Thorn Group Limited

ABN 54 072 507 147

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF YEAR ENDED 30 SEPTEMBER 2020

This half year information is the information required under ASX Listing Rule 4.2A and should be read in conjunction with the most recent financial report of Thorn Group Limited

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Appendix 4D Half Year Report under ASX Listing Rule 4.2A.3

Current period: 1 April 2020 to 30 September 2020
Previous corresponding period: 1 April 2019 to 30 September 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Six months ended	30 Sep 2020 $'000s	30 Sep 2019 $'000s	% Change
Revenue from ordinary activities – Continuing operations	57,799	104,919	Down 44.9%
Loss from continuing operations, net of tax	(1,083)	(25,578)	nm
Profit / (loss) from discontinued operations, net of tax	-	-	nm
Reported statutory loss after tax	(1,083)	(25,578)	nm

An explanation of the above figures, a commentary on the financial performance and position, and other Appendix 4D disclosures can be found in the condensed consolidated financial statements for the six months ended 30 September 2020. This information should be read in conjunction with the 2020 Annual Financial Report of Thorn Group Limited.

DIVIDENDS	Amount per ordinary share	Franked amount per ordinary share
2020 final dividend	Nil	Nil
2021 special dividend[1]	7.50 cents	7.50 cents

NET TANGIBLE ASSETS	30 Sept 2020[3]	30 Sept 2019[2]
Net tangible assets per ordinary share	33 cents	66 cents

1. On 12 October 2020, the Thorn Board declared a fully franked special dividend of $0.075 cash per share ("Special Dividend"). The Special Dividend was paid to shareholders on Tuesday, 3 November 2020. The net cash paid was $14.8m, being $24.1m offset by $9.3m reinvested through the dividend reinvestment plan.
2. The company undertook a 1 for 1 rights issue in the September and October 2019 period which has affected the 2019 figure. The institutional component of the offer was completed by the period end resulting in an additional 64 million shares being issued. If the retail component had concluded prior to the period end there would have been additional net cash of $20.4m and 96.8 million additional shares and the NTA per share would then have been $0.52
3. The company undertook a dividend reinvestment plan in October and November as part of the declaration of the special dividend noted above. This resulted in 61 million shares being issued. If this had happened prior to the year end the NTA per share would then have been $0.28

Condensed Consolidated Financial Statements

for the six months ended 30 September 2020

ACN 072 507 147

CONTENTS

The directors present their report together with the condensed consolidated financial statements of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as 'Thorn', the 'Group', or the 'consolidated entity') for the six months ended 30 September 2020 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Non-Executive

Warren McLeland
Paul Oneile
Kent Bird (Resigned 2 October 2020)
Allan Sullivan

PREFACE

During the period Thorn has taken significant decisions to seek to best position the Company for the future. These include: the permanent closure of all Radio Rentals stores; the launch of the new digital Radio Rentals operating model; a significant tightening, until the economic and funding situation becomes clear, of the credit criteria for new facilities in the Business Finance division, which has resulted in a decreased in the number of new facilities and the total amount advanced; and a significant number of the Company's staff becoming redundant.

In addition to the actions taken, on 5 May 2020, when calculating the 30 April 2020 securitised warehouse trust (the warehouse) monthly financial results, the warehouse facility was determined to have been in breach of one of its compliance parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. This was attributable to the increasing presence of COVID-19 affected customers many of whom have requested a payment holiday and had stopped repayments under their leases. This breach put the warehouse into run off. The warehouse continues in run off as at 30 September 2020.

Each of these matters have had a significant impact on the financial statements and are explained further in this report.

OPERATING AND FINANCIAL REVIEW

Thorn is a diversified financial services group providing financial solutions to consumers and businesses. Business activities are the leasing of household products to consumers and the provision of leasing and other financial services to small and medium enterprises. Other than the above, there were no other significant changes in the nature of the activities of the consolidated entity during the period.

Revenue from continuing operations fell 44.9% on the previous corresponding period ("pcp") from $104.9m to $57.8m and the net profit after tax ("NPAT") improved from a $(25.6)m loss to a $(1.1)m loss.

Financial performance

$m	Segment revenue		Segment EBIT to NPAT	
Half year ended 30 September	**2020**	**2019**	**2020**	**2019**
Consumer Leasing	40.0	84.4	11.4	6.9
Business Finance	17.8	20.5	(0.9)	9.0
Corporate			(4.3)	(4.7)
Significant items			(0.6)	(28.7)
Sub-total	57.8	104.9	5.6	(17.5)
Net interest expense			(6.7)	(8.2)
Loss before tax			**(1.1)**	**(25.7)**
Tax expense			-	0.1
Loss after tax from continuing operations			**(1.1)**	**(25.6)**
Profit / (loss) from discontinued businesses after tax			-	-
Net loss after tax			**(1.1)**	**(25.6)**

Consumer Leasing (Radio Rentals)

Thorn permanently closed the Radio Rentals store network in May 2020 and launched the new digital operating model in July 2020.

Installation volumes for the half year of 4,313 units compared to 34,690 in the half year to 31 March 2020 and 39,813 units in the corresponding half year to 30 September 2019. The average selling price rose 13.1% over the pcp to $1,202 per installation.

Interest revenue fell 16.2% from $40.1m to $33.6m. Sales revenue (recognised upfront on each new installation) dropped from $39.6m to $5.0m.

The credit provision was $23.7m at 30 September 2019, $36.3m[1] at 31 March 2020 and is now $31.3m[1] at 30 September 2020. Arrears over 30 days outstanding finished at 11.1% compared to 15.7% at 31 March 2020 and 10.2% recorded on 30 September 2019.

Operating expenses fell 63.1% from $77.5m to $28.6m; cost of goods sold fell 88.4% from $29.2m to $3.4m, ongoing payroll costs fell from $16.9m to $8.2m, impairment expenses fell from $10.9m to $5.6m, marketing expenses fell from $4.2m to $0.5m and property expenses fell from $2.6m to $1.0m.

As a result of the above EBIT rose from $6.9m to $11.4m.

Business Finance

The TBF division originated $4.6m in the half year to 30 September 2020 compared to $73.4m in the half year to 31 March 2020 and $78.6m in the pcp. The gross receivables book reduced to $264.6m from $324.5m on 31 March 2020 and from $345.7m on 30 September 2019.

Revenue follows book size so revenue reduced by $2.7m to $17.8m (pcp: $20.5m).

Impairment expenses rose $7.2m to $13.6m (pcp: $6.4m) driven largely by COVID-19 provisioning. At 30 September 2020 $99.4m of receivables were identified as COVID-19 impacted. 81.5% of these by value were greater than 30 days in arrears with a significant amount of these balances expected to receive a contract variation in the near term, at which point their arrears will reset. 30 day arrears on the non COVID-19 impacted receivables were 6.2% at 30 September 2020, 6.3% at 31 March 2020 and 7.9% at 30 September 2019.

Operating expenses increased by $7.3m to $18.8m; largely driven by the $7.2m impairment expense mentioned above and a $0.6m increase in employee costs as a result of the increased collection and remediation activity as a result of the impact of the COVID-19.

As a result of the above EBIT reduced from $9.0m profit to $(0.9)m loss.

Corporate

Corporate expenses decreased from $4.7m to $4.3m due to continued cost reductions in line with the reduction in the revenue generating side of the business.

Significant items

In 2020 the Group incurred the following related to the closure of the store network; redundancy costs of $3.5m and IT related costs of $0.7m offset by a $1.7m net gain on exiting the majority of the Group's lease obligations. In addition $1.9m in JobKeeper grants received have been presented as a significant item.

In the pcp the class action settlement provision of $25.0m, associated legal costs of $2.9m and strategic review costs of $0.8m were treated as a significant item.

Interest expense

Net borrowing costs decreased by 18.3% to $6.7m (pcp: $8.2m) driven by reduced warehouse debt and lower borrowing costs.

Earnings per share

Earnings per share for the continuing operations for the period was a loss of (0.3) cents compared to a loss of (15.6) cents for the prior corresponding period. Total earnings per share was a loss of (0.3) cents (pcp: loss of (15.6 cents).

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[1] The statutory credit provision in note 8 includes some other small sundry balances.

Financial position

The balance sheet is presented below in two versions; first excluding the warehouse borrowings for the business finance receivables together with those associated receivables and cash in the warehouse (non-recourse funding for the warehouse) ("excl. Trust"), and second including the warehouse trust which is as per the statutory accounts format ("incl. Trust").

Summarised financial position	30 September 2020		31 March 2020		30 September 2019	
$m	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**
Cash at bank	60.7	79.5	28.7	49.6	23.7	45.6
Receivables	81.9	290.6	122.5	389.8	156.2	451.0
Investment in unrated notes	-	-	-	-	25.9	-
Inventory and other assets	1.6	1.6	13.9	13.9	36.7	36.7
Intangible assets	-	-	-	-	-	-
Total Assets	**144.2**	**371.6**	**165.1**	**453.3**	**242.5**	**533.3**
Borrowings	-	236.0	12.0	305.5	12.0	309.8
Other liabilities	29.8	29.8	42.1	42.1	75.0	75.0
Total Liabilities	**29.8**	**265.8**	**54.1**	**347.6**	**87.0**	**384.8**
Total Equity	**114.4**	**105.8**	**111.0**	**105.8**	**155.5**	**148.5**
Gearing (net debt/equity) (i)	nm	165.7%	nm	261.7%	nm	193.0%
Return on Equity (ii)		(1.0%)				(16.0%)

(i) Gearing is calculated as net debt less free cash divided by closing equity. If there is more free cash than corporate debt then the number is not meaningful ("nm").
(ii) ROE is calculated as NPAT divided by average of opening and closing equity.

Cash at bank

The cash amount includes the free cash available to the Group for its usual working capital balance plus the tied cash held within the warehouse. At 30 September 2020, free cash was $60.7m (pcp: 23.7m) and tied cash was $18.8m (pcp: $20.9m). Free cash has increased as a result of the collection of the existing receivables books and the slowdown in originations offset by a number of costs related to the store closures including redundancies, the repayment of store lease obligations and the settlement of the corporate debt facility.

Receivables

The balance (including the warehouse trust), consists of consumer leasing receivables and business finance receivables. All are stated as their gross amount less unearned interest, less a provision for any expected credit loss.

The Consumer Leasing receivables gross balance (pre provision and excluding receivables for sundry income and establishment fees) reduced by $36.7m to $109.2m (March 2020: $145.9m) due to lower originations. The provision reduced by $5.0m to $(31.3m) (March 2020: $(36.3m)). The provision includes an amount for the expected impact of COVID-19 and store closures of $13.6m. The net receivables balance reduced by $31.7m to $77.9m (March 2020: $109.6m).

The Business Finance receivables gross balance (pre provision and excluding solar receivables and establishment fees) reduced by $59.9m to $264.6m (March 2020: $324.5m) due to the slowdown in originations. The provision increased by $7.9m to $(52.9m) (March 2020: $(45.0m)) due to an $11.4m increase in the provision for receivables impacted by COVID-19 which is now $37.3m (up from $25.9m at March 2020). The net receivables balance reduced by $67.7m to $211.8m (March 2020: $279.5m).

In the table above, the columns which exclude the warehouse trust remove the Business Finance receivables and related provisions held in the warehouse[2].

Investment in unrated notes

This balance represents the carrying value of notes held by the Group in the securitised warehouse.

[2] The statutory credit provision in note 8 also includes provisions related to receivables held outside the warehouse.

Borrowings

The corporate facility A was paid down in full during the period and the warehouse borrowings were paid down by $57.5m to $236.0m (March 2020: $293.5m) during the period.

Other liabilities

The other liabilities reduction of $12.3m was driven by the settlement of store lease obligations which reduced lease liabilities by $8.7m, with the balance attributable to reduced payables and employee related liabilities as the size of the business has reduced.

Funding

The Group had the following debt facility limits on the following dates:

$m	30 September 2020	31 March 2020
Secured Corporate Loan Facilities A and B	5.0	17.0
Securitised Warehouse Facility	236.0	368.0
Total loan facilities	**241.0**	**385.0**

Corporate facilities

The corporate debt facility had two parts; the 'A' facility which was a general corporate facility was fully repaid during the period (fully drawn to its $12.0m limit at 31 March 20). The second part, the 'B' facility which had a $5.0m limit of a combined undrawn overdraft and drawn bank guarantees to landlords and suppliers. The 'B' facility utilisation varies with the level of overall guarantees given and $1.9m was drawn at period end.

Warehouse facility

Thorn Business Finance is financed by a securitised warehouse structure with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class F notes held by Thorn.

The warehouse facility is secured by rentals and payments receivable from the underlying receivable contracts and is non-recourse to the Group by which it is meant that Thorn's liability is limited to its class F notes unless it is liable in damages for breach of the documents or it is required to buy back an ineligible receivable (defined as one that breached Thorn's initial sale representations and not merely that it goes into arrears or defaults).

The amounts expected to be due and payable on the warehouse facility in the next 12 months are disclosed as current. At maturity no further leases are able to be sold down into the facility and the portfolio will amortise off for as long as the underlying receivables are payable.

On 5 May 2020, when calculating the 30 April 2020 warehouse monthly financial results, the warehouse facility was determined to have a breach in one of its warehouse parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. That arrears number was 10.5% and was directly due to the increasing presence of COVID-19 affected customers many of whom had requested a payment holiday and stopped repayments under their leases. At 30 September 2020 Thorn continued to be in breach of these parameters.

This breach put the warehouse into run off under its amortisation rules. While such an event subsists, Thorn is unable to sell originations into the warehouse and the distributions it normally receives via the waterfall distribution mechanism are now being redirected to pay down the note holders in order of seniority.

Thorn has held discussions with the senior and mezzanine noteholders around the granting of concessions such that Thorn could vary the contracts of qualifying business customers affected by COVID-19 to include a payment holiday. In September 2020 Thorn reached agreement with its funders to provide relief in the form of contract variations.

As the warehouse is currently in amortisation discussions are continuing with the senior and mezzanine note holders.

RISKS

The major risks faced by the Group include the following:

- Credit and payment risk as the majority of the Group's assets (circa 78%) are monies owing from individual consumers and small and medium businesses.
- Regulatory and legal risk in relation to compliance with and changes to laws, regulations, licenses, authorisations, or government policies including specifically the Federal Government's consideration of proposed new consumer leasing legislation.
- Loss of customers, brokers, white label partners and other key business relationships.
- Technology, IT systems, and cyber risks.
- Insurance risks given the hardening market for Directors and Officers insurance, cyber and professional indemnity cover.
- Liquidity and refinancing risks as the Group continues to face pressure on availability of suitable funding arrangements and compliance with the associated covenants, terms and conditions contained in any facility documentation.
- Operational and compliance risk has been a focus with the roll out of the new online origination, credit assessment platform and related processes, and the implementation of new technology in the credit and operational process.
- Interest rate risk as the Group's borrowings have short term variable interest rates while its assets have longer term fixed interest rates. To mitigate this risk, the Group hedges all of the interest rate risk in the warehouse facility.

REGULATORY MATTERS

The Group is not subject to any significant environmental regulation. Thorn's asset valuations, useful lives, fair values, costs of or demand for its products, and credit losses from its receivable books are unlikely to be materially affected by climate change. Thorn does seek to source products for its consumer division customers which are environmentally friendly and efficient and does seek to finance solar installations.

SUBSEQUENT EVENTS

On 12 October 2020, the Thorn Board declared a fully franked special dividend of $0.075 cash per share ("Special Dividend"). The Special Dividend was paid to shareholders on Tuesday, 3 November 2020.

The special dividend totalled $24.2m. A number of Thorn's shareholders participated in the dividend reinvestment plan resulting in $9.4m of the total being reinvested in Thorn shares, resulting in a net cash outflow of $14.8m.

FINANCING AND GOING CONCERN BASIS FOR THE FINANCIAL REPORT

The Group provides financing to both consumers and small and medium size enterprises across a range of industries, many of which have been impacted by COVID-19. In September Thorn reached agreement with its funders to provide relief in the form of contract variations and is currently in the process of agreeing and finalising these variations with our customers. At 30 September 2020 $99.4m of receivables were currently identified as COVID-19 impacted. Of these 81.5% by value were greater than 30 days in arrears at 30 September 2020 with a significant amount of these balances are expected to receive a contract variation in the near term, at which point their arrears will reset. Thorn continues to be in discussion with our funders in the securitised warehouse facility (the warehouse) regarding further relief options.

On 5 May 2020, when calculating the 30 April 2020 warehouse monthly financial results, the warehouse was determined to have breached in one of its warehouse parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. This resulted in the warehouse going into amortisation. The breach continues to subsist at 30 September 2020 and the warehouse continues in amortisation.

During the period Thorn permanently closed its Radio Rentals stores and warehouses and moved the Radio Rentals business completely online. These closures resulted in redundancies for approximately 300 casual and full time staff across the Group.

The core of the Radio Rentals business continues to operate and has been leveraged to develop and launch a new digital business model (launched in July 2020). Thorn has introduced new credit policies and collection processes as well as cutting costs across all divisions to seek to ensure the business model remains sustainable into the future.

The continued cost reductions, the significant reduction in Business Finance originations and the collecting on the Radio Rentals receivables book will all be cash positive for the Group.

The continuing viability of the Group and its ability to continue as a going concern are dependent upon the Group returning to profitability through:

(i) collection of our receivables books
(ii) successfully progressing the Radio Rentals digital strategy
(iii) resolving present financing difficulties so as to be able to revitalise Business Finance; and
(iv) satisfactorily progressing various cost saving initiatives.

Considering all the above, and acknowledging that corporate actions and discussions with current or proposed lenders always contain some risk and uncertainty, the directors have reviewed the Group's cash flow forecast and, in the directors' opinion, there are reasonable grounds to believe that the collection of the Radio Rentals book will provide sufficient incoming cash flow to ensure the Group will be able to meet its obligations and accordingly continue as a going concern.

While the directors are of the opinion expressed above, the resolution of funding for the Business Finance division and the success of the Radio Rentals online business are not guaranteed and accordingly a material uncertainty exists that may cast significant doubt as to whether Thorn will be able to continue as a going concern and therefore whether Thorn will be able to realise its assets and discharge its liabilities in the normal course of business and for the amounts recorded in this report.

OUTLOOK

Given the significant effect that the ongoing COVID-19 pandemic is having, there are insufficient grounds to be able to provide a detailed and reliable outlook statement and profit guidance at the present time.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by section 307C of the Corporations Act 2001 is included on page 8.

ROUNDING

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements and directors' report. Amounts therefore have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar in the financial statements and directors' report.

Dated at Sydney, 27 November 2020.

Signed in accordance with a resolution of the directors.

Warren McLeland

Warren McLeland

Chairman

UHY Haines Norton
Chartered Accountants

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Auditor's Independence Declaration

As lead auditor for the review of Thorn Group Limited for the half year ended 30 September 2020, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Thorn Group Limited and the entities it controlled during the financial period.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Dated: 27 November 2020

UHY Haines Norton
Chartered Accountants

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Passion beyond numbers

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2020

$'000 AUD	Notes	30 September 2020	30 September 2019
Continuing operations			
Sales revenue		4,978	39,611
Interest revenue		51,306	60,524
Other income		1,515	4,784
Revenue		**57,799**	**104,919**
Finance lease cost of sales		(3,378)	(29,165)
Employee benefit expense		(17,736)	(25,891)
Impairment losses on loans and receivables		(19,126)	(17,302)
Marketing expenses		(554)	(4,359)
Property expenses		(1,161)	(2,834)
Transport expenses		(947)	(1,616)
Communication & IT expenses		(3,192)	(3,102)
Printing, stationary and postage		(727)	(804)
Travel expenses		(16)	(446)
Legal expenses		(1,157)	(728)
Other expenses		(5,767)	(6,579)
Net gain on modification of lease liability		1,670	-
Impairment of intangibles & property, plant and equipment		(112)	(828)
Class action settlement and related legal expenses		-	(27,927)
Strategic review costs		-	(789)
Total operating expenses		**(52,203)**	**(122,370)**
Earnings before interest and tax ("EBIT")		**5,596**	**(17,451)**
Finance expenses		(6,679)	(8,238)
Loss before income tax		**(1,083)**	**(25,689)**
Income tax		-	111
Loss after tax from continuing operations		**(1,083)**	**(25,578)**
Discontinued operations			
Profit / (loss) from discontinued operations, net of tax		-	-
Loss after tax		**(1,083)**	**(25,578)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Cash flow hedge reserve movements		1,016	(2,295)
Income tax		-	688
Other comprehensive income / (loss) for the year		**1,016**	**(1,607)**
Total comprehensive loss		**(67)**	**(27,185)**
Earnings per share for continuing operations only			
Basic earnings per share (cents)		(0.3)	(15.6)
Diluted earnings per share (cents)		(0.3)	(15.6)
Earnings per share			
Basic earnings per share (cents)		(0.3)	(15.6)
Diluted earnings per share (cents)		(0.3)	(15.6)

Condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

$'000 AUD	Note	30 September 2020	31 March 2020
Assets			
Cash and cash equivalents		79,490	49,619
Trade and other receivables	8	104,142	129,297
Prepayments and other assets		1,287	2,895
Inventories		285	7,975
Income tax receivable		-	3,051
Total current assets		**185,204**	**192,837**
Trade and other receivables	8	186,430	260,546
Deferred tax assets		-	-
Right of use asset	9	-	-
Property plant and equipment		-	-
Total non-current assets		**186,430**	**260,546**
Total assets		**371,634**	**453,383**
Liabilities			
Trade payables		7,038	8,475
Lease liability	9	2,487	6,142
Other payables		8,121	5,319
Loans and borrowings	10	103,618	117,918
Employee benefits		2,741	4,641
Provisions		3,418	5,124
Total current liabilities		**127,423**	**147,619**
Loans and borrowings	10	132,428	187,627
Lease liability	9	516	5,578
Employee benefits		153	462
Derivative financial instruments	11	5,306	6,322
Provisions		-	-
Total non-current liabilities		**138,403**	**199,989**
Total liabilities		**265,826**	**347,608**
Net assets		**105,808**	**105,775**
Equity			
Issued capital	12	155,255	155,255
Reserves		(4,795)	(5,911)
Retained earnings		(44,652)	(43,569)
Total equity		**105,808**	**105,775**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2020

$'000 AUD	Note	Issued capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2019		**120,932**	**(1,424)**	**48,811**	**168,319**
Adjustment on initial application of AASB 16 (net of tax)	4.3	-	-	(11,460)	(11,460)
Restated total equity at 1 April 2019		**120,932**	**(1,424)**	**37,351**	**156,859**
Total comprehensive income					
Net profit for the period		-	-	(25,578)	(25,578)
Other comprehensive income		-	(1,607)	-	(1,607)
Total comprehensive income		**-**	**(1,607)**	**(25,578)**	**(27,185)**
Transactions with owners of the company					
Issue of shares under capital raising		14,637	-	-	14,637
Share based payments transactions		-	263	-	263
Total transactions with owners of the company		14,637	263	-	14,900
Balance at 30 September 2019		**135,569**	**(2,768)**	**11,773**	**144,574**

$'000 AUD	**Note**	**Issued capital**	**Reserves**	**Retained earnings**	**Total Equity**
Balance at 1 April 2020		**155,255**	**(5,911)**	**(43,569)**	**105,775**
Total comprehensive income					
Net profit for the period		-	-	(1,083)	(1,083)
Other comprehensive income		-	1,016	-	1,016
Total comprehensive income		**-**	**1,016**	**(1,083)**	**(67)**
Transactions with owners of the company					
Share based payments transactions		-	100	-	100
Total transactions with owners of the company		-	100	-	100
Balance at 30 September 2020		**155,255**	**(4,795)**	**(44,652)**	**105,808**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 September 2020

$'000 AUD	30 September 2020	30 September 2019
Cash flows from operating activities		
Cash receipts from customers (excluding interest)	101,933	124,252
Interest revenue received	51,728	59,114
Cash received from liquidation of inventory	5,362	-
Cash paid to suppliers and employees	(38,732)	(66,249)
Acquisition of inventory	(4,960)	(28,446)
Equipment finance originations	(4,854)	(78,214)
Cash generated from operations	**110,477**	**10,457**
Net borrowing costs	(6,843)	(8,233)
Income tax refund / (paid)	3,051	(2,243)
Net cash generated / (used) from operating activities	**106,685**	**(19)**
Cash flows from investing activities		
Acquisition of property, plant and equipment and software	-	(453)
Net cash used in investing activities	**-**	**(453)**
Cash flows from financing activities		
Proceeds from borrowings	11,339	84,115
Repayment of borrowings	(80,839)	(77,994)
Repayment of lease liability	(7,314)	(4,943)
Proceeds from issues of shares	-	14,291
Net dividends paid	-	-
Net cash (used) / generated from financing activities	**(76,814)**	**15,469**
Net increase in cash and cash equivalents	29,871	14,997
Cash and cash equivalents at 1 April	49,619	30,627
Cash and cash equivalents at 30 September	**79,490**	**45,624**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Thorn Group Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements of the Group for the year ended 31 March 2020 are on the Company's website www.thorn.com.au.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31 March 2020.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 November 2020.

3. FINANCING AND GOING CONCERN BASIS FOR THE FINANCIAL REPORT

The Group provides financing to both consumers and small and medium size enterprises across a range of industries, many of which have been impacted by COVID-19. In September Thorn reached agreement with its funders to provide relief in the form of contract variations and is currently in the process of agreeing and finalising these variations with our customers. At 30 September 2020 $99.4m of receivables were currently identified as COVID-19 impacted. Of these 81.5% by value were greater than 30 days in arrears at 30 September 2020 with a significant amount of these balances are expected to receive a contract variation in the near term, at which point their arrears will reset. Thorn continues to be in discussion with our funders in the securitised warehouse facility (the warehouse) regarding further relief options.

On 5 May 2020, when calculating the 30 April 2020 warehouse monthly financial results, the warehouse was determined to have a breach in one of its warehouse parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. This resulted in the warehouse going into amortisation. The breach continues to subsist at 30 September 2020 and the warehouse continues in amortisation.

During the period Thorn permanently closed its Radio Rentals stores and warehouses and moved the Radio Rentals business completely online. These closures resulted in redundancies for approximately 300 casual and full time staff across the Group.

The core of the Radio Rentals business continues to operate and is being leveraged to develop and launch a new digital business model (launched in July 2020). Thorn has introduced new credit policies and collection processes as well as cutting costs across all divisions to seek to ensure the business model remains sustainable into the future.

The continued cost reductions, the significant reduction in Business Finance originations and the collecting on the Radio Rentals receivables book will all be cash positive for the Group.

The continuing viability of the Group and its ability to continue as a going concern are dependent upon the Group returning to profitability through:

(i) collection of our receivables books
(ii) successfully progressing the Radio Rentals digital strategy
(iii) resolving present financing difficulties so as to be able to revitalise Business Finance; and
(iv) satisfactorily progressing various cost saving initiatives.

Considering all the above, and acknowledging that corporate actions and discussions with current or proposed lenders always contain some risk and uncertainty, the directors have reviewed the Group's cash flow forecast and, in the directors' opinion, there are reasonable grounds to believe that the collection of the Radio Rentals book will provide sufficient incoming cash flow to ensure the Group will be able to meet its obligations and accordingly continue as a going concern.

While the directors are of the opinion expressed above, the resolution of funding for the Business Finance division and the success of the Radio Rentals online business are not guaranteed and accordingly a material uncertainty exists that may cast significant doubt as to whether Thorn will be able to continue as a going concern and therefore whether Thorn will be able to realise its assets and discharge its liabilities in the normal course of business and for the amounts recorded in this report.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended accounting standards as set out below.

4.1 NEW ACCOUNTING STANDARDS ADOPTED

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4.2 APPLICATION OF EXISTING ACCOUNTING STANDARDS FOR THE FIRST TIME

During the period Thorn applied AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* (AASB 120) for the first time as Thorn qualified for the Federal Government's JobKeeper grant scheme, administered by the Australian Taxation Office ("ATO"). The grant is recognised as income when Thorn is reasonably assured that it will comply with the conditions attaching to it, and the grant will be received. The grant is recognised as a receivable when the associated wage payments are made. Receipt of reimbursement from the ATO reduces the receivable. The standard requires entities to match income and expenses. It allows a presentation choice for the grant to be presented as "income" or being deducted from the related expenses. Thorn has chosen to present within employee benefit expense.

4.3 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Radio Rentals store closures and transition to fully online

During the period Thorn permanently closed the Radio Rentals store network, continued to collect the legacy receivables book, and continued to develop its core Radio Rentals business using a purely online platform.

This decision entailed approximately 300 redundancies which resulted in redundancy expenses of $3.5m (disclosed under employee benefit expenses) and the realisation of the existing inventory position which has resulted in inventory reducing from $8.0m at 31 March 2020 to $0.3m at 30 September 2020. The legacy book (pre provision) continues to be collected and has reduced by $36.7m to $109.2m.

Thorn launched the new digital Radio Rentals operating model in July of this year. Management will continue to focus on extending the range, digitising and automating processes and delivering leading customer experiences.

Net gain on modification of lease liabilities

The adoption of AASB 16 (on 1 April 2019) resulted in the following accounting entries: right of use assets increased by $16.4m; trade payables decreased by $1.1m; and lease liabilities increased by $17.4m. The right of asset was deemed to be immediately impaired and this resulted in the following financial impacts; right of use assets decreased by $16.4m; deferred tax increased by $5.2m; and retained earnings decreased by $11.1m. For full details see note 1(k) in the 2020 Annual Report.

During the current period, following the decision to permanently close the Radio Rentals store network, negotiations were undertaken with landlords across our property and vehicle lease portfolio in the hope of minimising the costs of exiting these leases. These negotiations resulted in net payments for amounts which were $1.7m below the recognised liabilities for these leases. As there was no remaining right of use asset to offset this gain against the full amount has been recognised as a net gain on modification of lease liability.

Business Finance division and securitised warehouse funding

On 5 May 2020, when calculating the 30 April 2020 warehouse monthly financial results, the warehouse facility was determined to have a breach in one of its warehouse parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. That arrears number was 10.5% and was due to the increasing presence of COVID-19 affected customers many of whom had requested a payment holiday and stopped repayments under their leases. At 30 September 2020 Thorn continued to be in breach of these parameters. While this subsists Thorn cannot sell receivables into the warehouse. The warehouse continues in amortisation currently and discussions are continuing with the senior and mezzanine note holders. If this situation remains unresolved then Thorn will endeavour to seek new sources of finance. See note 10 for further information.

JobKeeper grant

Thorn qualified for JobKeeper grant for the quarter ended 30 September 2020 and during this period received $1.9m in JobKeeper payments. The payments have been disclosed in employee benefits expense as permitted by AASB 120.

5. ESTIMATES

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 March 2020 except as disclosed in note 5.1 below.

5.1 EXPECTED CREDIT LOSSES

Macroeconomic Scenarios

The expected credit loss ("ECL") is a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group has a process for incorporating forward looking economic scenarios and determining the probability weightings assigned to each scenario in determining the overall ECL. The Group prepares a base, best and worst case scenario based on economic variables relevant to the Consumer Leasing and Business Finance business units. The Group continues to incorporate this in its management overlay as explained below.

Impact of COVID-19 pandemic

The COVID-19 pandemic is leading to material structural shifts in the behaviour of the economy and consumers and to unprecedented actions by governments and regulators in response to these shifts. ECL models are expected to be subject to a higher than usual level of uncertainty during this period. In this environment there is a heightened need for the application of judgement in order to reflect these evolving uncertainties and risks.

The expected performance of Thorn's receivables will evolve as the situation unfolds and more data is available to understand and model the credit risk and loss implications from the COVID-19 pandemic and to understand the ultimate mitigating impact of government stimulus. Over time as the impacts work their way into the reported variables, the overlay is expected to reduce as the impact becomes reflected in the routine modelled outcome.

Management overlay

As the full impact of the COVID-19 pandemic is yet to be felt at the balance date for the Consumer Leasing division, the Group has yet to see the anticipated increase in delinquencies which would flow through to the modelled expected loss provision. As these likely future delinquencies are not currently captured in the modelled outcome, the Group has specifically considered the likely industry specific and retail customer impacts through an overlay.

At 30 September 2020 $99.4m of Business Finance receivables were identified as COVID-19 impacted. Out of these, 81.5% by value were greater than 30 days in arrears at the balance date. Due to the exceptional circumstances regarding these missed payments, their arrears status has not been considered appropriate to use in the current arrears based modelled provision. A significant amount of these balances are expected to receive a contract variation, at which point their arrears will reset. Thorn expects this process to be finalised in the second half of the year. This overlay is therefore a standalone provision estimate for the impact of COVID-19 on the Business Finance division.

Consumer Leasing

Many of the Radio Rentals customers work in affected industries and particularly in the higher affected employment statuses such as part time and casual work. As such, the COVID-19 pandemic is expected to have a material impact upon those customers financial situation and the related receivable credit losses. In addition to that factor, the close of the entire Radio Rentals store network and run off of the existing consumer leasing receivables book is expected to present challenges to collection rates.

To assess the ECL, a rating matrix has been applied by scoring customers using three criteria; monthly billing amount, occupation status and employment type. This resulted in a score ranging from 3 to 9. Receivables have in turn been grouped based on their AASB 9 staging and their score. Scores of 3 to 5 are considered to be lower risk, 6 to 7 medium and 8 to 9 high risk. A unique adjustment to the probability of default ("PD") is applied to each grouping, with the PD adjusted upwards progressively as they move through the scale. The adjusted PD has been applied at a portfolio level using the current loss given default ("LGD") to estimate the expected loss. In addition, the Group has overlaid this with prior experience of collection performance deterioration from situations where stores have been closed in the past. This has been used to estimate the increased risk to collections in the portfolio.

Business Finance

The Business Finance division finances small to medium size business across the country and many of the divisions customers are in industries heavily affected by COVID-19. In light of evolving circumstances, our methodology has been updated from March 2020. To evaluate the ECL under the updated methodology, a six point rating matrix has been developed which ranges from No Impact to Very High Impact and results in expected loss severities from 5% to 95%. Receivables have in turn been assigned a rating on the scale and have then been attributed a loss severity which has been to calculate an expected loss for each individual receivable. To allocate a rating on the scale to each individual receivable the portfolio has first been stratified into industry segments based on how severely impacted they have been from COVID-19. Within each sub-industry, a further breakdown is made where management believes there is a cohort of contract holders that exhibit similar risk characteristics. Some examples include cafes in major suburban/capital cities, certain gym franchises, and various contracts who appear to rely more on government stimulus to remain viable. Trading volumes, internal conversations with contract holders, and resale value of the assets are some examples of relevant factors used to categorise each receivable.

Overall

The Group has looked at three potential scenarios, outlined below, and how these will impact the two divisions. The Group has then weighted the three scenarios with the highest weighting being applied to the baseline case. The outcome of this is an additional $37.3m million provision for the Business Finance Division and a $13.6m provision for the Consumer Leasing Division.

The following provides an overview of the scenarios chosen as well as the expected change to the total overlay were the individual scenarios to be given a 100% weighting:

Scenario	Expectation
Baseline A 100% weighting to this scenario would reduce the expected credit loss provision by circa $7.8m	The baseline scenario assumes the heightened restrictions in Victoria are in place for the six weeks to end September then gradually lifted from October onwards. In other parts of the country, restrictions continue to be gradually lifted or are only tightened modestly for a limited time, although restrictions on international departures and arrivals are assumed to stay in place until mid-2021. Under this scenario: GDP is expected to contract by around 6 per cent over the year to December 2020, but then grow by around 5 per cent over 2021; the unemployment rate is expected to rise to almost 10 per cent over the next six months and gradually decline to around 7 per cent over the latter part of the forecast period; and underlying inflation is expected to remain below 2 per cent over the next couple of years.
Faster recovery A 100% weighting to this scenario would reduce the expected credit loss provision by circa $18.6m	A stronger economic recovery is possible if faster progress in controlling the virus is achieved in the near term. A series of positive health outcomes would help limit the damage to consumer and business confidence and support a more rapid economic recovery. In this scenario, the virus is assumed to be rapidly controlled domestically (but not overseas) and activity restrictions are lifted (with the exception of international travel), leading to a faster recovery in consumption, investment and employment. The unemployment rate would peak at a lower level and decline faster than in the baseline scenario.
Slower recovery A 100% weighting to this scenario would increase the expected credit loss provision by circa $14.5m	A downside scenario is where Australia faces further periods of outbreaks and heightened restrictions in certain areas, and the world experiences a widespread resurgence in infections in the near term. In this scenario, it is likely that the recovery in service exports would be delayed further and consumer spending would continue to fall through the second half of 2020, despite continued policy stimulus and income support measures. Business investment would also decline sharply. Domestic activity would take much longer to recover in this scenario, resulting in the unemployment rate remaining close to its peak throughout 2021.

The judgements and assumptions used in estimating the overlays will be reviewed and refined in future financial periods as the COVID-19 pandemic progresses.

6. FINANCIAL INSTRUMENTS

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

7. SEGMENT REPORTING

The Board and CEO (the chief operating decision maker) monitor the operating results of three reportable segments which are the Consumer Leasing division which leases household equipment and products, the Business Finance division which provides leasing and other financial services to small and medium enterprises including equipment leasing, and the corporate division which holds corporate expenses for Thorn Group Limited. Segment performance is evaluated based on operating profit or loss. Income tax expenses are not fully allocated to operating segments as this type of activity is managed on a group basis.

30 September 2020 **$'000 AUD**	**Consumer Leasing**	**Business Finance**	**Corporate**	**Discontinued operations**	**Consolidated**
Sales revenue	4,978	-	-	-	4,978
Interest revenue	33,565	17,741	-	-	51,306
Other	1,407	108	-	-	1,515
Total segment revenue	**39,950**	**17,849**	**-**	**-**	**57,799**
Operating expenses	(30,371)	(18,974)	(2,746)		(52,091)
EBITDA	**9,579**	**(1,125)**	**(2,746)**	**-**	**5,708**
Depreciation and amortisation	-	-	-	-	-
Impairment	-	-	(112)	-	(112)
EBIT	**9,579**	**(1,125)**	**(2,858)**	**-**	**5,596**
Finance expense	(692)	(5,987)	-	-	(6,679)
Profit/(loss) before tax	**8,887**	**(7,112)**	**(2,858)**	**-**	**(1,083)**
Segment assets	80,391	229,299	61,944	-	371,634
Segment liabilities	(23,911)	(241,915)	-	-	(265,826)

30 September 2019 **$'000 AUD**	**Consumer Leasing**	**Business Finance**	**Corporate**	**Discontinued operations**	**Consolidated**
Sales revenue	39,611	-	-	-	39,611
Interest revenue	40,091	20,433	-	-	60,524
Other	4,717	67	-	-	4,785
Segment revenue	**84,419**	**20,500**	**-**	**-**	**104,919**
Operating expenses	(76,859)	(11,505)	(33,178)		(121,542)
EBITDA	**7,560**	**8,995**	**(33,178)**	**-**	**(16,623)**
Depreciation and amortisation	-	(20)	-	-	(20)
Impairment	(630)	-	(178)	-	(808)
EBIT	**6,930**	**8,975**	**(33,356)**	**-**	**(17,451)**
Finance expense	(907)	(7,331)	-	-	(8,238)
Profit/(loss) before tax	**6,023**	**1,644**	**(33,356)**	**-**	**(25,689)**
Segment assets	163,466	331,098	38,726	-	533,290
Segment liabilities	(87,028)	(297,765)	-	-	(384,793)

Reconciliations of reportable segment to IFRS measures

$'000 AUD	30 September 2020	30 September 2019
Revenue		
Total revenue for reportable segments	57,799	104,919
Elimination of discontinued operations	-	-
Consolidated Revenue	**57,799**	**104,919**
Profit before tax		
Total loss before tax for reportable segments	(1,083)	(25,689)
Elimination of discontinued operations	-	-
Consolidated loss before tax from continuing operations	**(1,083)**	**(25,689)**

8. TRADE AND OTHER RECEIVABLES

$'000 AUD	30 September 2020	31 March 2020
Current		
Trade receivables	18,204	10,215
Finance lease receivables	73,832	99,539
Loan receivables	12,106	19,544
	104,142	**129,297**
Non-current		
Finance lease receivables	160,226	221,955
Loan receivables	26,205	38,591
	186,430	**260,546**
Total trade and other receivables	**290,572**	**389,843**

Trade receivables and loan receivables are stated at their amortised cost less provision for impairment losses. 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.

Provision for impairment losses

Consumer Leasing lease receivables

$'000 AUD	Gross September 2020	Impairment Provision	Gross March 2020	Impairment Provision
Stage 1	54,498	(11,087)	107,013	(16,095)
Stage 2	51,925	(16,810)	34,362	(15,745)
Stage 3[3]	3,128	(3,504)	4,970	(4,843)
TOTAL	**109,550**	**(31,401)**	**146,345**	**(36,683)**

[3] A number of portfolio level provisions have been allocated to the different stages based on the percentage of the receivables book which is in the specific stage. This has resulted in the above presentation.

Business Finance lease receivables

$'000 AUD	Gross September 2020	Impairment	Gross March 2020	Impairment
Stage 1	125,789	(5,082)	203,704	(10,501)
Stage 2	71,945	(29,501)	48,343	(19,233)
Stage 3[4]	4,709	(6,204)	5,372	(6,552)
TOTAL	**202,444**	**(40,787)**	**257,419**	**(36,286)**

Loan receivables (Business Finance and remaining consumer solar loans)

$'000 AUD	Gross September 2020	Impairment	Gross March 2020	Impairment
Stage 1	37,278	(1,054)	52,158	(2,326)
Stage 2	22,988	(9,278)	13,902	(5,389)
Stage 3	2,864	(2,033)	2,009	(1,299)
TOTAL	**63,131**	**(12,364)**	**68,069**	**(9,014)**

9. INTANGIBLE ASSETS

$'000 AUD	Right of use asset	Goodwill	Software	Total
Year ended 31 March 2020				
Opening net carrying amount	-	-	-	-
Initial application of AASB 16 – creation of asset	16,355	-	-	16,355
Initial application of AASB 16 – impairment of asset	(16,355)	-	-	(16,355)
Additions	1,095	-	195	1,290
Amortisation charges for the year	-	-	-	-
Impairment charges for the year	(1,095)	-	(195)	(1,290)
Closing net book amount	**-**	**-**	**-**	**-**
At 31 March 2020				
Cost	17,450	-	17,109	34,559
Amortisation and Impairment	(17,450)	-	(17,109)	(34,559)
Net book amount	**-**	**-**	**-**	**-**
Six months ended 30 September 2020				
Opening net carrying amount	-	-	-	-
Additions	109	-	-	-
Amortisation charges for the period	-	-	-	-
Impairment charges for the period	(109)	-	-	-
Closing net book amount	**-**	**-**	**-**	**-**
At 30 September 2020				
Cost	17,559	-	17,109	34,668
Amortisation and impairment	(17,559)	-	(17,109)	(34,668)
Net book amount	**-**	**-**	**-**	**-**

[4] A number of portfolio level provisions have been allocated to the different stages based on the percentage of the receivables book which is in the specific stage. This has resulted in the above presentation.

10. LOANS AND BORROWINGS

$'000 AUD	30 September 2020	31 March 2020
Current liabilities		
Secured loans	103,618	117,918
Non- Current liabilities		
Secured loans	132,428	187,627
	236,046	**305,545**

Limits and drawings are set out below.

$'000 AUD	30 September 2020	31 March 2020
Secured corporate loan facility A	-	12,000
Utilised	-	(12,000)
Available headroom	**-**	**-**
Secured corporate loan facility B	5,000	5,000
Utilised	(1,861)	(2,956)
Available headroom	**3,139**	**2,044**
Securitised warehouse facility limit	236,045	368,000
Utilised	(236,045)	(293,545)
Available headroom	**-**	**74,455**
Total loan facility limits	241,045	385,000
Utilised	(237,906)	(308,501)
Loan facilities not utilised at reporting date	**3,139**	**76,499**

Corporate facilities

The corporate debt facility was in two parts; the 'A' facility which was a general corporate facility was fully repaid during the period (fully drawn to its $12.0m limit at 31 March 20). The second part, the 'B' facility which was a $5.0m limit of a combined undrawn overdraft and drawn bank guarantees to landlords and suppliers. The 'B' facility utilisation varies with the level of overall guarantees given and $1.9m was drawn at period end.

Warehouse facility

Thorn Business Finance is financed by a securitised warehouse structure with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class F notes held by Thorn.

The warehouse facility is secured by rentals and payments receivable from the underlying receivable contracts and is non-recourse to the Group by which it is meant that Thorn's liability is limited to its class F notes unless it is liable in damages for breach of the documents or it is required to buy back an ineligible receivable (defined as one that breached Thorn's initial sale representations and not merely that it goes into arrears or defaults).

The amounts expected to be due and payable on the warehouse loan facility in the next 12 months are disclosed as current.

On 5 May 2020, when calculating the 30 April 2020 warehouse monthly financial results, the warehouse facility was determined to have a breach in one of its warehouse parameters which requires no more than 6% of the balances to be in arrears by more than 30 days. That arrears number was 10.5% and was directly due to the increasing presence of COVID-19 affected customers many of whom had requested a payment holiday and stopped repayments under their leases. At 30 September 2020 Thorn continued to be in breach of these parameters.

A breach of this parameter is an amortisation event which, if not waived or remedied, puts the warehouse into run off under its amortisation rules. While such an event subsists, Thorn is unable to sell its originations into the warehouse and the distributions it was expecting from the warehouse via the waterfall distribution mechanism will decline depending upon the extent of the cash flow reduction.

When the COVID-19 pandemic arose and Thorn began receiving payment holiday requests, Thorn held discussions with the senior and mezzanine note holders around the granting of concessions such that Thorn could vary the customer contracts to include a payment holiday. In September 2020 Thorn reached agreement with its funders to provide relief to qualifying business customers in the form of contract variations.

As the arrears parameters continue to be in breach the warehouse is currently in amortisation. Discussions are continuing with the senior and mezzanine note holders. If this situation remains unresolved then Thorn will endeavour to seek new sources of finance.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Thorn has entered into an interest rate swap, a derivative contract, to hedge its interest rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The full fair value of a hedging derivative is classified as a non-current liability as the remaining maturity of the hedged item is more than 12 months from 30 September 2020.

The fair value of derivatives are classified as level 2 instruments as they are not traded in an active market and are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The interest rate swap creates a cash flow hedge against the variable interest payments on the securitised warehouse facility. This hedge is taken out so that interest rates committed to at the origination of a Business finance lease or loan contract are matched by fixing the base lease interest rate on the borrowings in the securitised warehouse. The movement in the fair value of the interest rate swap is recognised through Other Comprehensive Income, and in Reserves in the Statement of Changes in Equity.

$'000 AUD	**30 September 2020**	**31 March 2020**
Interest rate swap liability	5,306	6,322

12. CAPITAL AND RESERVES

Number of shares	**30 September 2020**	**31 March 2020**
On issue at the beginning of the period	322,350,132	161,175,066
Issue of new shares on vesting of performance rights	-	-
Issue of shares under institutional component of the rights issue	-	161,175,066
	322,350,132	**322,350,132**

Dividends

	Six months ended 30 September 2020		
	Cents per share	**Total $'000s**	**Date paid / payable**
Recognised Amounts			
Final Dividend	-	-	-
Unrecognised Amounts			
Interim Dividend	-	-	-

See note 13 for further information on a special dividend paid on 3 November 2020.

	Six months ended 30 September 2019		
	Cents per share	**Total $'000s**	**Date paid / payable**
Recognised Amounts			
Final Dividend	-	-	-
Unrecognised Amounts			
Interim Dividend	-	-	-

Other reserves

$'000 AUD	30 September 2020	31 March 2020
Cash flow hedge reserve	(5,306)	(6,322)
Employee benefits reserve	511	410
	(4,795)	**(5,912)**

13. SUBSEQUENT EVENTS

On 12 October 2020, the Thorn Board declared a fully franked special dividend of $0.075 cash per share ("Special Dividend"). The Special Dividend was paid to shareholders on Tuesday, 3 November 2020.

The special dividend totalled $24.2m. A number of Thorn's shareholders participated in the dividend reinvestment plan resulting in $9.4m of the total being reinvested in Thorn shares, resulting in a net cash outflow of $14.8m.

Directors' Declaration

In the opinion of the directors of Thorn Group Limited:

1. the financial statements and notes set out on pages 9 to 22 are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the Group's financial position as at 30 September 2020 and of its performance for the six month period ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295 of the Corporations Act 2001.

Dated at Sydney, 27 November 2020.

Signed in accordance with a resolution of the directors.

Warren McLeland
Chairman

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Thorn Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Thorn Group Limited ("the Company"), and the entities it controlled during the half-year (together "the Group"), which comprises the Condensed Consolidated Statement of Financial Position as at 30 September 2020, the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flow for the half-year ended on that date, selected other explanatory notes, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Thorn Group Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of Group's financial position as at 30 September 2020 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the half-year financial report, which indicates a material uncertainty that may cast doubt on the Groups ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2020 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

UHY Haines Norton

Mark Nicholaeff

Partner

UHY Haines Norton

Chartered Accountants

Sydney

Date: 27 November 2020