look 'in home'.

DID YOU KNOW?

Our **kiosks**, located in high traffic shopping centres, connect us with our customers without the high cost of a shopfront rental.

Showrooms of some 75-100 square metres also incorporate a 'lifestyle' design and are located in 'high streets' and shopping centres with a strong demographic correlation to our key customer segments.

Kiosks are located in high traffic shopping centres where the rental of a showroom is often cost restrictive. They typically occupy around 25 square metres and are positioned close to high foot traffic areas such as food courts and supermarkets.

One Person Branches are used to develop unserviced and underserviced regional areas that have the ability to become stand-alone Full Service Branches within two to three years.

New outlets continued to perform strongly with the majority exceeding expectations. This provides strong impetus for up to another five to be opened in the 2012/13 year.

Marketing Strength

- **Market leader and innovator**
- **Rent, Try, $1Buy!™ – an industry icon**
- **Growing brand profile & acceptance of rental**
- **Affordable access to quality products and services**

Over the past five years the business has cemented its position as market leader, particularly through the success of Rent, Try, $1Buy!™ It has dramatically changed the face of the rental industry in Australia and has become an icon. Feedback from customers is very positive, indicating they enjoy the benefits and flexibility of rental plus the potential to obtain ownership. The tangible ability for customers to achieve ownership has resulted in average contract length increasing and consequently fewer product returns, which is a positive for the business.

Rent, Try, $1Buy™ is the proprietary product of Radio Rentals/Rentlo, and is therefore only available to customers through the company's store network and website. It has become widely accepted as a viable alternative to traditional debt financed purchasing and remains a valuable tool for retaining customers as well as generating new business.

Another key element of success has been the emphasis of campaigns such as "Your Credit History is History". This highlights giving consumers 'a fair go' and that we focus on their current circumstances and not their past. Importantly though, our "Responsible Rental Policy" ensures that customers are provided with product that suits their needs and budget and that they are not overcommitted.

While other retail organisations may have been slow to embrace the power of on-line marketing and customer engagement, our experience has been that it is a powerful marketing tool for the Radio Rentals/Rentlo business for many years and the Radio Rentals/Rentlo websites generate almost a million visits a year.

The websites are being upgraded to enable further improvements for customer interaction and coincides with the implementation of a complete new enterprise resource planning system for the Thorn Group, which will also assist by generating operational efficiencies. Overall this will enable the business to provide even higher levels of service to customers and further develop our relationships with them.

Home of Rent Try $1Buy™

DID YOU KNOW?

Thorn's Managing Director **John Hughes** takes a star turn in Radio Rentals' commercials.

Customer Growth & Retention

- **100,000 customers with 3.1% increase**
- **47% growth in furniture category**
- **44% of maturing customers retained with additional product**
- **40,000+ products purchased via Rent, Try, $1Buy™**
- **Hardship contract introduced**

An historic milestone was achieved during the year with the business now having a solid base of over 100,000 customers. An outstanding factor in achieving this has been the increasing level of customer loyalty that has been generated. New product installations for customers who have completed a Rent, Try, $1 Buy!™ contract rose to 44% during the year, which is exceptional and strongly reinforces the positive attitude that exists for our flagship offering.

In addition, over 40,000 items per year are now purchased by customers completing a Rent, Try, $1 Buy™ contract. This again underscores the value of the proposition to customers and its growing relevance in the market.

Further expansion of the furniture range has assisted in lifting new business levels and offsetting the slower growth being experienced in the flat panel television and PC segments. The strong level of activity in this product area emphasises the degree of opportunity that exists and suggests this category is significantly underserviced in the market. As a result further additions are being made to the range and new product areas considered for trial.

An extensive Customer Satisfaction Survey is conducted throughout the year as part of the performance review of stores and results continue to reinforce the positive attitudes of customers, particularly in regard to giving them 'a fair go' and enabling them to obtain a product when others had failed to assist. It is also pleasing that a significant level of new customer enquiries continue to be referred by existing and past customers.

Assisting customers through difficult times has also created strong loyalty over the years and this has now been enhanced through the introduction of a 'hardship contract' that enables customers of good standing to extend the balance of their contract at a lower repayment rate without any charges or penalties. Early response has been extremely positive and again reinforces the close and enduring relationship with customers.

Product Range Expansion

- ✓ **Thorn products gain strong acceptance**
- ✓ **Furniture category enhanced**
- ✓ **New premium audio products**
- ✓ **Emerging technology products**

The success of Thorn branded flat panel televisions has been very encouraging and now represents over 40% of all new flat panel installations. Thorn is still recognised as a leading brand and its 80 year heritage of quality products has provided an excellent market opportunity.

Leveraging off this success has been the release of a number of new Thorn branded products in refrigerators and audio. Initial response has again been very positive and other potential products are undergoing development and testing for potential release this year. It is particularly critical to the business that all new products meet stringent standards given the service guarantee that is provided to our customers.

Furniture is a thriving category that presents significant opportunity but has experienced challenges in achieving consistency in supply. The current market generally experiences long lead times and as such it is difficult to match supply with demand when projections are strongly exceeded. Our major suppliers have risen to this challenge and have increased their stock holdings considerably to assist in fostering this growth which is very pleasing and underlines the long term relationships that have been developed.

Audio has been a relatively small but growing category for the last few years; However it has been hampered by a lack of affordable 'premium audio' systems that are desired by our customers, particularly as part of a home theatre package. This was rectified during the year with the introduction of a quality component system which exceeded demand expectations and will be complimented by additional premium audio products in the year ahead. The category was also enhanced with the introduction of a premium iPod Speakerdock developed under the Thorn brand.

In the PC and flat panel sector, emerging technology products are set to revitalise lagging volumes with the introduction of 'SMART' TV and Ultrabook PC's. In recent months consumer awareness and demand for these products has grown considerably and is expected to continue as manufacturers and distributors adopt these new technology platforms. Ultrabook PC's and SMART TV's have both been added to the rental range and will ensure Radio Rentals/Rentlo remain relevant as these products gain popularity in the market. In addition to this, market leading tablets and smart phones are currently in test for potential launch in the year ahead.

DID YOU KNOW?

FY2012 saw the introduction of our first **Thorn branded** iPod Speakerdock

Thorn Equipment Finance

- ✓ **Loan book exceeds $12m**
- ✓ **New specialist team driving quality growth**
- ✓ **Vendor network expansion**

Thorn Equipment Finance, as the name suggests, is a specialist provider of innovative equipment finance solutions for businesses and can create various options to suit the particular needs of individual customers.

The key target market is small, medium enterprises (SMEs) particularly in the under $100k funding area, which is underserviced by the major financial institutions and represents a considerable opportunity for growth.

Last year there was major investment in recruiting a specialist team which has clearly demonstrated an ability to drive substantial growth of quality new business in a very short period of time. A key factor has been the vendor relationships the team has introduced and created along with an intimate knowledge of market needs.

Vendor relationships are a critical success factor through their capacity to introduce a solid stream of new clients in market areas that we have identified as being of a suitable risk profile. This has the potential to significantly boost our market presence without the need to employ a large number of business development managers and also aids in building market credibility through our introduction as their preferred finance provider.

In addition we have continued to strengthen our relationships with our long term clients, most particularly the TAB associations across Australia and Tabcorp which are conducting major upgrade programs of their technology products. Through our direct import program we are able to provide specialty high grade Thorn branded products that meet the strict quality standards demanded by these outlets.

To ensure a fast and efficient client approval process a specialist underwriting team has been formed as part of Thorn Financial Services, which allows the Thorn Equipment Finance team to concentrate on sales and marketing activities.

Cashfirst

- **Loan book reaches $17m**
- **Account base of over 9,000 customers**
- **Tight arrears controls maintained**

Cashfirst, our unsecured term loan product, continued its strong growth trajectory with the loan book exceeding $17m by year-end. The key driver for new business was long format television commercials on selected Pay TV channels which are remunerated on a success fee basis. This enables marketing costs to be directly linked to new business levels which is yet another example of innovation within the group.

In addition there was $2.4m in new loans to previous Cashfirst clients and we are now building a solid base of loyal customers who are provided with a range of benefits including discounted rates.

The loan approval rate was maintained around 15-20% and customer arrears and write-offs continued to improve which demonstrates our consistent approach and the quality of the loan book being created.

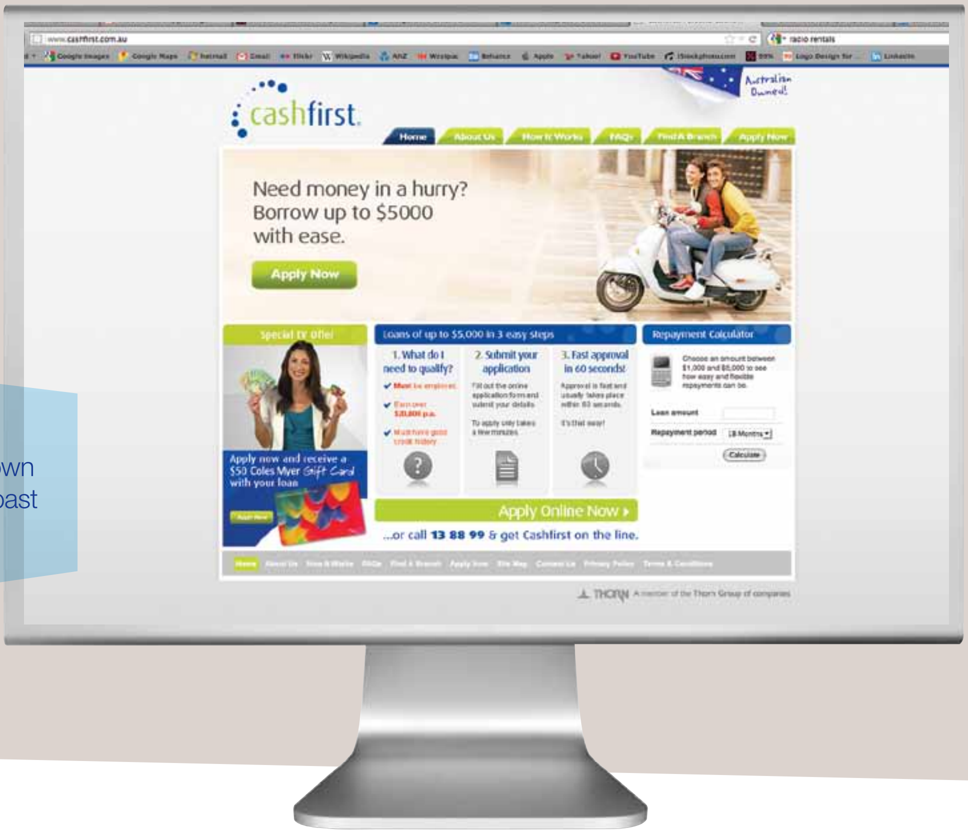
Importantly, Cashfirst does not offer "payday loans" and therefore will not be affected by any proposed legislative changes, which we commend and which should provide sound consumer benefits.

With Cashfirst reaching 'critical mass' and a number of additional product opportunities being identified, Cashfirst is being separated into a dedicated Financial Products division and a specialist team is being recruited.

The Company believes there are significant opportunities in this market particularly with the withdrawal post GFC of a number of major financial institutions which have become more predominately focussed on the 'prime debt' market.

DID YOU KNOW?

Cashfirst's loan book has grown by more than **$5m** over the past 12 months.



NCML

- **Meeting challenges through reinvention**
- **Focus on development of core collections business**
- **Creation of a complete receivables 'lifecycle' product offering**
- **Reinforcing relationships with high quality corporate clients and long term relationships**

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

The loss of the ATO account and a general tightening of client expense budgets due to economic conditions affected revenue growth. However, management took this as an opportunity to objectively assess every area of operations and as such identified where a number of process improvements could be initiated.

This review, with a vision of achieving of 'operational excellence', has culminated in a simplified reporting structure and process efficiencies. A key component has been the move of all head office functions and the majority of operations to Adelaide, with other state offices being focused on the specialist needs of local clients.

An important facet of the NCML offering is its ability to tailor a solution to the specific needs of clients rather than a 'one size fits all' approach. This bespoke/boutique capability has garnered strong client support and stands NCML apart from the sector in general.

NCML has a focus on high quality corporate and government clients, many of whom have been customers for over 15 years and along with this there are a number of major contracts coming to execution stage which will shortly commence generating solid revenues.

Collection services, excluding PDLs, account for some 75% of NCML revenues and generate very attractive returns on capital employed. This is not expected to change significantly, particularly as the pricing of debt ledgers remained at levels that could not be justified to generate acceptable returns.

More particularly, the development of a rather unique complete 'receivables lifecycle' offering has been completed and this has already started to gain strong client interest as a complete outsourcing solution for receivables management.

In addition Thorn is already extensively involved in debtor management through its current businesses. Consequently, work is underway to generate synergy benefits between NCML and other areas of Thorn operations, thus enabling enhancement of its overall financial services platform.

Corporate Social Responsibility

Thorn prides itself on being a 'good corporate citizen' which incorporates every aspect of the business and is particularly important given the Company's position as a market leader.

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

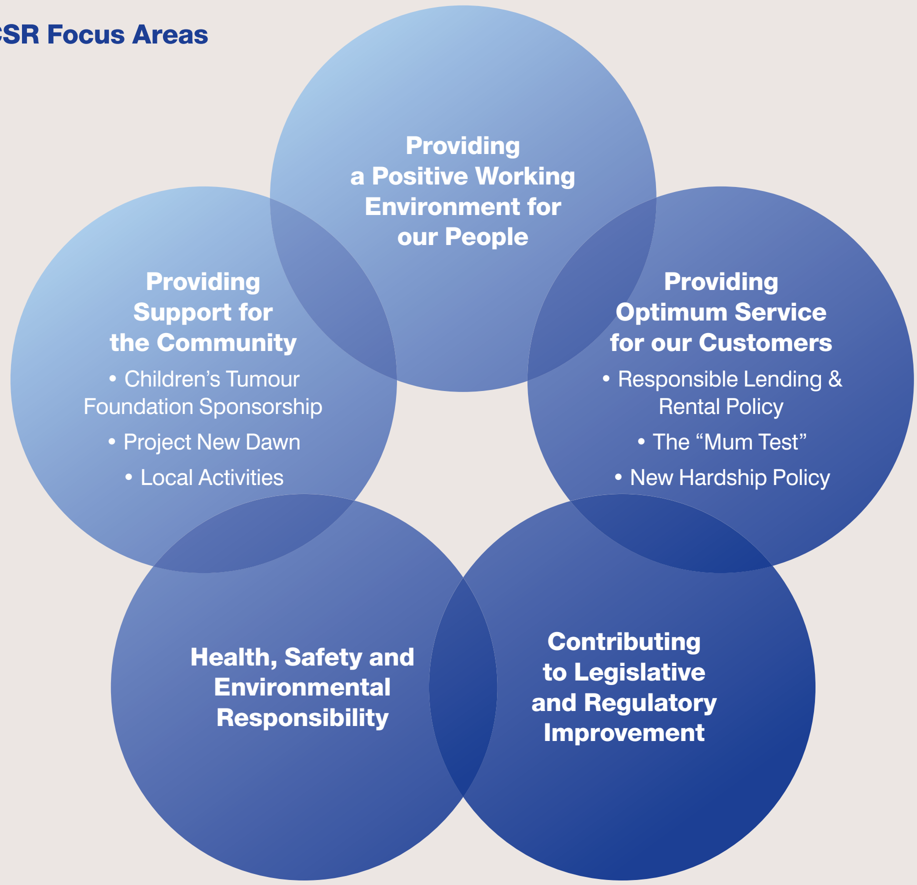
Thorn is committed to operating its businesses honestly, efficiently and fairly with high moral, ethical and legal standards. Our Code of Conduct sets clear expectations for all of our people in their interactions with each other, with customers and with the wider community. In return we provide our people with training, support and opportunities to fulfil their potential.

The Company recognises and values the unique contribution people can make because of their individual background and different skills, experiences and perspectives. In 2011/12 we introduced a gender diversity policy and have appointed our first female Board Member, Joycelyn Morton.

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

Our "Responsible Lending & Rental Policy" is in place to ensure that we provide customers with products that meet their needs and financial capacity. This has been a key component in building our customer base and generating long term customer loyalty.

Thorn's 2012 CSR Focus Areas



An important element is also our "Mum Test" which staff are encouraged to consider whenever dealing with a customer who is experiencing difficulties. Put simply it is to treat the customer "as if they were your mum" and do whatever is reasonable to assist them.

In addition the Company has introduced a specific 'hardship contract' that enables customers of good standing to extend the balance of their contract at a lower payment without any charges or penalties.

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

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

DID YOU KNOW?

Donna, Ben and Dean Adams are all **champion supporters** of the Children's Tumour Foundation of Australia – and Thorn is proud to be as well.

DID YOU KNOW?

Radio Rentals is a **founding sponsor** of Project New Dawn, a successful national homeless employment initiative.

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

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

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

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

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

When disaster strikes across Australia such as the Victorian Bushfires and Queensland Floods or there is a worthwhile cause needing assistance then there is a good chance that someone from Thorn will be there to assist our customers and the community in general. Over the years assistance has been provided in various forms including the loan of bedding and refrigerators for relief centres, 3 month goodwill credits on customer accounts and donation of products for fundraising.

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

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

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

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

Financial Summary

In thousands of AUD	2012	2011
Revenue	**188,351**	157,949
Profit before income tax	**40,191**	32,310
Income tax expense	**(12,342)**	(10,272)
Profit for the period	**27,849**	22,038

Balance Sheet

In thousands of AUD	2012	2011
Assets		
Cash and cash equivalents	**5,870**	9,038
Trade and other receivables	**45,540**	40,591
Total current assets	**51,410**	49,629
Trade and other receivables	**44,759**	35,351
Deferred tax assets	**5,525**	10,060
Property, plant and equipment	**5,398**	3,932
Rental assets	**48,478**	41,178
Intangible assets	**29,719**	31,691
Total non-current assets	**133,879**	122,212
Total assets	**185,289**	171,841
Liabilities		
Trade and other payables	**23,415**	28,845
Employee benefits and provisions	**4,923**	4,555
Income tax payable	**1,260**	6,148
Total current liabilities	**29,598**	39,548
Loans and borrowings	**14,000**	36,000
Employee benefits and provisions	**1,480**	1,290
Total non-current liabilities	**15,480**	37,290
Total liabilities	**45,078**	76,838
Net assets	**140,211**	95,003
Equity		
Issued capital	**93,898**	64,517
Reserves	**2,557**	2,307
Retained earnings	**43,756**	28,179
Total equity	**140,211**	95,003

Disclaimer: This financial summary is an edited extract from the 2012 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 2012

Statements of Cash Flows

In thousands of AUD	2012	2011
Cash flows from operating activities		
Cash receipts from customers	**200,048**	161,550
Cash paid to suppliers and employees	**(127,279)**	(87,855)
Cash generated from operations	**72,769**	73,695
Interest paid	**(1,587)**	(612)
Interest received	**355**	247
Income tax paid	**(12,695)**	(5,614)
Net cash from operating activities	**58,842**	67,716
Cash flows from investing activities		
Proceeds from sale of rental assets	**1,050**	927
Acquisition of property, plant and equipment	**(3,335)**	(1,795)
Acquisition of rental assets	**(54,834)**	(52,646)
Acquisition of subsidiary (net of cash acquired)	**-**	(31,447)
Net cash used in investing activities	**(57,119)**	(84,961)
Cash flows from financing activities		
Proceeds from borrowings	**3,000**	30,000
Repayment of borrowings	**(25,000)**	–
Proceeds from the issue of ordinary shares	**29,381**	–
Dividends paid	**(12,272)**	(9,464)
Net cash from / (used in) financing activities	**(4,891)**	20,536
Net increase in cash and cash equivalents	**(3,168)**	3,291
Cash and cash equivalents at 1 April	**9,038**	5,747
Cash and cash equivalents at 31 March	**5,870**	9,038

Remuneration Summary

		Short-term				Post-employment	Share-based payments	
In AUD		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Superannuation benefits $	Options and rights $	Total $
Non-Executive Directors								
David Carter	**2012**	**117,538**	**–**	**–**	**117,538**	**10,578**	**–**	**128,116**
	2011	80,500	–	–	80,500	7,245	–	87,745
Peter Henley	**2012**	**74,654**	**–**	**–**	**74,654**	**6,719**	**–**	**81,373**
	2011	65,000	–	–	65,000	5,850	–	70,850
Paul Lahiff	**2012**	**72,154**	**–**	**–**	**72,154**	**6,494**	**–**	**78,648**
	2011	62,423	–	–	62,423	5,618	–	68,041
Joycelyn Morton[1]	**2012**	**34,615**	**–**	**–**	**34,615**	**3,115**	**–**	**37,730**
Former Directors								
Bernard Carrasco	**2012**	**121,423**	**–**	**–**	**121,423**	**10,928**	**–**	**132,351**
	2011	127,423	–	–	127,423	11,468	–	138,891
Executive Director								
John Hughes	**2012**	**593,999**	**192,250**	**1,597**	**787,846**	**15,469**	**159,574**	**962,889**
	2011	519,433	499,333	–	1,018,766	14,596	230,999	1,264,361
Total directors remuneration	**2012**	**1,014,383**	**192,250**	**1,597**	**1,208,230**	**53,303**	**159,574**	**1,421,107**
	2011	854,779	499,333	–	1,354,112	44,777	230,999	1,629,888

1. Reflects remuneration from 1 October 2011, the date of her appointment

Four year performance summary

In thousands of AUD		2012	2011	2010	2009
Operating Performance					
Total revenue	$m	**188.4**	157.6	145.1	127.6
Normalised net profit (before significant items)	$m	**27.8**	23.0	16.4	12.3
Significant items	$m	**–**	(1.0)	3.1	–
Reported net profit	$m	**27.8**	22.0	19.5	12.3
Operating cash flow	$m	**58.8**	67.7	57.9	45.9
Capital expenditure – rental assets	$m	**54.8**	52.6	47.5	42.6
Balance Sheet Structure					
Total assets	$m	**185.3**	171.8	117.9	102.7
Capital employed	$m	**155.7**	132.3	82.6	76.1
Equity	$m	**140.2**	95.0	81.8	69.2
Net debt	$m	**8.2**	27.0	–	3.4
Per Share Performance					
Number of shares	m	**146.4**	129.9	129.4	128.7
Weighted average number of shares – basic	m	**144.7**	130.8	128.9	128.2
Weighted average number of shares – diluted	m	**146.5**	132.0	129.5	129.5
Basic earnings per share	cents	**19.24**	16.84	15.12	9.61
Diluted earnings per share	cents	**19.01**	16.69	15.06	9.52
Share price at year end	cents	**1.57**	2.19	1.12	0.49
Dividend per share paid	cents	**8.95**	7.30	6.32	4.79
Dividend payout ratio	%	**50**	50	50	50
Financial Ratios					
Interest cover based on EBITA	x	**27.3**	53.1	35.7	30.3
Net Debt to Equity	%	**6.0**	28.4	0.0	5.0
Debt to Equity	%	**10.0**	37.8	7.3	8.6

Disclaimer: This financial summary is an edited extract from the 2012 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

Corporate directory

Directors

David Carter
Chairman

John Hughes
Managing Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

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

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

Auditor to Thorn Group Limited

KPMG
10 Shelley Street
Sydney NSW 2000

Registry

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

Designed and produced by FCR
www.fcr.com.au

THORN Group Ltd.

thorn.com.au

THORN Group Ltd.

Continuing to **innovate**

2012 Financial Report

radio rentals

rentlo

NCML experts in credit

cashfirst

THORN Equipment Finance

Thorn Group Limited and its Controlled Entities
ACN 072 507 147

Directors' report

for the year ended 31 March 2012

Contents

Notice of meeting

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 23rd August 2012, commencing at 11.00am.

The directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as the 'consolidated entity') for the financial year ended 31 March 2012 and the auditor's report thereon.

Contents of Directors' Report

1. Directors

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

Name and independence status	Experience, special responsibilities, qualifications and other directorships
David Carter Chairperson Independent Non-Executive Director *Appointed:* 3 November 2006	David Carter is a lawyer and corporate advisor who was previously a partner of a major international law firm. David currently runs his own legal and corporate advisory practice. David has significant experience in corporate governance, M&A, commercial and international law. He has been a board member of a number of ASX listed companies and is currently a director of Cause Connect Ltd, a not for profit company, and Glutagen Pty Ltd an early stage biotech. David holds a Bachelor of Economics, Bachelor of Law (Hons), Masters of Law, and a Bachelor of Civil Law(Oxon). David was appointed Chairperson on 1 October 2011.
John Hughes CEO and Managing Director *Appointed:* 3 November 2006	Prior to joining the Company, John was Managing Director of ASX listed Ruralco Holdings Limited until its merger with Tasmanian based Roberts Limited in 2006. He was previously Managing Director of Thorn EMI Rentals Australasia ("Thorn") and led the reshaping of that company into a highly successful consumer electronics and financial services organisation. He was previously Managing Director of Dominos Pizza Australia and has over 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, is Chairman of NF Australia and a Fellow of the Australian Institute of Company Directors.
Peter Henley Independent Non-Executive Director *Appointed:* 21 May 2007	Peter Henley has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held senior management positions with AGC, Nissan Finance and most recently GE Money. Peter is a non-executive director and member of the Audit and Risk Committee of the ASX listed AP Eagers Limited (from 2006). Peter is 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 and LIXI Pty Ltd, a Director of the Cancer Council NSW and operates his own consultancy firm specialising in financial services strategy. He has over 30 years experience in the financial services industry including roles as Managing Director of the ASX listed Mortgage Choice (from 2003 to 2009), Permanent Trustee, Heritage Building Society and WD Scott, as well as senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector. Paul holds a Bachelor of Science Degree from University of Sydney and is a Fellow of the Financial Services Institute of Australia (FINSIA) and is a member of the Australian Institute of Company Directors (AICD).

Directors' report

for the year ended 31 March 2012 continued

Name and independence status	Experience, special responsibilities, qualifications and other directorships
Joycelyn Morton Independent Non-Executive Director *Appointed:* 1 October 2011	Joycelyn Morton has extensive business experience in Australia and internationally, as well as having held senior positions in the accounting profession. She is a non-executive director of ASX listed companies Argo Investments Limited and Noni B Limited. During 2011 Joycelyn was, prior to their takeover, also a non-executive director of Crane Group Limited and Count Financial Limited. Joycelyn began her career with Coopers & Lybrand (now PwC), before joining Woolworths Limited and later the Shell Group. Her roles with Shell encompassed a variety of senior tax and accounting positions, culminating in Vice President Accounting Services for Shell International BV, based in the Netherlands. Joycelyn is a director of the Divisional Board of the Business School of the University of Sydney. She was Australia's representative from 2005 – 2011 of the global professional body, the International Federation of Accountants. Other prior appointments included Deputy Chair of Australia's Professional Standards Council and National President of CPA Australia. Joycelyn holds a Bachelor of Economics Degree from the University of Sydney, is a Life Member and Fellow of CPA Australia, a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and Chartered Secretaries Australia.
Bernard Carrasco Chairperson Independent Non-Executive Director *Appointed:* 3 November 2006 *Retired:* 31 March 2012	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. Bernard was Chairperson from 3 November 2006 to 30 September 2011.

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 CPA Australia.

3. Directors' Meetings

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

Director	Board Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B
John Hughes	13	13	5	–	3	–
David Carter	13	13	5	5	3	3
Peter Henley	13	13	5	5	–	–
Paul Lahiff	13	13	4	–	3	3
Joycelyn Morton	7	7	2	2	1	–
Bernard Carrasco	12	13	5	5	3	3

A – Number of meetings attended

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

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

Mr Lahiff was not a member of the Audit Risk and Compliance Committee but attended the meetings by invitation. Mr Lahiff was appointed to the Audit, Risk and Compliance Committee from 29 March 2012.

Ms Morton was not a member of the Remuneration and Nomination Committee but attended the meeting 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.

Directors' report
for the year ended 31 March 2012 continued

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 divisional report, finance report, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director and executive education

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

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

Independent professional advice and access to Company information

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

Composition of the Board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out on pages 1 and 2 of this report. The composition of the Board is determined using the following principles:

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

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

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

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

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

The Board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10 per cent of the relevant segment's or the director-related business' revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

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

4.2 Remuneration and Nomination Committee

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

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

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

- David Carter (Chairperson) – Independent, Non-Executive
- Bernard Carrasco (retired 31 March 2012) – Independent, Non-Executive
- Peter Henley (appointed 29 March 2012) – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive

Directors' report

for the year ended 31 March 2012 continued

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 three times a year and as required. The Committee met three times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 3.

4.3 Remuneration Report – Audited

4.3.1 Principles of remuneration

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

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

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

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

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

Fixed Remuneration

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

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

Performance Linked Remuneration

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

Short-Term Incentive

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

The financial performance objective for 2012 is 'profit after tax' as compared to the budgeted amount. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety, customer satisfaction and staff development.

At the end of the financial year the Remuneration and Nomination Committee assesses the actual performance of the consolidated entity, and individual against the KPI's set at the beginning of the financial year. 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 2012 has taken place in accordance with this process.

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

Long-Term Incentive

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

The performance hurdle for instruments granted under the long-term incentive plan is the Company's total shareholder return ("TSR") performance measured against 19 comparable ASX listed securities.

Directors' report

for the year ended 31 March 2012 continued

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.

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.

	2012	2011	2010	2009	2008
Profit attributable to owners of the Company	**$27,849,000**	$22,038,000	$19,495,000	$12,320,000	$10,899,000
Dividends paid	**$12,272,000**	$9,464,000	$7,059,000	$5,594,000	$3,513,000
Change in share price	**(0.62)**	1.07	0.63	(0.06)	(0.20)
Return on capital employed	**21.95%**	19.02%	20.35%	17.19%	17.77%

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.

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

Other Benefits

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

Service Contracts

John Hughes, Managing Director, has a contract of employment dated 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 person but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Non-Executive Directors

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

Directors' report

for the year ended 31 March 2012 continued

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

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

	Short-term				Post-employment	Long-term benefits		Share-based payments			
In AUD	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Super-annuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Directors											
Non–Executive Directors											
David Carter											
2012	**117,538**	**–**	**–**	**117,538**	**10,578**	**–**	**–**	**–**	**128,116**	**–**	**–**
2011	80,500	–	–	80,500	7,245	–	–	–	87,745	–	–
Peter Henley											
2012	**74,654**	**–**	**–**	**74,654**	**6,719**	**–**	**–**	**–**	**81,373**	**–**	**–**
2011	65,000	–	–	65,000	5,850	–	–	–	70,850	–	–
Paul Lahiff											
2012	**72,154**	**–**	**–**	**72,154**	**6,494**	**–**	**–**	**–**	**78,648**	**–**	**–**
2011	62,423	–	–	62,423	5,618	–	–	–	68,041	–	–
Joycelyn Morton[1]											
2012	**34,615**	**–**	**–**	**34,615**	**3,115**	**–**	**–**	**–**	**37,730**	**–**	**–**
Former Directors											
Bernard Carrasco[2]											
2012	**121,423**	**–**	**–**	**121,423**	**10,928**	**–**	**–**	**–**	**132,351**	**–**	**–**
2011	127,423	–	–	127,423	11,468	–	–	–	138,891	–	–
Executive Directors											
John Hughes											
2012	**593,999**	**192,250**	**1,597**	**787,846**	**15,469**	**–**	**–**	**159,574**	**962,889**	**37%**	**17%**
2011	519,433	499,333	–	1,018,766	14,596	–	–	230,999	1,264,361	58%	18%
Total directors remuneration											
2012	**1,014,383**	**192,250**	**1,597**	**1,208,230**	**53,303**	**–**	**–**	**159,574**	**1,421,107**	**–**	**–**
2011	854,779	499,333	–	1,354,112	44,777	–	–	230,999	1,629,888	–	–

In AUD	Short-term				Post-employment	Long-term benefits		Share-based payments			
	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Superannuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Executives											
Peter Eaton, Chief Financial Officer and Company Secretary											
2012	**265,568**	**88,655**	**13,369**	**367,592**	**15,469**	**13,947**	**–**	**53,192**	**450,200**	**32%**	**12%**
2011	231,211	229,600	10,298	471,109	14,596	6,942	–	77,000	569,647	54%	14%
James Marshall, GM Rental											
2012	**233,052**	**76,332**	**11,399**	**320,783**	**15,469**	**11,371**	**–**	**37,234**	**384,857**	**30%**	**10%**
2011	189,983	192,267	11,414	393,664	14,596	9,287	–	53,900	471,447	52%	11%
Ian Scott, GM Financial Services											
2012	**168,826**	**50,260**	**3,233**	**222,319**	**15,469**	**–**	**–**	**–**	**237,788**	**21%**	**–**
2011	153,787	157,733	–	311,520	14,596	–	–	–	326,116	48%	–
Andrea Rooke, GM Human Resources											
2012	**155,103**	**44,705**	**10,330**	**210,138**	**15,469**	**–**	**–**	**–**	**225,607**	**20%**	**–**
2011	145,567	81,500	10,344	237,411	14,540	–	–	–	251,951	32%	–
Antoine Laval[3], GM Equipment Finance											
2012	**136,744**	**57,321**	**19,712**	**213,777**	**12,912**	**–**	**–**	**–**	**226,689**	**25%**	**–**
Brenton Glaister[4], GM NCML											
2012	**7,346**	**332**	**27**	**7,705**	**560**	**–**	**–**	**–**	**8,265**	**4%**	**–**
Former											
Don Coulthard[5], GM NCML											
2012	**182,922**	**–**	**1,538**	**184,460**	**16,547**	**–**	**140,953**	**–**	**341,960**	**–**	**–**
Total executives remuneration											
2012	**1,149,561**	**317,605**	**59,608**	**1,526,774**	**91,895**	**25,318**	**140,953**	**90,426**	**1,875,366**	**–**	**–**
2011	720,548	661,100	32,056	1,413,704	58,328	16,229	–	130,900	1,619,161	–	–

Directors' report
for the year ended 31 March 2012 continued

In AUD	Short-term				Post-employment	Long-term benefits		Share-based payments			
	Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Super-annuation benefits $	Long Service Leave $	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Total directors and executive officer remuneration											
2012	**2,163,944**	**509,855**	**61,205**	**2,735,004**	**145,198**	**25,318**	**140,953**	**250,000**	**3,296,473**	**–**	**–**
2011	1,575,327	1,160,433	32,056	2,767,816	103,105	16,229	–	361,899	3,249,049	–	–

1 The remuneration for Joycelyn Morton for 2012 reflects remuneration during the period from 1 October 2011, the date of her appointment.
2 The remuneration for Bernard Carrasco for 2012 reflects remuneration during the period to 31 March 2012, the date of his retirement.
3 The remuneration for Antoine Laval for 2012 reflects remuneration during the period from 9 May 2011, the date of his appointment.
4 The remuneration for Brenton Glaister for 2012 reflects the remuneration during the period from 15 March 2012, the date of his promotion.
5 The remuneration for Don Coulthard for 2012 reflects remuneration during the period to 25 January 2012, the date of his resignation.

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

A. The short term incentive bonus for 2012 is for performance during the financial year.

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

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

Grant Date	Initial Test Date	Expiry Date	Fair value per 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 key management personnel are detailed below.

	Short Term Incentive Bonus		
	Included In Remuneration $[(a)]	% Vested In Year	% Forfeited In Year[(b)]
Directors			
John Hughes	192,250	33%	67%
Executives			
Peter Eaton	88,655	34%	66%
James Marshall	76,332	33%	67%
Ian Scott	50,260	29%	71%
Andrea Rooke	44,705	30%	70%
Antoine Laval	57,321	36%	64%
Brenton Glaister	332	5%	95%
Don Coulthard	–	–	100%

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

(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 2012 continued

4.3.4 Equity Instruments

Analysis of performance rights available for vesting during as remuneration

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

	Performance Rights Granted		Vested In Current Year	Forfeited In Year(c)	Financial Years In Which Grant Vests	Values Yet To Vest $	
	Number	Date	%	%		Min(a)	Max(b)
Director							
John Hughes	16,985	1 Apr 2010	62.50%	–	2011 – 2014	Nil	N/A
	271,764	1 Apr 2010	62.50%	–	2012 – 2014	Nil	N/A
	271,763	1 Apr 2010	–	–	2013 – 2014	Nil	N/A
Executive							
Peter Eaton	5,662	1 Apr 2010	62.50%	–	2011 – 2014	Nil	N/A
	90,588	1 Apr 2010	62.50%	–	2012 – 2014	Nil	N/A
	90,588	1 Apr 2010	–	–	2013 – 2014	Nil	N/A
James Marshall	3,963	1 Apr 2010	62.50%	–	2011 – 2014	Nil	N/A
	63,412	1 Apr 2010	62.50%	–	2012 – 2014	Nil	N/A
	63,411	1 Apr 2010	–	–	2013 – 2014	Nil	N/A

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

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

(c) No performance rights were forfeited in the period. The performance rights that did not vest will be retested at the next vesting date.

Analysis of Movements in Performance Rights

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

Value of Performance Rights

	Granted in year(a) $	Exercised in year(b) $	Forfeited in year(c) $
John Hughes	–	292,358	–
Peter Eaton	–	97,453	–
James Marshall	–	68,217	–
	–	458,028	–

(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 2 February 2012 was $1.62, the date the performance rights were exercised and ordinary shares were allotted.

(c) The value of the performance rights forfeited during the year is calculated as the market price of the share of the Company as at the close of trade on the date the performance rights were forfeited.

Performance Rights Over Equity Instruments Granted

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

	Held at 1 April 2011	Granted as Compensation	Exercised	Lapsed during the year	Held at 31 March 2012	Vested during the year
John Hughes	560,512	–	180,468	–	380,044	180,468
Peter Eaton	186,838	–	60,156	–	126,682	60,156
James Marshall	130,786	–	42,109	–	88,677	42,109

4.4 Audit, Risk and Compliance Committee

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

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

- Joycelyn Morton (Chairperson, *appointed 29 March 2012*) – Independent, Non-Executive
- David Carter – Independent, Non-Executive
- Bernard Carrasco (*retired 31 March 2012*) – Independent, Non-Executive
- Peter Henley (*resigned 29 March 2012*) – Independent, Non-Executive
- Paul Lahiff (*appointed 29 March 2012*) – 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 3.

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 2012 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;

Directors' report

for the year ended 31 March 2012 continued

- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporation Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

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

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

4.5 Risk Management

Oversight of the risk management system

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

Risk profile

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

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

Risk management and compliance and control

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

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled;
- workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;

- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and integrity of personnel

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

Financial Reporting

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

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

Environmental legislation

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

Internal Audit

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

4.6 Ethical Standards

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

Conflict of Interest

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

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

Directors' report
for the year ended 31 March 2012 continued

Code of conduct

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

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

Securities Trading Policy

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

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

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

4.7 Communication with Shareholders

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

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

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

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

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

5. Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the renting and sale of browngoods, whitegoods, PC's and furniture products, the provision of unsecured cash loans, equipment finance and the provision of receivables management services.

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

5.1 Operating and Financial Review

Increases were achieved in both revenue and profit for the 2012 financial year with total revenues growing from $157,949,000 to $188,351,000, a 19.2% improvement.

The growth in revenue was attributable to the inclusion of credit management revenue of $21,128,000 and operating lease revenue, which increased from $83,098,000 to $93,562,000 an improvement of 12.6%, as whitegoods and furniture performed strongly.

This improvement resulted in profit before income tax increasing 24.4%, from $32,310,000 to $40,191,000. Net profit after tax increased 26.4%, from $22,038,000 to $27,849,000. The 2012 result includes an amortisation expense of $1,760,000 versus zero in the prior corresponding period. This amortisation expense relates to customer relationships recognised upon the acquisition of the credit management segment.

Net cash from operating activities of $58,842,000 was unfavourable to last year of $67,716,000. The result was impacted by increased income tax paid of $7,081,000 which included the final 2011 tax payments of $5,900,000. This was a significant uplift on the final tax payment due to the one-off temporary investment allowance in the prior corresponding period. The result was also impacted by the growth of $13,108,000 in Thorn Equipment Finance receivables.

5.2 Shareholder returns

	2012	2011	2010	2009	2008
Profit attributable to owners of the Company	**$27,849,000**	$22,038,000	$19,495,000	$12,320,000	$10,899,000
Basic EPS	**19.24c**	16.84c	15.12c	9.61c	8.55c
Dividends paid	**$12,272,000**	$9,464,000	$7,059,000	$5,594,000	$3,513,000
Dividends per share	**8.95c**	7.30c	6.32c	4.79c	4.26c
Change in share price	**(0.62)**	1.07	0.63	(0.06)	(0.20)
Return on capital employed	**21.95%**	19.02%	20.35%	17.19%	17.77%

Directors' report

for the year ended 31 March 2012 continued

5.3 Review of Financial Information

Capital structure and treasury policy

The Company completed a pro-rata renounceable rights offer in July 2011. The Company issued 16,232,366 new ordinary shares at $1.85 per share. The proceeds of the rights offer were used to repay debt.

Liquidity and funding

The consolidated entity has unused funding facilities as at 31 March 2012 of $16,000,000 and has sufficient funds available to finance its operations.

Net cash flows from operating activities were $58,842,000 as compared to $67,716,000 in the prior year.

Impact of Legislation and other external requirements

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

6. Dividends

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

	Cents per share	Total amount $	Franked/unfranked	Date of payment
Final 2011	4.95	6,428,018	Franked	22 July 2011
Interim 2012	4.00	5,843,679	Franked	20 January 2012
Total amount		12,271,697		

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

Declared after end of year

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

	Cents per share	Total amount $	Franked/unfranked	Expected date of payment
Final 2012	5.50	8,050,609	Franked	18 July 2012
Total amount		8,050,609		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 March 2012 and will be recognised in subsequent financial reports.

7. Events Subsequent to Reporting Date

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

8. Likely Developments

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

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

9. Directors' Interests

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

Thorn Group Limited

	Ordinary shares	Performance Rights over ordinary shares
David Carter	262,600	Nil
John Hughes	3,586,113	380,044
Peter Henley	50,778	Nil
Paul Lahiff	35,157	Nil
Joycelyn Morton	20,000	Nil

The Company has not granted any options over its shares.

10. Performance rights

Performance rights granted to directors and officers of the Company

During or since the end of the financial year, the Company has not granted any options or performance rights over unissued ordinary shares in the Company. As noted on page 15, three officers of the Company were granted 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, former and subsequent directors and officers of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Directors' report
for the year ended 31 March 2012 continued

Insurance Premiums

During the financial year the Company has paid insurance premiums of $42,330 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

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

12. Non-Audit Services

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

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

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

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

13. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for financial year ended 31 March 2012.

14. Rounding Off

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

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

David Carter
Chairperson

Dated at Sydney
22 May 2012

Lead auditor's independence declaration

under Section 307C of the Corporations Act 2011

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 2012 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

Dated at Sydney
22 May 2012

Statement of comprehensive income

for the year ended 31 March 2012

In thousands of AUD	Note	2012	2011
Revenue	3	**188,351**	157,949
Employment benefits expense	4	**(41,443)**	(31,539)
Depreciation and amortisation expense		**(28,873)**	(23,176)
Finance lease cost of sales		**(22,255)**	(26,641)
Marketing expenses		**(10,018)**	(10,272)
Impairment losses on loans and receivables		**(9,701)**	(7,836)
Property expenses		**(8,316)**	(6,634)
Transport expenses		**(6,113)**	(5,875)
Communication and IT expenses		**(3,522)**	(2,485)
Finance expenses		**(1,587)**	(616)
Rental assets disposal		**(1,576)**	(1,211)
Other expenses		**(14,756)**	(9,354)
Profit before income tax		**40,191**	32,310
Income tax expense	6	**(12,342)**	(10,272)
Profit for the period		**27,849**	22,038
Other comprehensive income		**–**	–
Total comprehensive income		**27,849**	22,038
Basic earnings per share (cents)	21	**19.24**	16.84
Diluted earnings per share (cents)	21	**19.01**	16.69

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 28 to 59.

Statement of financial position

for the year ended 31 March 2012

In thousands of AUD	Note	2012	Restated 2011*
Assets			
Cash and cash equivalents	7	**5,870**	9,038
Trade and other receivables	8	**45,540**	40,591
Total current assets		**51,410**	49,629
Trade and other receivables	8	**44,759**	35,351
Deferred tax assets	11	**5,525**	10,060
Property, plant and equipment	12	**5,398**	3,932
Rental assets	13	**48,478**	41,178
Intangible assets	14	**29,719**	31,691
Total non-current assets		**133,879**	122,212
Total assets		**185,289**	171,841
Liabilities			
Trade and other payables	15	**23,415**	28,845
Employee benefits	17	**4,790**	4,397
Income tax payable	10	**1,260**	6,148
Provisions	18	**133**	158
Total current liabilities		**29,598**	39,548
Loans and borrowings	16	**14,000**	36,000
Employee benefits	17	**339**	237
Provisions	18	**1,141**	1,053
Total non-current liabilities		**15,480**	37,290
Total liabilities		**45,078**	76,838
Net assets		**140,211**	95,003
Equity			
Issued capital		**93,898**	64,517
Reserves		**2,557**	2,307
Retained earnings		**43,756**	28,179
Total equity		**140,211**	95,003

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 28 to 59.

* The prior year comparatives for deferred tax assets and goodwill have been restated to reflect the resetting of the tax cost base of NCML assets following amendment to provisional acquisition accounting adopted at 31 March 2011. Refer to note 30.

Statement of changes in equity

for the year ended 31 March 2012

In thousands of AUD	Share capital	Equity remuneration reserve	Retained earnings	Total equity
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	–	–	–	–
Share based payments transactions	–	662	–	662
Dividends to shareholders	–	–	(9,464)	(9,464)
Balance at 31 March 2011	64,517	2,307	28,179	95,003
Balance at 1 April 2011	**64,517**	**2,307**	**28,179**	**95,003**
Total comprehensive income				
Net profit for the year	**–**	**–**	**27,849**	**27,849**
Other comprehensive income	**–**	**–**	**–**	**–**
Issue of ordinary shares	**29,381**	**–**	**–**	**29,381**
Share based payments transactions	**–**	**250**	**–**	**250**
Dividends to shareholders	**–**	**–**	**(12,272)**	**(12,272)**
Balance at 31 March 2012	**93,898**	**2,557**	**43,756**	**140,211**

The statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 28 to 59.

Statement of cash flow

for the year ended 31 March 2012

In thousands of AUD	Note	2012	2011
Cash flows from operating activities			
Cash receipts from customers		**200,048**	161,550
Cash paid to suppliers and employees		**(127,279)**	(87,855)
Cash generated from operations		**72,769**	73,695
Interest paid		**(1,587)**	(612)
Interest received on bank deposits		**355**	247
Income tax paid		**(12,695)**	(5,614)
Net cash from operating activities	27	**58,842**	67,716
Cash flows from investing activities			
Proceeds from sale of assets		**1,050**	927
Acquisition of property, plant and equipment		**(3,335)**	(1,795)
Acquisition of rental assets		**(54,834)**	(52,646)
Acquisition of subsidiary (net of cash acquired)		**-**	(31,447)
Net cash used in investing activities		**(57,119)**	(84,961)
Cash flows from financing activities			
Proceeds from borrowings		**3,000**	30,000
Repayment of borrowings		**(25,000)**	-
Proceeds from the issue of ordinary shares		**29,381**	-
Dividends paid		**(12,272)**	(9,464)
Net cash from/(used in) financing activities		**(4,891)**	20,536
Net increase/(decrease) in cash and cash equivalents		**(3,168)**	3,291
Cash and cash equivalents at 1 April		**9,038**	5,747
Cash and cash equivalents at 31 March	7	**5,870**	9,038

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 28 to 59.

Notes to the consolidated financial statements

for the year ended 31 March 2012

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 2012 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity were the renting and sale of browngoods, whitegoods, PC's and furniture products, the provision of unsecured cash loans, equipment finance and the provision of receivables management services.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 22 May 2012.

(b) Basis of Preparation

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

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

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

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

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

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

(i) Valuation of goodwill and other intangibles

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

(ii) Impairment of goodwill

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

(iii) Rent Try Buy® asset depreciation

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

(iv) Impairment of finance lease receivables

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

(v) Purchased debt ledgers

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

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

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 28.

(c) Basis of Consolidation

Subsidiaries

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

(d) Revenue

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

Lease Rental Revenue

The consolidated entity derives revenue from finance and operating leases.

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

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

Operating lease rental revenue is recognised 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.

Collection Revenue

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

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

1. Significant Accounting Policies (continued)

Purchased Debt Ledgers Revenue

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

Interest

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

(e) Cost of Sales

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

(f) Income Tax

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

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

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

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

Tax consolidation

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

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

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

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

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

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

(g) Finance expenses

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

(h) Intangible Assets

Goodwill

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

Subsequent measurement

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

Other Intangibles

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

Amortisation

Amortisation is provided on all 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 — 5 years (2011: 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.

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

1. Significant Accounting Policies (continued)

(i) Financial Instruments

Non-derivative financial instruments

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

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

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

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

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

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the consolidated entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the consolidated entity's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Financial assets designated at fair value through profit or loss comprise purchase debt ledgers.

(j) Trade and Other Receivables

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

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

(k) Loans and Borrowings

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

(l) Rental Assets

Recognition and Measurement

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

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

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

Depreciation

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

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

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

(m) Property, Plant and Equipment

Recognition and Measurement

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

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

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

Depreciation

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

1. Significant Accounting Policies (continued)

(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 re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

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

Financial Assets

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

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

Reversals of Impairment

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

An impairment loss in respect of goodwill is not reversed.

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

(o) Employee Benefits

(i) Defined Contribution Superannuation Funds

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

(ii) Long Service Leave

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

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

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

(iv) Share-based payment transactions

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

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

(v) Termination benefits

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

(p) Provisions

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

Makegood costs for leased property

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

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

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

1. Significant Accounting Policies (continued)

(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 internally is provided to the CEO, who is the consolidated entity's chief operating decision maker.

(w) New standards and interpretations not yet adopted

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

- AASB 2010-7 *Amendments to AASB 9* outlines that a financial asset is to be measured at amortised cost only if it is held within business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. The amendments, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities* changes the definition of control and requires that it be applied to all entities to determine whether control exists. The new definition focuses on the need for both power and exposure to variability of returns in order for control to be present and the new disclosure standard increases the disclosure requirements for both consolidated and unconsolidated entities. The new standards, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a material impact on the financial statements.
- AASB 13 *Fair Value Measurement* replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. AASB 13 applies to all assets and liabilities measured at fair value, not just financial instruments. The new standards, which become mandatory for the consolidated entity's 31 March 2014 financial statements, are not expected to have a material impact on the financial statements.
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* amends AASB 101 *Presentation of Financial Statements*. Under the amended standard, the format of other comprehensive income will need to be changed to separate items that might be recycled to net profit from items that will not be recycled. The new standards, which become mandatory for the consolidated entity's 31 March 2013 financial statements, are not expected to have a material impact on the financial statements.

(x) Statement of Comprehensive Income

In accordance with AASB 101 *Presentation of Financial Statements*, entities are required to present an analysis of expenses recognised in Statement of Comprehensive Income classified based on either their nature or function. The standard requires an entity to select whichever provides the most reliable and relevant information. The consolidated entity has changed its disclosure of expenses from classification based on their function in the prior year to classification based on their nature to more accurately reflect the business activities. The classification of comparatives by nature is as presented in the Statement of Comprehensive Income. A summary of the classification by function is set out below.

In thousands of AUD	2012	2011
Cost of sales	**(62,347)**	(57,890)
Sales and marketing expenses	**(60,416)**	(46,010)
General and administration expenses	**(23,811)**	(21,279)
Finance expenses	**(1,586)**	(616)
Total expenses	**(148,160)**	(125,795)

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

2. Segment Reporting

The Board and CEO (the chief operating decision maker) monitor the operating results of two reportable segments, which are the Rental division and the Credit Management division, for the purpose of making decisions about resource allocation and performance assessment.

The Rental division involves the rental and sale of browngoods, whitegoods, PCs and furniture products.

The Credit Management division is comprised of the NCML business that was acquired on 23 March 2011. NCML provides receivables management, debt recovery, credit information services, debt purchasing and other financial services.

Other operations comprises of Thorn Equipment Finance and Cashfirst businesses along with corporate overheads. Thorn Equipment Finance provides equipment financing for small and medium enterprises and Cashfirst involves the provision of personal loans. In the prior period, 'Other' also comprised the e-commerce business Big Brown Box which was discontinued in 2011. These segments do not meet the quantitative thresholds for determining reportable segments in the current or prior period.

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

For the twelve months ended 31 March 2012

	Rental		Credit Management		Other		Consolidated	
In thousands of AUD	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	**157,817**	149,031	**21,128**	712	**8,987**	7,861	**187,932**	157,604
Profit before interest, tax, depreciation and amortisation	**46,214**	41,149	**4,512**	284	**1,687**	(1,247)	**52,413**	40,186
Depreciation and amortisation	**(1,143)**	(876)	**(2,495)**	(12)	**(33)**	(29)	**(3,671)**	(917)
Profit before interest and tax	**45,071**	40,273	**2,017**	272	**1,654**	(1,276)	**48,742**	39,269
Capital Expenditure	**56,433**	54,423	**233**	–	**–**	–	**56,666**	54,423
Segment Assets	**141,516**	147,588	**16,040**	13,352	**27,733**	10,901	**185,289**	171,841
Segment Liabilities	**(42,930)**	(74,809)	**(2,148)**	(2,029)	**–**	–	**(45,078)**	(76,838)

Reconciliation of reportable segment profit or loss

In thousands of AUD	2012	2011
Profit before interest and tax for reportable segment	**47,088**	40,545
Profit/(loss) before depreciation, amortisation, interest and tax for other operating segments	**1,654**	(1,276)
	48,742	39,269
Unallocated amounts:		
Other corporate expenses	**(7,319)**	(6,644)
Net financing costs	**(1,232)**	(315)
Profit before tax	**40,191**	32,310
Income tax expense	**(12,342)**	(10,272)
Profit After Tax	**27,849**	22,038

Reconciliation of reportable revenue

In thousands of AUD	2012	2011
Revenue for reportable segment	**187,932**	157,604
Other Revenue	**419**	345
Revenue	**188,351**	157,949

3. Revenue

In thousands of AUD	2012	2011
Operating leases	**93,562**	83,098
Finance lease sales	**33,826**	37,440
Retail sales	**–**	2,418
Interest	**39,635**	34,739
Collection revenue	**16,013**	–
PDL revenue (i)	**5,115**	–
Other income	**200**	254
	188,351	157,949

(i) PDL revenue

In thousands of AUD	2012	2011
PDL interest	**3,218**	–
Change in fair value	**1,897**	–
	5,115	–

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

4. Personnel Expenses

In thousands of AUD	2012	2011
Wages and salaries	**37,897**	28,539
Contributions to defined contribution superannuation funds	**2,792**	2,011
Increase in liability for annual leave	**134**	31
Increase in liability for long service leave	**66**	166
Termination benefits	**304**	130
Equity settled share-based payment transactions	**250**	662
	41,443	31,539

5. Auditors' Remuneration

	2012	2011
Audit services		
KPMG Australia:		
Audit and review of financial reports	**315,500**	268,000
	315,500	268,000
Other services		
KPMG Australia		
Taxation services – compliance	**131,000**	62,000
Due diligence services	**–**	224,000
Other services	**4,000**	5,000
	450,500	291,000

6. Income Tax Expense

Recognised in the Income Statement

In thousands of AUD	2012	2011
Current tax expense		
Current year	**8,112**	9,621
Adjustment for prior years	**(305)**	104
Deferred tax expense		
Origination and reversal of temporary differences	**4,535**	547
Total income tax expense in income statement	**12,342**	10,272

6. Income Tax Expense (continued)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2012	2011
Profit before tax	**40,191**	32,310
Prima facie income tax using the domestic corporation tax rate of 30% (2011: 30%)	**12,057**	9,693
Change in income tax expense due to:		
Non-deductible expenses	**590**	475
(Over)/Under provided in prior years	**(305)**	104
Income tax expense on pre-tax accounting profit	**12,342**	10,272

7. Cash and Cash Equivalents

In thousands of AUD	2012	2011
Bank balances	**5,756**	8,839
Call deposits	**114**	199
Cash and cash equivalents	**5,870**	9,038

8. Trade and Other Receivables

In thousands of AUD	2012	2011
Current		
Trade receivables	**3,675**	4,750
Finance lease receivables	**23,250**	20,978
Loan receivables	**10,595**	7,472
Purchased debt ledgers	**3,161**	3,463
Lease deposits	**526**	487
Other receivables and prepayments	**4,333**	3,441
	45,540	40,591
Non-current		
Finance lease receivables	**36,783**	30,481
Loan receivables	**4,434**	3,012
Purchased debt ledgers	**3,542**	1,858
	44,759	35,351

Trade receivables are shown net of impairment losses amounting to $903,000 (2011: $706,000).

Finance lease receivables are shown net of impairment losses amounting to $6,270,000 (2011: $5,372,000).

Loan receivables are shown net of impairment losses amounting to $2,295,000 (2011: $1,707,000).

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

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

9. Purchased Debt Ledgers

In thousands of AUD	2012	2011
Current	**3,161**	3,463
Non-current	**3,542**	1,858
Total	**6,703**	5,321

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

The following summarises the assumptions used in these calculations:

Input	Assumption and/or basis for assumption
Term which collections will be yielded	Maximum 72 months from start date of PDL acquisition
Cash costs of collection	Based on collection servicing rates for comparable PDL portfolios, as well as an evaluation of variable costs.
Pre-tax discount rate	Average of 14.5% p.a. based on applying a profit margin to the pre-tax Weighted Average Cost of Capital (WACC)
Forecast collections	Forecasts are based on each PDLs collections to date, the performance of equivalent PDLs and allowances for other known factors

10. Current Tax Liabilities

The current tax liability for the consolidated entity of $1,260,000 (2011: $6,148,000) represents the amount of income taxes payable in respect of current and prior financial periods.

11. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2012	2011	2012	2011	2012	2011
Rental assets	**16,455**	14,545	**–**	–	**16,455**	14,545
Property, plant and equipment	**–**	–	**(34)**	(452)	**(34)**	(452)
Trade, loan and other receivables	**924**	724	**–**	–	**924**	724
Finance lease receivables	**–**	–	**(17,067)**	(15,438)	**(17,067)**	(15,438)
Accruals	**1,950**	1,999	**–**	–	**1,950**	1,999
Provisions	**1,232**	1,117	**–**	–	**1,232**	1,117
PDL liability	**2,065**	7,565	**–**	–	**2,065**	7,565
Tax assets/(liabilities)	**22,626**	25,950	**(17,101)**	(15,890)	**5,525**	10,060

The prior year comparatives for deferred tax assets relating to PDL liability and property, plant and equipment have been restated to reflect the resetting of the tax cost base of NCML assets following amendment to provisional acquisition accounting adopted at 31 March 2011. Refer to note 30.

12. Property, Plant and Equipment

In thousands of AUD	Land and Buildings	Leasehold Improve- ments	Plant And Equipment	Total
Cost				
Balance at 1 April 2010	70	58	12,518	12,646
Additions	–	–	1,795	1,795
Acquisition through business combinations	–	–	2,106	2,106
Disposals	–	–	(1,361)	(1,361)
Balance at 31 March 2011	70	58	15,058	15,186
Balance at 1 April 2011	**70**	**58**	**15,058**	**15,186**
Additions	**–**	**325**	**3,010**	**3,335**
Disposals	**–**	**(69)**	**(969)**	**(1,038)**
Balance at 31 March 2012	**70**	**314**	**17,099**	**17,483**
Depreciation and Impairment Losses				
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	–	–	(1,362)	(1,362)
Balance at 31 March 2011	45	58	11,151	11,254
Balance at 1 April 2011	**45**	**58**	**11,151**	**11,254**
Depreciation charge for the year	**2**	**283**	**1,579**	**1,864**
Disposals	**–**	**(69)**	**(964)**	**(1,033)**
Balance at 31 March 2012	**47**	**272**	**11,766**	**12,085**
Carrying amounts				
At 1 April 2010	27	–	2,408	2,435
At 31 March 2011	25	–	3,907	3,932
At 1 April 2011	**25**	**–**	**3,907**	**3,932**
At 31 March 2012	**23**	**42**	**5,333**	**5,398**

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

13. Rental Assets

In thousands of AUD	2012	2011
Opening balance	**41,178**	35,211
Acquisitions	**54,834**	52,646
Disposals	**(2,442)**	(2,070)
Depreciation	**(25,037)**	(22,048)
Transfers to finance leases	**(22,182)**	(24,990)
Transfers from finance leases	**2,127**	2,429
Balance at 31 March	**48,478**	41,178

	Total
Carrying amounts	
At 1 April 2010	35,211
At 31 March 2011	41,178
At 1 April 2011	41,178
At 31 March 2012	48,478

14. Intangible Assets

In thousands of AUD	Goodwill	Customer relationships	Software	Total
Cost				
Balance at 1 April 2010	22,678	–	–	22,678
Acquisitions through business combinations	6,672	8,797	622	16,091
Balance at 31 March 2011	29,350	8,797	622	38,769
Balance at 1 April 2011	**29,350**	**8,797**	**622**	**38,769**
Balance at 31 March 2012	**29,350**	**8,797**	**622**	**38,769**
Amortisation and impairment losses				
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
Balance at 1 April 2011	**7,074**	**–**	**4**	**7,078**
Amortisation charge for the year	**–**	**1,760**	**212**	**1,972**
Balance at 31 March 2012	**7,074**	**1,760**	**216**	**9,050**
Carrying amounts				
At 1 April 2010	15,604	–	–	15,604
At 31 March 2011	22,276	8,797	618	31,691
At 1 April 2011	**22,276**	**8,797**	**618**	**31,691**
At 31 March 2012	**22,276**	**7,037**	**406**	**29,719**

14. Intangible Assets (continued)

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

In thousands of AUD	2012	2011
Rental – consumer	**15,604**	15,604
Credit management	**6,672**	6,672
Total	**22,276**	22,276

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 and terminal value. The cash flow projections have been approved by the Board.

Key assumptions used for value-in-use calculations

Rental

During the forecast period, revenue is assumed to grow at an average of 2.6% p.a., operating costs are assumed to grow at an average of 3.8% p.a., and the pre-tax weighted average cost of capital is assumed at 12.88%. A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 1%. The value in use calculation in 2012 was determined on a similar basis to the 2011 calculation.

Credit Management

During the forecast period, revenue is assumed to grow at an average of 3.4% p.a., operating costs are assumed to grow at an average of 5.8% p.a., and the pre-tax weighted average cost of capital is assumed at 12.25%. A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 1%.

The recoverable amount of the CGU's exceeds their carrying value at 31 March 2012.

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

Estimated useful life – Customer relationships

During the period, the Company revised the estimated useful life of customer relationships from 7 years to 5 years.

15. Trade and Other Payables

In thousands of AUD	2012	2011
Current		
Trade payables	**15,548**	18,524
Other creditors and accruals	**5,269**	7,988
Deferred rental revenue	**2,333**	2,142
Property lease accrual	**265**	191
	23,415	28,845

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

16. Loans and Borrowings

In thousands of AUD	2012	2011
Non-current liabilities		
Secured bank loans	**14,000**	36,000
	14,000	36,000

Financing Facilities

In thousands of AUD	2012	2011
Bank facility available	**30,000**	50,000
	30,000	50,000
Bank facility utilised at balance date	**14,000**	36,000
	14,000	36,000
Bank facility not utilised at reporting date	**16,000**	14,000
	16,000	14,000

Financing arrangements

Bank loans

Thorn Australia Pty Limited has a loan provided by the Westpac Banking Corporation. The loan is denominated in Australian dollars. The loan is due to expire on 17 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 20.

17. Employee Benefits

In thousands of AUD	2012	2011
Current		
Salaries and wages accrued	**1,274**	979
Liability for long service leave	**1,382**	1,418
Liability for annual leave	**2,134**	2,000
	4,790	4,397
Non-Current		
Liability for long service leave	**339**	237
	339	237

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $2,792,000 for the financial year ended 31 March 2012 (2011: $2,011,000).

18. Provisions

In thousands of AUD	Make Good	Total
Balance at 1 April 2011	1,211	1,211
Provisions made during the year	**118**	**118**
Provisions used during the year	**(90)**	**(90)**
Unwind of discount	**35**	**35**
Balance at 31 March 2012	**1,274**	**1,274**
Current	**133**	**133**
Non-current	**1,141**	**1,141**
	1,274	**1,274**

Make Good

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

19. Capital and Reserves

Share Capital

In thousands of shares	2012	2011
On issue at the beginning of year	**129,859**	129,442
Issue of new shares on vesting of performance rights	**283**	417
Issue of ordinary shares	**16,232**	–
On issue at the end of year	**146,374**	129,859

- 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.

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

19. Capital and Reserves (continued)

Dividends

Dividends recognised in the current year by the Company are:

	Cents per share	Total amount $'000s	Franked/ unfranked	Date of payment
2012				
Final 2011	**4.95**	**6,428**	**Franked**	**22 July 2011**
Interim 2012	**4.00**	**5,844**	**Franked**	**20 January 2012**
Total amount		**12,272**		
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		

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

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

	Cents per share	Total amount	Franked/ unfranked	Expected date of payment
Final ordinary	5.50	$8,050,609	Franked	18 July 2012

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2012 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by $3,450,261 (2011: $2,754,864).

In thousands of AUD	2012	2011
Dividend franking account		
30% franking credits available to shareholders of Thorn Group Limited for subsequent financial years	**16,373**	14,486

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

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

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

20. Financial risk management

(a) Financial Risk Management Objectives and Policies

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

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

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

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

Credit risk

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

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry 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 to any individual or business exists within the consolidated entity's portfolio of customer accounts.

Liquidity risk

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

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

Market risk

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

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

20. Financial risk management (continued)

Capital management

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

During the year the consolidated entity undertook a pro-rata renounceable rights offer raising $29.4 million. The proceeds of this offer were used to repay bank debt drawn to acquire Votraint No.1537 Pty Ltd and its subsidiaries.

(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	2012	2011
Trade receivables	**3,675**	4,750
Finance lease receivables	**60,033**	51,459
Loan receivables	**15,029**	10,484
Purchased debt ledgers	**6,703**	5,321
	85,440	72,014

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

Impairment losses

Trade receivables

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

In thousands of AUD	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	**1,142**	**–**	1,833	–
Past due 0 – 30 Days	**1,826**	**132**	2,217	266
Past due 31 – 180 Days	**1,610**	**771**	1,406	440
	4,578	**903**	5,456	706

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

Finance lease receivables

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

The provision for impairment losses as at 31 March 2012 is $6,270,000 (2011: $5,372,000). 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 2012 is $43,000,000 (2011: $34,000,000).

Loan receivables

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

In thousands of AUD	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	**15,544**	**1,371**	10,750	1,055
Past due 0 – 30 Days	**951**	**95**	875	86
Past due 31 – 180 Days	**829**	**829**	566	566
	17,324	**2,295**	12,191	1,707

(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 2012.

31 March 2012

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

31 March 2011

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
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	–

(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	2012	2011
Financial assets	**5,756**	8,839
Financial liabilities	**(14,000)**	(36,000)

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 $58,000 (2011: $190,000).

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

20. Financial risk management (continued)

(e) Fair Values

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

(f) The fair value hierarchy

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

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

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

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

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

21. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2012 was based on profit attributable to ordinary shareholders of $27,849,000 (2011: $22,038,000) and a weighted average number of ordinary shares during the year ended 31 March 2012 of 144,722,948 (2011: 130,857,601).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2012 was based on profit attributable to ordinary shareholders of $27,849,000 (2011: $22,038,000) and a weighted average number of ordinary shares during the year ended 31 March 2012 of 146,488,310 (2011: 132,037,593), which includes performance rights granted.

	2012	2011
Profit attributable to ordinary shareholders (basic)		
In thousands of AUD		
Profit attributable to ordinary shareholders (basic and diluted)	**27,849**	22,038
Weighted average number of ordinary shares (basic)		
In thousands of shares		
Issued ordinary shares at 1 April	**129,860**	130,736
Effect of shares issued	**14,863**	122
Weighted average number of ordinary shares at 31 March	**144,723**	130,858
Weighted average number of ordinary shares (diluted)		
In thousands of shares		
Issued ordinary shares at 1 April	**130,737**	130,755
Effect of shares issued	**15,751**	1,290
Weighted average number of ordinary shares (diluted) at 31 March	**146,488**	132,045
Earnings per share		
Basic earnings per share (cents)	**19.24**	16.84*
Diluted earnings per share (cents)	**19.01**	16.69*

* Prior period earnings per share have been restated with an adjustment factor of 1.01 as a result of the entitlement offer made on 1 June 2011.

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

22. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2012	2011
Less than one year	**7,019**	7,605
Between one and five years	**11,387**	10,809
	18,406	18,414

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

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

Leases as Lessor

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

In thousands of AUD	2012	2011
Less than one year	**36,091**	30,161
Between one and five years	**9,205**	6,628
	45,296	36,789

23. Finance Leases

Leases as Lessor

The consolidated entity leases out its rental assets under finance lease, hire purchase and chattel mortgage contracts. The consolidated entity classifies Rent Try Buy® contracts as finance leases where the term of the contract is 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	2012	2011
Less than one year	**55,133**	51,165
Between one and five years	**49,742**	43,296
	104,875	94,461

Unearned finance income in relation to finance leases as at 31 March 2012 was $38,572,000 (2011: $37,630,000).

24. Consolidated Entities

	Country of Incorporation	Ownership interest 2012	Ownership interest 2011
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	**100%**	100%
Eclipse Retail Rental Pty Ltd	Australia	**100%**	100%
Rent Try Buy Pty Ltd	Australia	**100%**	100%
CashFirst Pty Ltd	Australia	**100%**	100%
1st Cash Pty Ltd	Australia	**100%**	100%
Thorn Equipment Finance Pty Ltd	Australia	**100%**	100%
Thorn Finance Pty Ltd	Australia	**100%**	100%
Votraint No 1537 Pty Ltd	Australia	**100%**	100%
National Credit Management Limited	Australia	**100%**	100%
A.C.N 119211317 Pty Ltd	Australia	**100%**	100%
Hudson Legal Pty Ltd	Australia	**100%**	100%

25. Contingencies

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

The consolidated entity has no reason to believe that 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.

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

26. Deed Of Cross Guarantee

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

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are Thorn Australia Pty Ltd, Votraint No.1537 Pty Ltd, and National Credit Management Limited. The subsidiaries listed above became a party to the deed on 21 March 2012. Eclipse Retail Rental Pty Ltd, A.C.N 119 211 317 Pty Ltd and Hudson Legal Pty Ltd were released from their obligations under the Deed by executing Revocation Deeds on 21 March 2012.

The consolidated Income Statement and consolidated Balance Sheet, comprising of entities which are parties to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2012, is the same as the consolidated Income Statement and consolidated Balance Sheet included in this financial report.

27. Reconciliation of Cash Flows from Operating Activities

In thousands of AUD	2012	2011
Cash flows from operating activities		
Profit for the period	**27,849**	22,038
Adjustments for:		
Depreciation and amortisation	**28,873**	23,189
Equity settled transactions	**250**	662
Disposal of rental assets	**21,452**	23,706
Operating profit before changes in working capital and provisions	**78,424**	69,595
Changes in working capital and provisions, net of the effects of the Purchase of subsidiaries		
Decrease in inventory	**–**	869
(Increase) in trade and other receivables	**(14,357)**	(12,060)
Decrease in deferred tax assets	**4,535**	786
Increase/(Decrease) in income tax liability	**(4,888)**	3,877
Increase/(Decrease) in trade and other payables	**(5,430)**	4,418
Increase in provisions and employee benefits	**558**	231
Net cash from operating activities	**58,842**	67,716

28. Parent entity disclosures

As at, and throughout, the financial year ending 31 March 2012 the parent entity of the consolidated entity was Thorn Group Limited.

In thousands of AUD	2012	2011
Result of Parent Entity		
Profit for the period	**12,272**	9,464
Other comprehensive income	**–**	–
Total comprehensive income for the period	**12,272**	9,464
Financial position of the parent entity at year end		
Current assets	**1,260**	6,148
Total assets	**97,715**	72,972
Current liabilities	**1,260**	6,148
Total liabilities	**1,260**	6,148
Total equity of the parent comprising of:		
Share capital	**93,898**	64,517
Equity remuneration reserve	**2,557**	2,307
Total Equity	**96,455**	66,824

Parent entity guarantees in respect of the debts of its subsidiaries

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

29. Related Parties

Key management personnel remuneration

In AUD	2012	2011
Short-term employee benefits	**2,735,004**	2,767,816
Post-employment benefits	**145,198**	103,105
Long service leave benefits	**25,318**	16,229
Share based payments	**250,000**	361,899
Termination benefits	**140,953**	–
	3,296,473	3,249,049

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 10 to 14.

Notes to the consolidated financial statements

for the year ended 31 March 2012 continued

29. Related Parties (continued)

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 2011	Purchases	Sales	Received upon exercise of performance rights	Held at 31 March 2012
Directors					
Bernard Carrasco	**150,000**	**18,750**	**–**	**–**	**168,750**
David Carter	**221,000**	**41,600**	**–**	**–**	**262,600**
John Hughes	**3,405,715**	**–**	**–**	**180,468**	**3,586,183**
Peter Henley	**37,580**	**13,198**	**–**	**–**	**50,778**
Paul Lahiff	**31,250**	**3,907**	**–**	**–**	**35,157**
Joycelyn Morton	**–**	**20,000**	**–**	**–**	**20,000**
Executives					
Peter Eaton	**304,860**	**38,108**	**–**	**60,156**	**403,124**
James Marshall	**74,761**	**–**	**–**	**42,109**	**116,870**
Andrea Rooke	**10,685**	**1,336**	**–**	**–**	**12,021**

	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	3,337,996	50,000	(250,000)	267,719	3,405,715
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	6,275	–	–	10,685

30. Acquisition of subsidiary

On 23 March 2011, the consolidated entity acquired 100% of the shares of Votraint No. 1537 Pty Ltd ("Votraint ") and its subsidiaries. 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.

Goodwill from Votraint No. 1537 and its subsidiaries was determined on a provisional basis as the tax cost base arising from joining the Thorn tax consolidated group was yet to be determined.

Upon entering into tax consolidation, the tax cost base of the purchased debt ledgers was revised upwards. The tax cost base of the property, plant and equipment was revised downwards. Goodwill and deferred tax assets have been restated accordingly.

In thousands of AUD	**Restated**	**Originally disclosed**
Goodwill	**6,672**	13,702
Deferred tax asset	**7,210**	180

Director's declaration

1. In the opinion of the directors of Thorn Group Limited (the 'Company'):
   (a) the financial statements and notes that are set out on pages 24 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 2012 and of their performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the consolidated entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 March 2012.

Signed in accordance with a resolution of the directors:

David Carter
Chairperson

John Hughes
Managing Director

Dated at Sydney
22 May 2012

Independent auditor's report

for the year ended 31 March 2012

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 2012, and 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 30 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independent auditor's report
for the year ended 31 March 2012 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 2012 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 2012. 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 2012, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

G Boydell

Greg Boydell
Partner

Sydney
22 May 2012

Additional ASX information

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	787
1,001 – 5,000	2,315
5,001 – 10,000	1,575
10,001 – 100,000	1,751
100,001 and over	105
	6,533

b. The number of shareholders in less than marketable parcels is 159.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2012 are:

Shareholder	Number of ordinary fully paid shares held
National Nominees	16,314,321
J P Morgan Nominees Australia Limited	14,123,170
Cogent Nominees Pty Limited	10,389,478
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	9,819,799
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	9,123,756
HSBC Custody Nominees (Australia) Limited	8,466,173

d. Voting Rights

The Company only has ordinary shares on issue.

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

e. 20 largest shareholders – ordinary shares

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1	J P Morgan Nominees Australia Limited	12,634,022	8.63
2	RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	9,711,889	6.63
3	National Nominees Limited	9,522,419	6.51
4	HSBC Custody Nominees (Australia) Limited	7,640,279	5.22
5	Cogent Nominees Pty Limited	7,225,351	4.94
6	Dove Nest Pty Ltd <Golden Heath Person SF A/C>	3,586,183	2.45
7	Citicorp Nominees Pty Limited	3,065,518	2.09
8	JP Morgan Nominees Australia Limited <Cash Income A/C>	2,388,623	1.63
9	AMP Life Limited	2,349,982	1.61
10	Perpetual Trustees Consolidated Limited <Clime Asset Management A/C>	1,956,168	1.34
11	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,473,523	1.01
12	Cogent Nominees Pty Limited <SMP Accounts>	1,097,490	0.75
13	King Equity Capital Pty Ltd	1,010,000	0.69
14	Mr Jeffrey Douglas Pappin	690,000	0.47
15	Henderson International Pty Ltd <Skibo Super Fund A/C>	634,429	0.43
16	Suncorp Custodian Services Pty Limited <Sgaeat>	509,995	0.35
17	CVC Private Equity Limited	500,000	0.34
18	Mr Barry Arthur Henderson	453,513	0.31
19	Farjoy Pty Ltd	437,500	0.30
20	Mr Raymond Charles King + Mrs Dawn King <King Super Fund A/C>	422,870	0.29

Corporate directory

Directors

David Carter
Chairman

John Hughes
Managing Director

Paul Lahiff
Non-Executive Director

Peter Henley
Non-Executive Director

Joycelyn Morton
Non-Executive Director

Company Secretary

Peter Eaton

Registered office

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

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

Auditor to Thorn Group Limited

KPMG
10 Shelley Street
Sydney NSW 2000

Registry

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

Designed and produced by FCR www.fcr.com.au

THORN
Group Ltd.

thorn.com.au