Thorn Group Limited

ABN 54 072 507 147

2017 ANNUAL
RESULTS FOR ANNOUNCEMENT TO THE MARKET

This information is the information required under ASX Listing Rule 4.3A.

Contents

Appendix 4E Preliminary Final Report under ASX Listing Rule 4.3A

Current year:	1 April 2016 to 31 March 2017
Previous corresponding year:	1 April 2015 to 31 March 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Year ended	**31 March 2017 $'000s**	**31 March 2016 $'000s**	**% Change**
Revenue from ordinary activities- Continuing operations	298,695	289,346	Up 3%
(Loss)/ Profit from discontinued operation, net of tax	(98)	948	Down 110%
Reported net profit after tax	25,308	20,059	Up 26%

Additional commentary on the results for the period and other Appendix 4E disclosure requirements can be found in the annual financial report for the year ended 31 March 2017.

DIVIDENDS	**Amount per ordinary share**	**Franked amount per ordinary share**
Interim dividend (paid 20 January 2017)	5.5 cents	5.5 cents
Final dividend (declared, not yet provided at 31 March 2017)	2.5 cents	2.5 cents

The record date for the 2017 final dividend will be 4 July 2017. The payment date for the 2017 final dividend will be 18 July 2017. The company's dividend reinvestment plan will operate in respect of the 2017 final dividend and a discount of 5.0% will apply.

NET TANGIBLE ASSETS	**31 March 2017**	**31 March 2016**
Net tangible assets per ordinary share	117 cents	111 cents

Entities over which control has been gained or lost over entities during the period

Votraint No 1537 Pty Limited	Disposed 13 September 2016
National Credit Management Limited	Disposed 13 September 2016
A.C.N. 119211317 Pty Limited (Greater Western Asset Management)	Disposed 13 September 2016
Hudson Legal Pty Limited	Disposed 13 September 2016

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held on Wednesday 30 August 2017 at 11.00 am in the KPMG Auditorium, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Sydney, NSW, 2000

Compliance statement

This report is based on the consolidated financial report which has been audited.

Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Signed ……………………………………… Date 25 May 2017
Joycelyn Morton
Chair

THORN GROUP LTD

Annual Financial Report

31 March 2017

ACN 072 507 147

CONTENTS

The Directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as 'Thorn', the 'Group' or the 'consolidated entity') for the financial year ended 31 March 2017 and the auditor's report thereon.

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, invoice discounting, and other financial services to small and medium enterprises. The Group also provided receivables management services and consumer loans during the year.

The Group sold its NCML receivables management business during the year and accordingly that division has been treated as a discontinued business in the financial statements where it is presented as a one line entry above profit after tax. Thorn's consumer loans business was closed in March 2016 and the book is being run off.

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

Financial performance

Revenue from continuing operations increased 3% on the previous year, growing from $289.3m to $298.7m.

Profit after tax increased 26% from $20.1m to $25.3m. This result includes charges to provide for the potential customer remediation and penalties arising from ASIC's investigation into the responsible lending obligations of the Group's consumer leasing division, Radio Rentals. This provision is further discussed in the regulatory section of this review.

Significant Items

The analysis of Thorn's results is complicated by the presence of several significant items across both the 2016 and 2017 years as management deal with historical issues.

In 2016, the goodwill attributable to NCML was written off at an after tax cost of $6.7m, the TFS consumer loan division was shut down at an after tax cost of $1.6m, and Radio Rentals took up a charge for refunding customer credits at an after tax cost of $2.0m, leading to an adjusted NPAT of $30.3m.

In 2017, Radio Rentals provided for the anticipated remediation costs and penalties from the ASIC regulatory review of a $6.1m after tax cost (being the after tax cost of the $3.1m set aside in the first half and the $4.0m after tax provision made in March 2017) leading to an adjusted NPAT of $31.4m.

Segment performance

There has been a change in presentation of the financial information this year and a corresponding change put through for last year's comparatives. Corporate expenses in prior years were presented as the cost of all activities not directly under the control of divisional management. This meant that central activities such as IT, collections, finance, risk, were all accounted for as corporate costs when their primary customer was the divisions.

This presented the corporate costs as larger than might be expected and correspondingly the profitability of the divisions as higher than it would be if the amounts were more fully allocated. This year the allocations have been adjusted such that corporate costs now consist solely of pure corporate related activities such as Group IT, Business Development, Group Finance, Group HR, Risk and Internal Audit, Group Legal, Board and leadership team, listing and debt financing costs.

A$m	Segment revenue		Segment EBIT to PAT	
	2017	2016	2017	2016
Consumer Leasing	251.2	245.7	36 .3	43.9
Equipment Finance	26.4	16.7	16.1	8.8
Trade & Debtor Finance	11.2	13.8	2.3	4.3
Consumer Finance	9.9	13.1	4.0	(1.9)
Corporate	-	-	(11.6)	(10.8)
Goodwill impairment (NCML)			-	(6.7)
Sub-total	**298.7**	**289.3**	**47.1**	**37.6**
Net interest expense			(9.5)	(6.5)
Profit before tax			37.6	31.1
Tax expense			(12.2)	(12.0)
Profit after tax for continuing operations			**25.4**	**19.1**
(Loss)/ Profit from discontinued operation, net of tax			(0.1)	0.9
Profit after tax			**25.3**	**20.1**

Consumer Leasing
The Consumer Leasing division, operating under the Radio Rentals and RR brand names, had a challenging year.

The division has been responding to both the proposed regulatory changes for the consumer leasing industry as a whole and the specific regulatory matters raised during the ASIC investigation into Radio Rentals. This has entailed the development of a new online customer application and credit assessment system. The system is to be refined to improve the customer experience and will be rolled out nationally.

The division improved its customer offer during the year through lower prices, included benefits, and a wider, more modern, and more affordable product range. The store network is being progressively refreshed and several stores relocated into high traffic shopping centre locations to access a larger customer base and higher demographic.

The division has suffered from adverse publicity during the period and a deferral of returning customers due to the launch of the four year contract three years ago.

In spite of these difficulties, revenue rose by 2% to $251.2m (2016: $245.7m). This is a combination of interest income from past contracts and revenue from installations under new contracts. Installations were flat at 122,189 units (2016: 121,700) with a slight improvement in mix. Finance leases have now come to represent 99% of all installations such that shorter duration operating leases are now rolling off and not being replaced in any quantity.

This pleasing revenue result was $5.5m up on last year but it came with the cost of significantly higher marketing and selling costs. The division reduced its cost base by 53 employees in March 2017, shut 6 stores, and is presently seeking further savings in non-employee related areas. Costs were up $13.0m after taking provisions for regulatory matters, additional marketing costs of $2.0m and personnel costs including the redundancy costs. Impairment losses increased in line with book growth however remained consistent as a percentage of average net receivables.

Reported EBIT was down 17% to $36.3m (2016: $43.9m).

Thorn Equipment Finance
The TEF business continued to enjoy strong growth in lease originations with $178.5m of lease originations in the year and the net receivables book growing 81% to $239.3m (2016: $131.9m). As pricing was kept fairly constant the book growth translated into interest and fee revenue growth of 57% to $26.4m (2016: $16.7m). Impairment losses as a percentage of average net receivables were 1.8% compared to the prior year's 1.2%. Impairment losses were expected to increase as the book increased and matured however average delinquency at 2.1% is consistent with the prior year and maintained under the 2.5% benchmark.

Reported EBIT rose 83% to $16.1m (2016: $8.8m).

Trade & Debtor Finance
The TDF business had a difficult year with a deliberate focus on transitioning the receivables book away from the originally acquired higher risk, higher margin customers towards the more traditional debtor finance customers. This meant the book reduced as several legacy customers paid down, refinanced out or couldn't pay and were provided against or written off, and were replaced by newer customers but later in the year. Consequently revenue was down $2.6m to $11.2m (2016: $13.8m) which flowed through to EBIT which was also down $2.0m to $2.3m (2016: $4.3m).

Consumer Finance
This division was closed last year end and the book is in run-off. The book has reduced from $33.6m last March to $21.4m this March. EBIT has increased from last year's loss of $1.9m (including $2.3m of closure costs so $0.4m run rate) to $4.0m this year as costs have been scaled right back to just a collections team with no need for ongoing marketing or origination costs. This book and its EBIT profile can both be expected to run down towards zero in the next several years as customers repay or refinance out of their loans.

Receivables Management
The NCML Receivables Management business was sold on 13 September 2016 for $22.6m plus or minus a working capital adjustment. The business has been accounted for as a discontinued business and as such is presented as one line after tax profit result below the 'Profit after tax for continuing operations' line on the profit and loss account.

The price resulted in a small loss on sale of $(0.7)m after tax and costs of sale. Resolution of the working capital adjustment is still being negotiated but is not expected to amount to a material adjustment in either direction. NCML made $0.9m EBIT in the six months before it was sold (2016: $1.4m). The Company took corporate and legal advice on the sale and has provided appropriate and necessary warranties to the purchaser.

Corporate
Corporate HO expenses increased by $0.9m to $11.7m (2016: $10.8m). The increase was a full year of additional executive personnel in Operations, Risk and Legal roles, an enhanced credit and risk team, and additional legal and advisory costs.

Net interest expense
Net borrowing costs increased by 46% from $6.5m to $9.5m. Borrowings increased 40% from $197.9m to $276.5m predominantly to fund the growth of the Thorn Equipment Finance whose debt warehouse rose $70.2m and the corporate facility $8.4m. The finance expense rose slightly as credit spreads ticked up during the period and there were fees for the facility increases and extension.

Financial position

The balance sheet is presented below as two versions; first, excluding the securitised warehouse for the Equipment Finance receivables along with those associated receivables (which are non-recourse funding for the warehouse), and second as per the statutory accounts format. The Company's lender views their corporate facility covenants through the first view, i.e. excluding Trust.

Summarised financial position	**31 March 2017**		**31 March 2016**	
($m)	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**
Cash at Bank	14.7	14.7	14.0	14.0
Receivables	305.8	493.0	278.7	381.1
Investment in unrated notes	35.2	-	20.5	-
Rental and other assets	17.6	17.6	22.4	22.4
Intangible assets	24.3	24.3	25.5	25.5
Total Assets	**397.6**	**549.6**	**361.1**	**443.0**
Borrowings	124.5	276.5	116.0	197.9
Other liabilities	62.9	62.9	47.6	47.6
Total Liabilities	**187.4**	**339.4**	**163.6**	**245.5**

Total Equity	210.2	210.2	197.5	197.5
Gearing (net debt/equity)	56.1%	128.4%	53.2%	95.1%
Operating cash flow		177.4		127.2
EPS (cents)		16.2		13.1
Return on Equity		12.4%		10.4%

(i) Gearing is calculated as net debt less free cash divided by closing equity

(ii) ROE is calculated as PAT divided by the average of opening and closing equity.

Receivables

Receivables increased by 29% or $111.9m to $493.0m during the year. Consumer lease receivables grew by 27% or $36.8m to $172.8m driven by both the customer driven preference for longer term finance leases from shorter term operating leases and the increasing average term since the introduction of the 48 month contract in December 2013.

Equipment Finance lease receivables increased by 81% or 107.4m to $239.3m due to continued strong originations. The trade and debtor book fell during the year by $7.9m as the book was repositioned although the end point was also affected by unusually high repayments on the last day of the year. The TFS consumer finance book was run down by $12.2m during the year and the NCML PDL book was sold.

Rental and other assets

Rental assets fell from $13.8m to $6.7m driven mostly by the continuing migration from operating lease to finance lease contracts in consumer leasing.

Borrowings and gearing

Borrowings rose by $78.6m from $197.9m last year to $276.5m this year. Ninety per cent of that increase was to fund the continued growth in Thorn Equipment Finance lease receivables. Gearing rose 2.9 percentage points from 53.2% last year to 56.1% this year (excluding the impact of the non recourse securitised debt) as the consumer lease receivable book increase was mostly funded through the sale of NCML and the run down of the TFS book. The consolidated entity continues to meet all debt covenants and can pay its debts as and when they become due.

Return on Equity

ROE increased from 10.4% to 12.4%.

Cash flows

Net cash from operating activities increased from $127.2m to $177.4m. This was primarily attributable to the expansion of Thorn Business Finance and the increased net customer receipts resulting from it.

Funding

The group has the following debt facilities:

$'000	2017	2016
Secured Loan Facility A and B	110,000	110,000
Secured Loan Facility C	65,000	30,000
Securitised Warehouse Facility	180,000	100,000
Total loan facilities	**355,000**	**240,000**

The Group continues to be funded by one Australian major bank. That bank extended further facilities to the company primarily to help finance the strong growth in Thorn Equipment Finance. It also extended the term of the corporate facilities A, B and C to 30 April 2018. Discussions are ongoing with regard to further structured finance facilities and lengthening of debt maturities. Ongoing funding support is important to allow the Group to continue to grow and diversify earnings.

The $175m senior facilities A, B and C are secured by a fixed and floating charge over the assets of the consolidated entity. The warehouse facility is secured by rentals and payments receivable from the underlying lease receivable contracts within Thorn Equipment Finance.

Dividends paid or recommended

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

	Cents per share	Amount $'000	Franking	Date of payment
Final 2016 paid	6.0	9,268	100%	18 July 2016
Interim 2017 paid	5.5	8,612	100%	20 Jan 2017
Total amount		**17,880**		
Final 2017 proposed	**2.5**	**3,956**	**100%**	**18 July 2017**

Directors have proposed a final dividend of 2.5 cents per share. This takes the full year dividend to 8 cents per share which is a 50% payout ratio. The dividends are fully franked.

Regulatory provision

Thorn's consumer leasing division has been engaging with ASIC on matters pertaining to customer credit refunds and the appropriate and necessary extent of verification of items of customer income and expenditure.

During 2016 Thorn advised the discovery of credit balances on closed customer accounts in its consumer leasing division and created a $2.8m liability for their refund. Thorn has sought to contact former customers and repay these credit balances with interest. The balance has been significantly refunded but, in spite of extensive efforts also involving external skip-trace contact experts, a number of customers have not been able to be contacted. At the year end $1.1m was outstanding and, if the former customers cannot be found, will be paid to charity in due course as agreed with ASIC.

Thorn also carries credits on current customer contracts arising from overpayments made ahead of contractual obligations. Thorn has been contacting customers to offer repayment of these credit balances along with compensatory interest. These overpayments continue to accrue. Arrangements have now been agreed with Centrelink to allow for the cancellation and reduction of customer payments to reduce the further accrual of these credit balances and to allow for periodic repayment through the temporary suspension of their periodic payments.

At year-end $10.5m was in credit and repayable to customers. As these amounts have always been held on balance sheet as liabilities, the profit and loss impact is limited to the interest component and the cost of effecting the repayments.

ASIC's investigation has progressed and accordingly Thorn has taken up provisions in these accounts for the expected compensation of affected customers and an anticipated penalty.

Contingent Liability

Class Action

The Thorn subsidiary running Radio Rentals was named on 29 March 2017 as the respondent to a class action proceeding that has been commenced by one of its customers in the Federal Court of Australia. It is understood that the allegations presently relate to misleading, deceptive and unconscionable conduct, false representations and unfair contract terms.

The matter will be vigorously defended and is expected to take some time, possibly years, to resolve. No provision has been taken in these accounts. Legal fees will be incurred defending the matter over the period of that defence should the matter proceed.

Subsequent Events

Thorn's Chief Financial Officer and Company Secretary, Peter Forsberg, was appointed Acting CEO on 24 April 2017 following the resignation of James Marshall.

Thorn's General Manager of Finance, Andrew Crowther was appointed Acting Chief Financial Officer on 24 May 2017.

OUTLOOK

The outlook for the Thorn Group is likely to be subdued in the coming year.

While Business Finance is expected to enjoy strong growth, Consumer Leasing is facing a period of transition with some short term challenges from adverse publicity, weaker general retail market conditions, the deferral of returning customers due to the launch of the 4 year contract 3 years ago and significant business change resulting from the transition to a new origination platform and associated processes.

Over the medium term Radio Rental's large and loyal customer base, prices that are already under the proposed legislative caps, and the efficient cost base will position it for industry leadership and growth.

DIRECTORS' INFORMATION

Joycelyn Morton

Independent, Non-Executive
Appointed 1 October 2011
Appointed Chair 26 August 2014

Qualifications
Bachelor of Economics
FCA, FCPA, FIPA, FGIA, FAICD

Experience
Joycelyn has more than 35 years' experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Joycelyn was National president of both CPA Australia and Professions Australia, she has served on many committees and councils in the private, government and not-for-profit sectors.

Other current directorships
Argo Investments Limited
Argo Global Listed Infrastructure Limited
InvoCare Limited
Snowy Hydro Limited

Former directorships
Crane Group Limited
Count Financial Limited
Noni B Limited

Interests in shares and options
91,994 ordinary shares

Stephen Kulmar

Independent, Non-Executive
Appointed 15 April 2014

Qualifications

Experience
Stephen is the former Managing Director and Chairman of IdeaWorks and is currently the Managing Director of Retail Oasis, retail marketing and business consultancy.

Stephen has over 35 years experience in advertising and has extensive experience in retail strategy, brand strategy, channel to market strategy, digital and social strategy, business re-engineering and new retail business development.

Other current directorships
CreativeOasis Pty Ltd
Edge Pty Ltd
Retail Oasis Pty Ltd
RCG Corporation Limited

Former directorship
Charles Parsons Pty Ltd

Interests in shares and options
68,000 ordinary shares

David Foster

Independent, Non-Executive
Appointed 1 December 2014

Qualifications
Bachelor of Applied Science
MBA, GAICD, SFFIN

Experience
David is an experienced Independent Non Executive Director across a range of industries. He has had an extensive career in Financial Services spanning over 25 years.

His most recent executive role until December 2013 was CEO of Suncorp Bank, a role he commenced in September 2008. Prior to his role as CEO of Suncorp Bank, David lead Suncorp's strategy function which included numerous merger and acquisition activities including one of Australia's largest Financial Services transactions – Promina Limited.

Other current directorships
G8 Education Limited
Motorcycle Holdings Limited
Kina Securities Limited
Genworth Mortgage Insurance Australia Limited

Former directorships

Interests in shares and options
26,970 ordinary shares

Andrew Stevens

Independent, Non-Executive
Appointed 1 June 2015

Qualifications
Master of Commerce
FCA, MAICD

Experience
Andrew began his career at Price Waterhouse (now PwC) and was a Partner of that firm for 12 years. He also performed a range of senior management and global leadership roles at IBM Corporation, most recently serving as the Managing Director of IBM Australia and New Zealand from 2011-2014.

Other current directorships
MYOB Group Limited
The Greater Western Sydney Football Club

Former directorships
Australian Chamber Orchestra

Interests in shares and options
15,720 ordinary shares

Belinda Gibson

Independent, Non-Executive
Appointed 1 July 2016

Qualifications
Bachelor of Economics, LLB (Hons) (Sydney) and LLM (Hons) (Cambridge), FAICD, FGIA

Experience
Belinda was a Commissioner and then Deputy Chairman of the Australian Securities and Investments Commission (ASIC) from 2007 until May 2013. From 1987 until joining ASIC she was a corporate law partner at the law firm Mallesons Stephen Jaques, specialising in transactional advice and also corporate governance issues. She was partner in charge of the Mallesons' Sydney office from 2000 to 2003.

Other current directorships
Citigroup Pty Ltd
Brisbane Airport Corporation
Trustee of the Australian Museum
Ausgrid Group
Chief Executive Women Ltd

Former directorships
Airservices Australia
The Sir Robert Menzies Foundation

Interests in shares and options
Nil

Peter Henley

Independent, Non-Executive
Appointed 21 May 2007
Retired 23 August 2016

Qualifications
FAIM, MAICD

Experience
Peter has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held Managing Director roles with AGC, Nissan Finance and more recently GE Money.

Other current directorships
Motorcycle Holdings Limited

Former directorships
GE Motor Solutions Australia GE MoneySingapore and Malaysia.
United Financial Services Limited
MTA Insurances Limited
AP Eagers Limited

Interests in shares and options
N/A

James Marshall

Managing Director
Appointed 5 May 2014
Resigned 21 April 2017

Qualifications
Dip. Financial Services
MAICD, MFTA

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

James has extensive knowledge of consumer leasing, receivables management and broader financial services industries, and has been instrumental in driving the development and growth of Thorn's core business divisions and diversification strategy since the IPO.

Other current directorships

Former directorships

Interests in shares and options
181,543 ordinary shares

COMPANY SECRETARY

Peter Forsberg was appointed Company Secretary on 3 February 2017 upon the resignation of Peter Ryan.

Peter Forsberg is the Acting CEO having been appointed on 24 April 2017 following Mr Marshall's resignation. He joined as the company's CFO on 28 September 2015. Mr Forsberg BSC Hons, FCA, F Fin, GAICD, MFTA is an experienced and qualified CFO and senior executive having worked in healthcare, manufacturing and distribution, FMCG, professional services, and in publicly listed, private equity owned and charitable companies operating both in Australia and internationally.

Peter Ryan was appointed on 7 December 2015 and resigned on 3 February 2017.

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
Joycelyn Morton	13	13	7	7	5	5
James Marshall	13	13	N/A	N/A	N/A	N/A
Stephen Kulmar	13	13	7	7	5	5
Peter Henley	5	5	2	2	2	2
David Foster	13	13	7	7	5	5
Andrew Stevens	13	13	7	7	4	5
Belinda Gibson	9	9	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 Henley retired as director on 23rd Aug 2016)
N/A – Mr Marshall, as an executive Director, attended all meetings but as an invitee

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Insurance Premiums

During the financial year the Company has paid insurance premiums of $124,900 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.

REMUNERATION REPORT – AUDITED

The Board of Thorn Group Limited presents the remuneration report which outlines key aspects of the remuneration policy and framework and the remuneration awarded this year.

The information provided in this report has been prepared based on the requirements of the Corporations Act 2001 and the applicable accounting standards and has been audited by KPMG.

The report is structured as follows:

1. Remuneration governance
2. Non-Executive Directors and Key Management Personnel
3. Non-Executive Director remuneration
4. Executive KMP remuneration
5. Alignment between remuneration and performance
6. Service contracts for executive KMP
7. Other statutory disclosures

1. REMUNERATION GOVERNANCE

The Company aims to deliver sustainable and superior returns to shareholders. The remuneration framework is designed to ensure rewards are appropriate for the results achieved and are aligned to the Company's strategic goals and shareholder wealth creation.

The Board provides guidance and oversight to the remuneration strategy and has established a Remuneration and Nomination Committee to ensure the remuneration strategy attracts and retains quality directors and executives, fairly and responsibly rewards them, is equitable and aligned to shareholders' interests, and complies with the law and high standards of governance.

The Committee is made up of independent non-executive directors and its charter is available on the Company website. The Committee makes recommendations to the Board for its consideration and approval. The Committee Chairman will be available at the Annual General Meeting to answer any questions from shareholders on this report. At the 2016 AGM, the Remuneration Report received a vote of approval of 96% of the votes received.

The Committee can draw on independent experts where appropriate to provide advice on remuneration levels, trends and structures. Where this occurs the consultants are instructed by and report directly to the Chairman of the Committee and are thereby free of any undue influence by any KMP to whom their recommendations may relate. The Committee did not engage any consultants during the year.

2. NON-EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL - AUDITED

For the year ended 31 March 2017, the NEDs and KMP were:

Non-Executive Directors	Position	Term or Date
Joycelyn Morton	Chair, Director	Full year
Stephen Kulmar	Director	Full year
Peter Henley	Director	Until 23 August 2016
David Foster	Director	Full year
Andrew Stevens	Director	Full year
Belinda Gibson	Director	From 1 July 2016

Executive KMP	Position	Term or Date
James Marshall (Resigned)	CEO and Managing Director	Full year
Peter Forsberg	Chief Financial Officer	Full year
Matt Ingram	Chief Operating Officer	Full year
Wendy Yip	Chief Risk Officer	Full year
Peter Ryan	General Counsel and Company Secretary	Until 3 February 2017

Changes to KMP during the year

Mr Ryan resigned his position as General Counsel and Company Secretary on 3 February 2017. A search is underway for a replacement. Mr Forsberg assumed the Company Secretary role from 3 February 2017.

Thorn's Chief Financial Officer and Company Secretary, Peter Forsberg, was appointed Acting CEO on 24 April 2017 following the resignation of James Marshall.

3. NON-EXECUTIVE DIRECTOR REMUNERATION - AUDITED

Non-executive directors' fees are determined within an aggregate directors' fee pool as approved by shareholders from time to time. Independent remuneration consultants are employed periodically to provide advice and, where an increase is recommended, this is put to shareholders at the subsequent AGM. The current maximum aggregate fee pool is $650,000 per annum and was last voted upon by shareholders at the 2013 AGM. The Board does not intend to seek a change to the fee pool at the 2017 AGM.

The base annual fee for the Chairperson is $170,980 per annum. Base fees for other non-executive directors are $85,490 per annum. In addition, the Chair of the Audit, Risk and Compliance Committee receives a fee of $15,000 per annum and the Chair of Remuneration and Nomination Committee $10,000 per annum.

Non-executive directors do not receive performance-related remuneration. However, they are able to purchase shares in the Company on market during approved 'windows' for share trading.

Non-executive directors are not entitled to any additional remuneration upon retirement. They do receive statutory superannuation contributions and these are in addition to the base fees shown above. Out-of-pocket expenses are reimbursed to directors upon the production of proper documentation.

Name	Year	Salary and fees	STI	Other incentives	Super-annuation	Long service leave	LTI	Total
Non-Executive Directors								
Joycelyn Morton	2017	170,980	-	-	16,243	-	-	187,223
	2016	170,980	-	-	16,243	-	-	187,223
Stephen Kulmar	2017	95,490	-	-	9,071	-	-	104,561
	2016	95,490	-	-	9,071	-	-	104,561
Peter Henley	2017(i)	35,182	-	-	3,342	-	-	38,524
	2016	85,490	-	-	8,121	-	-	93,611
David Foster	2017	100,490	-	-	9,546	-	-	110,036
	2016	100,490	-	-	9,546	-	-	110,036
Andrew Stevens	2017	85,490	-	-	8,122	-	-	93,612
	2016	70,694	-	-	6,716	-	-	77,410
Belinda Gibson	2017(ii)	62,802	-	-	5,966	-	-	68,768
	2016	-	-	-	-	-	-	-
Total Non-Executive Director Remuneration	2017	550,434	-	-	52,290	-	-	602,724
	2016	523,144	-	-	49,697	-	-	572,841

(i) Mr Henley retired on 23 August 2016.
(ii) Ms Gibson was appointed as a director on 1 July 2016.

4. EXECUTIVE KMP REMUNERATION - AUDITED

The Company's approach to remuneration is framed by the strategy and operational demands of the business, the requirement for superior sustained shareholder returns, the complex and onerous regulatory environment and high standards of governance.

The remuneration structure has been designed to balance both shareholder and executive interests. It consists of a mix of fixed and 'at-risk' pay where the at-risk element seeks to balance both short and long term performance.

The diagram below illustrates the link between the business' objective and executive KMP remuneration.

Business objective
The Company is committed to providing a 'fair go' for consumers and SMEs in a responsible manner while delivering shareholders sustainable and increasing long term value through an organic and acquisitive growth strategy.

↓

Remuneration strategy objectives	
1. Align executive remuneration to Company performance and results delivered to shareholders through the short and long term incentive plans being 'at-risk' based on business profit after tax performance and returns to shareholders.	2. Attract, motivate and retain executive talent in a competitive market through a competitive rewards program which attracts quality executives and incorporates a significant at-risk incentive component.

↓

Fixed	At-risk	
Fixed remuneration	**Short term incentive**	**Long term incentive**
Base salary and benefits plus statutory superannuation contributions	Annual cash payment with deferral mechanism	Performance rights granted annually at the Board's discretion
Rewards experience skills and capabilities	Rewards performance over a 12 month period	Rewards achievement of the Company's shareholder return targets over a three year period
Fixed payment reviewed annually and any increases applied from 1 April	**At-risk** wholly dependent upon achieving agreed performance (only paid if targets achieved)	**At-risk** wholly dependent upon achieving agreed performance (only vests if targets achieved)
Set with reference to comparable companies (in terms of industry and size), the scope and nature of the role, and the executive's qualifications, skills, and experience	Payment is determined by performance against net profit after tax target and individual KPIs	Vesting is determined by performance against targets which align to the Company's long term shareholder return objectives

SUMMARY OF EXECUTIVE KMP REMUNERATION OUTCOMES ON A NON-STATUTORY BASIS – NOT AUDITED

The table below sets out the 2016-17 remuneration outcomes received by the executive KMP over the year on a non-statutory basis, i.e. excluding the theoretical LTI performance rights calculation and replacing it with the value of any LTI which vested during the year and for which the executive received shares calculated using the shares value at the time of receipt.

Name	Cash Salary	STI[a]	Other incentives[b]	Superannuation	Vested LTI[c]	Total Realised Remuneration
James Marshall	603,583	-	-	20,275	-	623,858
Peter Forsberg	390,404	138,158	-	19,533	-	548,095
Matt Ingram	353,106	110,157	-	19,533	-	482,796
Wendy Yip	285,997	114,445	-	19,533	-	419,975
Peter Ryan	334,036	-	37,500	19,533	-	391,069
Total	1,967,126	362,760	37,500	98,407	-	2,465,793

Please refer to the employment period in the KMP section (page 13) for details of the period during which the executives were employed and hence remunerated.

a. The STI is stated as paid although it will actually be paid in June 2017. The table records 85% of the awarded STI with the remaining 15% deferred for one year.
b. Other incentives are sign on bonuses (Mr Ryan).
c. The vested LTI column relates to the 2012 plan which was tested during the year and failed to reach the required hurdles.

SUMMARY OF EXECUTIVE KMP REMUNERATION OUTCOMES ON A STATUTORY BASIS - AUDITED

Name	Year	Salary and fees	STI	Other incentives[b]	Super-annuation	Long service leave	LTI[c]	Total
Executive KMP								
James Marshall	2017	603,583	-	-	20,275	38,242	110,757	772,857
	2016	530,352	-	-	19,187	30,609	94,894	675,042
Peter Forsberg	2017	390,404	162,539	-	19,533	-	51,239	623,715
	2016	189,471	-	-	9,654	-	18,515	217,640
Matt Ingram	2017	353,106	129,597	-	19,533	-	48,244	550,480
	2016	264,806	75,000	-	19,187	-	18,473	377,466
Wendy Yip	2017	285,997	134,641	-	19,533	-	40,821	480,992
	2016	82,507	-	-	5,941	-	14,526	102,974
Peter Ryan	2017	334,036	-	37,500	19,533	-	(15,869)	375,200
	2016	99,752	-	15,972	5,941	-	15,869	137,534
Former other KMP's	2016	698,531	-	7,585	58,283	-	41,373	805,772
Executive KMP who left in 2015-26								
Peter Eaton (resigned 30 July 2015)	2016	113,818	-	16,667	6,562	6,110	(87,182)	55,975
Total Executive KMP Remuneration	2017	1,967,126	426,777	37,500	98,407	38,242	235,192	2,803,244
	2016	1,979,237	75,000	40,224	124,755	36,719	116,468	2,372,403

Please refer to the employment period in the KMP section (page 13) for details of the period during which the executives were employed and hence remunerated.

Notes

a. The increase year on year is significantly affected by the recording of a full year's remuneration for three of the five KMP who were first employed during the prior year.
b. Other incentives are sign on bonuses
c. The LTI represents the accounting charge recognised in the Company's profit and loss account in respect of the long term incentive plan. The charge reflects the fair value of the performance rights 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. Where grants lapse due to the failure to achieve non-market condition hurdles then the expense previously recognised can be reversed and result in a negative entry in this column.

EXECUTIVE REMUNERATION STRUCTURE - AUDITED

Remuneration mix

The table below represents the target remuneration mix for group executives in the current year:

		At risk	
	Fixed remuneration	Short term incentive	Long term incentive
KMP	50%	25%	25%

Fixed remuneration

Fixed remuneration consists of a base salary and benefits plus statutory superannuation contributions. The fixed remuneration is set with reference to the market, the scope and nature of the role, and the executive's qualifications, skills, performance and experience. In certain cases, the Board may determine that it is appropriate to stretch fixed annual compensation in order to attract critical talent where necessary.

Fixed remuneration is reviewed annually and any increase applied from 1 April. The Board may also approve adjustments during the year as recommended by the CEO such as those arising from promotion or the undertaking of additional duties.

The benchmark peer group against which the remuneration packages are compared consists of companies within the ASX300 with market characteristics of between 50% and 200% of that of Thorn Group. Independent expert advice may be sought by the Remuneration and Nomination Committee to assist in that exercise.

Short Term Incentive

The short term incentive ("STI") is an annual cash payment subject to achieving performance criteria based both on financial and non-financial key performance indicators. There is a target level of payment with an additional stretch component available for out-performance. The Board has 100% discretion in all matters.

<table>
<tr><th>Features</th><th>Description</th></tr>
<tr><td>Purpose</td><td>To motivate executives to achieve the short term performance targets.</td></tr>
<tr><td>Opportunity</td><td><table><tr><th></th><th>Target (as % of Fixed)</th><th>Maximum (as % of Fixed)</th></tr><tr><td>KMP</td><td>50%</td><td>100%</td></tr></table></td></tr>
<tr><td>Performance Period</td><td>12 months</td></tr>
<tr><td>Gateway and performance metrics</td><td>The STI is subject to an NPAT gateway below which no STI payments are made. The maximum STI that can be earned is based on NPAT against budget as follows:<table><tr><th>Company NPAT against budget</th><th>STI that can be earned</th></tr><tr><td><85%</td><td>0%</td></tr><tr><td>85%</td><td>42.5%</td></tr><tr><td>100%</td><td>50%</td></tr><tr><td>110%</td><td>100%</td></tr></table>Performance between these levels is rewarded on a straight line basis.
70% of the STI that can be earned (detailed in the table above) is eligible for payment as it is based upon the financial performance against budgeted NPAT with the remaining 30% dependent upon the individual's performance against their personal KPIs.
The personal KPIs are individual to the executive's position and capacity to influence, pre-agreed with the Board, and relate to strategically important initiatives and measures for customer satisfaction, systems, risk and staff development.</td></tr>
<tr><td>Assessment, approval and payment</td><td>At the end of the financial year, the Remuneration and Nomination Committee assesses actual financial performance based on the Company's audited financial statements, and each executive's performance against their personal KPIs to determine the value of each executive's STI reward.
The Board has 100% discretion with the STI outcome including the exercising of judgement with regard to any matter, both positive and negative, that may have occurred during the financial period and to adjust the levels of achievement accordingly.
Once approved, the STI rewards are paid in the month following the release of the Company's results to the ASX.</td></tr>
<tr><td>Deferral</td><td>For the 2017 financial year a deferral mechanism was introduced whereby 15% of the awarded STI is deferred for one year and subject to forfeiture should a material misstatement or omission in the financial statements become apparent, or the executive act in a manner unbecoming of the office held. This deferral percentage will rise to 30% in the 2018 year.
The deferred portion is subject to an election by the KMP as to its method of payment. It can be paid in cash one year later, subject to the restrictions stated, and will earn interest at a suitable deposit rate for that period, or it can be converted into performance share rights at a VWAP for the 5 days prior to the payment date of the initial tranche and receive an uplift by a dividend equivalent for any dividends declared during the deferral period. The performance rights will then be converted to shares on the due date and awarded to the KMP.</td></tr>
</table>

STI OUTCOMES FOR 2017 - AUDITED

The Company reported an NPAT of $25.3m which included charges for expenses arising from regulatory matters pertaining to the period 1 January 2012 to 1 May 2015.

That period was before 4 of the 5 members of the KMP were employed by the company and before the extent of the regulatory matters was known. Thorn's KMP have spent much of the past year investigating and resolving the difficult consequences of those matters in addition to the conduct of their specified role. Accordingly, the board exercised its discretion and determined that incentives were eligible to be paid.

Mr Marshall and Mr Ryan resigned and have been deemed ineligible for an STI payment.

STI for 2016-17	Target $	Earned %	Earned $	Forfeited %	Forfeited $
James Marshall	312,500	0%	-	100%	312,500
Peter Forsberg	205,099	79.2%	162,539	20.8%	42,560
Matt Ingram	186,619	69.4%	129,597	30.6%	57,022
Wendy Yip	164,800	81.7%	134,641	18.3%	30,159
Peter Ryan	176,902	0%	-	100%	176,902
Total	1,045,920	40.8%	**426,777**	59.2%	**619,143**

The amounts above are earned by the KMP but, due to the introduction of the deferral mechanism, 85% is payable in June 2017 and 15% withheld for one year subject to the restrictions described above.

Long Term Incentive (LTI)

The Long Term Incentive is an annual performance rights plan to which executive KMP are invited to participate at the Board's discretion.

The Company currently has four LTI plans running which share the same method but differ slightly in their hurdles and vesting criteria detailed in the table below. All of the 2012, 2014, 2015 and 2016 plans were granted in the form of performance rights directly linked to the performance of the Company, the returns generated, and relative increases in shareholder wealth. This structure was used to ensure appropriate alignment to shareholder value over a specified timeframe.

The following table sets out the key features of the plans with specific references to each of the 2012, 2014, 2015 and 2016 plans where they differ.

Features	Description
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.
Purpose	To motivate executives to achieve the long term performance targets.
Opportunity	**KMP** 50% of fixed remuneration The number of performance rights issued is determined by dividing the dollar opportunity by the prevailing share price of the Company at the date of issue.
Dividends or share issues	No dividends are paid or accrued on unvested awards.
Gateway Hurdle	Gateway hurdles of the grants across relevant measurement periods are as follows: **Plan** — **Gateway** 2012 — 20.0% Return on capital employed 2014 — 18.5% Return on equity 2015 — 16.0% Return on equity 2016 — No gateway hurdle The hurdle has differed with each LTI grant as the Company has sought to diversify its business segments into new areas with different capital return expectations. The Board reserve the right to amend the hurdle at its discretion but has not done so in the 2017 year.
Performance Hurdles	The 2012, 2014 and 2015 plans use a Relative Total Shareholder Return ("RTSR") performance hurdle solely while the 2016 plan has two performance hurdles in equal tranches being the RTSR and an Earnings Per Share ("EPS")

hurdle.

The company's Relative Total Shareholder Return performance is measured against a comparator group of ASX listed companies (available on the website at www.thorn.com.au).

RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.

Thorn Group Limited's TSR Ranking		**Percentage of Performance Rights subject to TSR condition that qualify for vesting**
2012 to 2015 Grants	**2016 Grants**	
< 50th percentile	< 50th percentile	0%
50th percentile	50th percentile	50%
50th to 90th percentile	50th to 75th percentile	Assessed on straight line basis
90th percentile or greater	75th percentile or greater	100%

The EPS hurdle applies only to the 2016 grant.

Thorn Group Limited's EPS Hurdle	**Percentage of Performance Rights subject to EPS condition that qualify for vesting**
2016 Grant	
< 5% compound annual growth rate	0%
5% to 10%	Assessed on straight line basis
= or > 10% CAGR	100%

Performance period and vesting Dates	• 2012: 1/3 of the grant is tested at 3 years (31 March 2015), 1/3 at 4 years (31 March 2016), and 1/3 at 5 years (31 March 2017). Earlier tranches which fail can be re-tested up until December 2017. Vesting dates are 1 June of the respective years. • 2014: 3 years (1 April 2014 to 31 March 2017). Vesting date is 1 June 2017. • 2015: 3 years (1 April 2015 to 31 March 2018). Vesting date is 1 June 2018. • 2016: 3 years (1 July 2016 to 30 June 2019). Vesting date is 1 September 2019.
Assessment, approval and payment	At the end of each performance period, the Remuneration and Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest. Payment is made by the issuing or transfer of shares.
Change of control	If a change of control occurs prior to the vesting of an award, then the Board may determine in its absolute discretion whether all or some of a participant's unvested award vest, lapse, is forfeited, or continues.
Termination	Unvested performance rights will lapse if performance conditions are not met. Performance rights will be forfeited on cessation of employment unless the Board determines at its absolute discretion otherwise.
Clawback provisions	There are no specific provisions providing the capacity to clawback a component of remuneration in the event of a matter of significant concern.

Calculation of the value of performance rights in the remuneration tables

The value of performance rights issued to executives and included in the remuneration tables is a mathematical model calculation designed to show an intrinsic value. This is necessary to show the benefit attributable to the KMP in the year of issue but before that benefit is actually received by the KMP.

The number of performance rights to be issued is derived from the relevant percentage of the executive's fixed remuneration at the time of the grant divided by the share price at that time. This number of performance rights is then input into a Monte Carlo simulation model by an independent expert and which works out the intrinsic value of the performance rights using the expected volatility of the shares, the time period to testing date, and a number of other monetary factors as set out in the table below.

The end result is an intrinsic value for each of the performance rights which is recorded in the books of the Company by allocating the expense to each reporting period evenly over the period from grant date to the vesting date.

The table below outlines the factors and assumptions used in determining the fair value of performance rights at grant date.

Grant date	Initial Test date	Expiry Date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
7 Dec 2012	1 Jun 2015	31 Dec 2017	$1.40	Nil	$1.91	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2016	31 Dec 2017	$1.28	Nil	$1.91	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2017	31 Dec 2017	$1.15	Nil	$1.91	32.0%	2.7%	6.0%
1 Jul 2014	1 Jun 2017	31 Jul 2017	$1.24	Nil	$2.17	28.0%	2.7%	5.0%
31 Oct 2015	1 Jun 2018	31 Jul 2018	$0.81	Nil	$2.12	31.0%	1.8%	6.4%
1 Jul 2016	1 Sep 2019	31 Oct 2019	$0.97	Nil	$1.45	33.0%	1.4%	5.9%

Long term incentive outcomes for 2017

The tranches of the 2012 LTI award falling due for testing or retesting on 1 June 2016 were assessed. The ROCE hurdle was not achieved and hence they did not vest. Under the terms of the grant they remain on foot and can be retested on 1 June 2017.

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Year in Which Grants Vest	Values Yet to Vest $	
	Number	Date	(ended 31 March)	Min (a)	Max (b)
James Marshall	218,410	1 July 2016	2020	Nil	315,602
Peter Forsberg	143,346	1 July 2016	2020	Nil	207,135
Matt Ingram	130,430	1 July 2016	2020	Nil	188,471
Wendy Yip	115,180	1 July 2016	2020	Nil	166,435
Peter Ryan	123,639	1 July 2016	2020	Nil	Nil

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

b. The maximum value of the performance rights yet to vest is not accurately 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. However, for the purposes of this disclosure the value of the shares at award grant date has been used along with assumption of full 100% vesting to calculate a theoretical maximum value.

5. ALIGNMENT BETWEEN REMUNERATION AND PERFORMANCE – AUDITED

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

Year ending 31 March	2017	2016	2015	2014	2013
Net Profit After Tax (AUD millions)	25.3	20.1	30.6	28.2	28.0
Earnings per share (cents)	16.2	13.1	20.3	18.9	19.1
Dividends per share (cents)	8.0	11.5	11.75	10.5	10.0
Share price at year end ($)	1.31	1.82	2.67	2.15	2.06
Return on capital employed %	11.0	11.1	18.5	21.8	24.8
Return on equity %	12.4	10.4	16.9	17.2	19.0

Return on capital employed is calculated as EBIT divided by average capital employed (net debt plus book equity). Return on equity is calculated as NPAT divided by the average book equity.

6. SERVICE CONTRACTS FOR EXECUTIVE KMP - AUDITED

The present contractual arrangements with executive KMPs are:

Component	CEO	Senior executives
Contract duration	Ongoing	Ongoing
Notice by individual or company	6 months	Range between 3 and 6 months
Termination without cause	Entitlement to pro-rata STI for the year. Unvested LTI is forfeited unless the board decide at its absolute discretion otherwise. Board has discretion to award a greater or lesser amount.	
Termination with cause	STI is not awarded and all unvested LTI will lapse Vested and exercised LTI can be exercised within a period of 30 days from termination	

a. James Marshall resigned with an effective date 21st April 2017. He remains under his employment contract for a six month period following this date.
b. Different contractual terms apply to the following individuals:

- Peter Ryan received a sign on bonus of $50,000 payable in 4 instalments of $12,500
- Peter Ryan was entitled to 6 weeks annual leave in his first year of service.

7. OTHER STATUTORY DISCLOSURES - AUDITED

LTI Performance rights available for vesting

Details of the performance rights available for vesting are detailed below:

	Initial Grant		Financial Years in Which Grant Vests (ending 31 March)	Remaining Unvested	Values Yet to Vest $		2017 Movements on original grant		
	Number	Date		Number	Min (a)	Max (b)	Vested	Forfeited	Unvested
James Marshall	63,291	7 Dec 2012	2015 – 2018	23,418	Nil	44,728	-	-	37%
	63,291	7 Dec 2012	2016 – 2018	63,291	Nil	120,886	-	-	100%
	63,291	7 Dec 2012	2017 – 2018	63,291	Nil	120,886	-	-	100%
	66,556	1 Jul 2014	2018	66,556	Nil	144,427	-	-	100%
	103,695	1 Jul 2015	2019	103,695	Nil	219,833	-	-	100%
	218,410	1 Jul 2016	2020	218,410	Nil	315,602	-	-	100%
Peter Forsberg	72,257	31 Oct 2015	2019	72,257	Nil	153,185	-	-	100%
	143,346	1 Jul 2016	2020	143,346	Nil	207,135	-	-	100%
Matt Ingram	34,150	1 Jul 2014	2018	34,150	Nil	74,106	-	-	100%
	30,271	31 Oct 2015	2019	30,271	Nil	64,175	-	-	100%
	130,430	1 Jul 2016	2020	130,430	Nil	188,471	-	-	100%
Wendy Yip	56,692	31 Oct 2015	2019	56,692	Nil	120,187	-	-	100%
	115,180	1 Jul 2016	2020	115,180	Nil	166,435	-	-	100%
Peter Ryan	61,934	31 Oct 2015	2019	61,934	Nil	131,300	-	(61,934)	-
	123,639	1 Jul 2016	2020	123,639	Nil	178,658	-	(123,639)	-

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 accurately 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. However, for the purposes of this disclosure the value of the shares at award grant date has been used along with assumption of full 100% vesting to calculate a theoretical maximum value.

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 2016	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2017
James Marshall	320,251	218,410	-	-	-	538,661
Peter Forsberg	72,257	143,346	-	-	-	215,603
Matt Ingram	64,421	130,430	-	-	-	194,851
Wendy Yip	56,692	115,180	-	-	-	171,872
Peter Ryan	61,934	123,639	-	-	(185,573)	-

Shareholdings of the Directors and Executive KMP

2017 Name	Balance at the start of the year	Received on vesting of incentives	Other changes (bought and sold)	Balance at the end of the year
Joycelyn Morton	85,786	-	6,208	91,994
Stephen Kulmar	68,000	-	-	68,000
Peter Henley	71,499	-	-	71,499
David Foster	26,970	-	-	26,970
Andrew Stevens	15,000	-	720	15,720
Belinda Gibson	-	-	-	-
James Marshall	175,054	-	6,489	181,543
Peter Forsberg	10,000	-	-	10,000
Matt Ingram	-	-	-	-
Wendy Yip	-	-	-	-
Peter Ryan	-	-	-	-

Changes in the year relate to Directors participation in the dividend reinvestment plan.

Other transactions with Directors or Executive KMP

There were no loans made or outstanding to Directors or executive KMP during or at the end of the year.

A director, Stephen Kulmar, is the founder of the retail consultancy Retail Oasis, which has the Company as one of its clients. During the year, the Company engaged Retail Oasis for strategy and marketing consultancy work. The billings received and accrued on the account for the year ended 31 March 2017 were $33,665. They were on normal commercial terms and conditions.

SUBSEQUENT EVENTS

Thorn's Chief Financial Officer and Company Secretary, Peter Forsberg, was appointed Acting CEO on 24 April 2017 following the resignation of James Marshall.

Thorn's General Manager of Finance, Andrew Crowther was appointed acting Chief Financial Officer on 24 May 2017.

CONTINGENT LIABILITY

The Thorn subsidiary running Radio Rentals was named on 29 March 2017 as the respondent to a class action proceeding that has been commenced by one of its customers in the Federal Court of Australia. It is understood that the allegations presently relate to misleading, deceptive and unconscionable conduct, false representations and unfair contract terms.

The matter will be vigorously defended and is expected to take some time, possibly years, to resolve. No provision has been taken in these accounts. Legal fees will be incurred defending the matter over the period of that defence should the matter proceed.

LIKELY DEVELOPMENTS

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

UNISSUED SHARES UNDER OPTIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

Insurance Premiums

During the financial year the Company has paid insurance premiums of $124,900 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.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, 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 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 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, 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 22.

ROUNDING OF FINANCIAL AMOUNTS

The Company is of a kind referred to in ASIC Instrument 2016/191 issued by the Australian Securities and Investments Commission and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year and can be referred to on Thorn Group website http://www.thorn.com.au/irm/content/corporate-governance.aspx?RID=303.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 27 and forms part of the directors' report for financial year ended 31 March 2017.

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

Joycelyn Morton
Chair

Dated at Sydney
25 May 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Thorn Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Thorn Group Limited for the financial year ended 31 March 2017 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

Anthony Travers
Partner

Sydney
25 May 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

$'000 AUD	Notes	2017	2016*
Continuing operations			
Revenue	3	**298,695**	**289,346**
Finance lease cost of sales		(84,013)	(75,115)
Employee benefit expense	20	(58,150)	(52,104)
Impairment losses on loans and receivables		(28,607)	(31,435)
Marketing expenses		(13,602)	(14,642)
Property expenses		(10,495)	(9,951)
Transport expenses		(5,906)	(5,886)
Communication & IT expenses		(6,314)	(5,754)
Printing, stationary and postage		(2,945)	(2,812)
Travel expenses		(2,024)	(1,707)
Other operating expenses		(24,764)	(20,646)
Depreciation and amortisation		(14,796)	(24,995)
Impairment of Intangibles		-	(6,672)
Total operating expenses		**(251,616)**	**(251,719)**
Earnings before Interest and Tax ("EBIT")		47,079	37,627
Finance expenses		(9,478)	(6,512)
Profit before income tax		37,601	31,115
Income tax expense	9	(12,195)	(12,004)
Profit after tax from continuing operations		**25,406**	**19,111**
Discontinued operation			
(Loss)/Profit from discontinued operation, net of tax	19	(98)	948
Profit after tax for the year		**25,308**	**20,059**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedge		(546)	107
Total comprehensive income		**24,762**	**20,166**
Earnings per share – continuing operations			
Basic earnings per share (cents)	15	16.3	12.5
Diluted earnings per share (cents)	15	16.3	12.5
Earnings per share			
Basic earnings per share (cents)	15	16.2	13.1
Diluted earnings per share (cents)	15	16.2	13.1

** Restated to redirect the results of discontinued business, NCML, into one line above Profit after tax. For details see Note 19.*
The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

$'000 AUD	Notes	2017	2016*
Assets			
Cash and cash equivalents		14,681	14,049
Trade and other receivables	4	185,578	149,497
Income tax receivable		5,916	5,363
Total current assets		**206,175**	**168,909**
Trade and other receivables	4	307,397	231,562
Property, plant and equipment		5,058	3,244
Rental assets	6	6,651	13,809
Intangible assets	8	24,322	25,524
Total non-current assets		**343,428**	**274,139**
Total assets		**549,603**	**443,048**
Liabilities			
Trade payables		12,011	15,698
Other payables		23,121	22,941
Borrowings	13	46,904	39,091
Employee benefits		5,414	5,584
Provisions	12	9,037	990
Total current liabilities		**96,487**	**84,304**
Borrowings	13	229,559	158,782
Deferred tax liabilities	10	12,163	1,344
Employee benefits		309	375
Provisions	12	847	710
Total non-current liabilities		**242,878**	**161,211**
Total liabilities		**339,365**	**245,515**
Net assets		**210,238**	**197,533**
Equity			
Issued capital		115,340	109,854
Reserves		2,979	3,188
Retained earnings		91,919	84,491
Total equity		**210,238**	**197,533**

* *Certain balances in 2016 have been restated. Refer to Note 6 for further information.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2017

$'000 AUD	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 April 2015	103,446	2,989	83,053	189,488
Net profit for the year	-	-	20,059	20,059
Other comprehensive income	-	107	-	107
Issue of shares under dividend reinvestment plan	6,408	-	-	6,408
Share based payments transactions	-	92	-	92
Dividends to shareholders	-	-	(18,621)	(18,621)
Balance at 31 March 2016	**109,854**	**3,188**	**84,491**	**197,533**
Balance at 1 April 2016	109,854	3,188	84,491	197,533
Net profit for the year	-	-	25,308	25,308
Other comprehensive income	-	(546)	-	(546)
Issue of shares under dividend reinvestment plan	5,486	-	-	5,486
Share based payments transactions	-	337	-	337
Dividends to shareholders	-	-	(17,880)	(17,880)
Balance at 31 March 2017	**115,340**	**2,979**	**91,919**	**210,238**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

$'000 AUD	Note	2017	2016
Cash flows from operating activities			
Cash receipts from customers		621,320	694,002
Cash paid to suppliers, employees and advanced to customers		(425,366)	(546,769)
Cash generated from operations		195,954	147,233
Net borrowing costs		(9,478)	(6,512)
Income tax paid		(9,118)	(13,548)
Net cash from operating activities		**177,358**	**127,173**
Cash flows from investing activities			
Proceeds from sale of assets		175	603
Acquisition of rental assets	6	(81,889)	(75,584)
Commercial finance originations		(178,462)	(91,743)
Acquisition of property, plant and equipment and software		(3,933)	(1,942)
Disposal of subsidiary	19	21,185	-
Net cash used in investing activities		**(242,924)**	**(168,666)**
Cash flows from financing activities			
Proceeds from borrowings		166,333	94,327
Repayment of borrowings		(87,743)	(40,428)
Dividends paid		(12,392)	(12,213)
Net cash used in financing activities		**66,198**	**41,686**
Net increase (decrease) in cash and cash equivalents		632	193
Cash and cash equivalents at April 1		14,049	13,856
Cash and cash equivalents at 31 March		**14,681**	**14,049**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

Cash and cash equivalents

$'000 AUD	2017	2016
Bank balances	14,681	13,936
Call deposits	-	113
Cash and cash equivalents	14,681	14,049

Included in cash are amounts of $8,043,000 (2016: $3,941,000) which are held as part of the consolidated entity's funding arrangements that are not available to the consolidated entity. This cash is held within the funding warehouse trust and as such is under the control of the Trustee. Free cash is therefore $6,638,000 (2016: $10,108,000).

Reconciliation of cash flows from operating activities

$'000 AUD	2017	2016
Cash flows from operating activities		
Profit for the period	25,308	20,059
Adjustments for:		
Depreciation and amortisation	14,843	31,973
Equity settled transactions	337	92
Loss on sale of subsidiary and money in escrow	1,033	-
Transfer of rental assets to/from finance leases	77,760	70,625
Business Finance settlements	178,462	91,743
Operating profit before changes in working capital and provisions	**297,743**	**214,492**
Changes in working capital and provisions, net of the effects of the Purchase of subsidiaries		
(Increase) in trade and other receivables	(136,773)	(91,652)
Increase in deferred tax liability	10,300	2,847
(Decrease) in income tax liability	(553)	(3,984)
(Decrease) / Increase in trade and other payables	(2,167)	6,971
Increase / (Decrease) in provisions and employee benefits	8,808	(1,501)
Net cash from operating activities	**177,358**	**127,173**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Thorn Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 62 Hume Highway, Chullora NSW 2190. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity were the leasing of household products, the provision of loans, commercial finance and the provision of receivables management services.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 25 May 2017.

(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 Instrument 2016/191 issued by the Australian Securities and Investments Commission and in accordance with that Instrument, 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. See Note 8.
(ii) Impairment of goodwill. See Note 8.
(iii) Longer term Consumer Rental asset depreciation. See Note 6.
(iv) Impairment of receivables. See Note 11.
(v) Purchased debt ledgers (PDL, up to 13th Sep 2016). See Note 7.

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if:

(i) The amount is significant because of its size or nature;
(ii) It is important for understanding the results of the Group or changes in the Group's business; and
(iii) It relates to an aspect of the Group's operations that is important to its future operations.

Accounting policies have been included within the underlying notes with which they relate where possible. The balance of accounting policies are detailed below:

(c) Cost of Sales

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

(d) Finance expenses

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

(e) Impairment

Non-Financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating units"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

(f) 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.

(g) Changes in Accounting Policy
All new Accounting Standards and Interpretations applicable to annual reporting periods commencing on or before 1 April 2016 have been applied to the consolidated entity effective from their required date of application. The initial application of these Standards and Interpretations has not had a material impact on the financial position or the financial results of the consolidated entity.

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

(h) New Standards and Interpretations Not Yet Adopted
The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. The consolidated entity will apply the standard and amendments for the reporting periods beginning on the operative dates set out below. The financial impact of applying these new standards is yet to be determined. The consolidated entity does not plan to adopt these standards early.

- AASB 2010-7 and AASB 2009-11 Amendments to AASB 9 introduce new requirements for the classification and measurement of financial assets. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. AASB 9 introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. The amendments, which become mandatory for the consolidated entity's 31 March 2019 financial statements, are not expected to have a significant impact on the financial statements.
- IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential financial impact resulting from the application of IFRS 15.
- IFRS 16 *Leases* removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt IFRS 15 Revenue from contracts with customers. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

2. SEGMENT REPORTING

The Board and CEO (the chief operating decision maker) monitor the operating results of four reportable segments which are the Consumer Leasing division which leases household products, the Equipment Finance division which provides financial products to small and medium enterprises including equipment leasing, the Trade & Debtor Finance which provides invoice discounting and the Consumer Finance division which provides personal loans and is now closed and in run-off.

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

2017 $'000 AUD	Consumer Leasing	Equipment Finance	Trade & Debtor Finance	Consumer Finance	Corporate	Consolidated
Segment revenue	**251,175**	**26,422**	**11,227**	**9,871**	**-**	**298,695**
Operating expenses	(200,869)	(9,945)	(8,701)	(5,873)	(11,432)	(236,820)
EBITDA	**50,306**	**16,477**	**2,526**	**3,998**	**(11,432)**	**61,875**
Depreciation, amortisation and impairment	(13,964)	(363)	(199)	(48)	(222)	(14,796)
EBIT	**36,342**	**16,114**	**2,327**	**3,950**	**(11,654)**	**47,079**
Finance expenses	-	-	-	-	(9,478)	(9,478)
Profit before tax – continuing operations	**36,342**	**16,114**	**2,327**	**3,950**	**(21,132)**	**37,601**
Segment assets	193,396	239,268	45,852	21,448	49,639	549,603
Segment liabilities	(61,694)	-	(1,209)	-	(276,462)	(339,365)

2016 $'000 AUD	Consumer Leasing	Equipment Finance	Trade & Debtor Finance	Consumer Finance	Corporate	Consolidated
Segment revenue	**245,701**	**16,703**	**13,823**	**13,119**	**-**	**289,346**
Operating expenses	(179,854)	(7,484)	(9,211)	(14,503)	(9,000)	(220,052)
EBITDA	**65,847**	**9,219**	**4,612**	**(1,384)**	**(9,000)**	**69,294**
Depreciation, amortisation and impairment (i)	(21,930)	(438)	(263)	(473)	(8,563)	(31,667)
EBIT	**43,917**	**8,781**	**4,349**	**(1,857)**	**(17,563)**	**37,627**
Finance expenses	-	-	-	-	(6,512)	(6,512)
Profit before tax – continuing operations	**43,917**	**8,781**	**4,349**	**(1,857)**	**(24,075)**	**31,115**
Segment assets	160,386	131,863	44,194	33,615	49,395	419,453
Segment liabilities	(39,593)	-	(5,889)	-	(197,871)	(243,353)

Preparation of the segment note includes allocation of corporate costs. The allocation method adopted in 2017 was changed to improve disclosure. The comparative 2016 disclosure was restated using the new allocation basis.

(i) Corporate depreciation, amortisation and impairment includes the impairment of NCML goodwill of $6.7m.

3. REVENUE

$'000 AUD	2017	2016
Operating leases	42,900	68,125
Finance lease sales	116,840	103,434
Interest	127,728	103,964
Other commercial revenue	11,227	13,823
	298,695	**289,346**

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:

- Operating lease rental revenue is recognised on a straight line basis over the lease term, net of discounts. Revenue also arises from charges such as late fees, termination fees and damage liability reduction fees. These revenues are recognised when due and payable.
- 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.
- Interest revenue is calculated and charged on the average outstanding loan and lease balance and recognised on an accrual basis using the effective interest method.
- Other commercial revenue represents fees derived from invoice discounting transactions performed by Trade & Debtor Finance within the Thorn Business Finance division and is recognised on an accrual basis.

4. TRADE AND OTHER RECEIVABLES

$'000 AUD	2017	2016*
Current		
Trade receivables	6,614	3,776
Finance lease receivables	114,034	63,256
Other commercial receivables	33,873	40,313
Loan receivables	16,700	23,464
Lease deposits	617	616
Other receivables and prepayments	13,740	10,888
Purchased debt ledgers	-	7,184
	185,578	**149,497**
Non-current		
Finance lease receivables	298,027	204,718
Loan receivables	9,370	14,482
Purchased debt ledgers	-	12,362
	307,397	**231,562**

**Certain 2016 balances have been restated. Refer to Note 6 for further details.*

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 receivables, other commercial receivables, loan receivables and other receivables and prepayments are stated at their amortised cost less impairment losses, with the exception of PDL's which were designated at fair value. Detailed information on PDL's is disclosed in Note 7.

The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 11.

5. LEASES

Finance leases as lessor

The consolidated entity has finance lease, hire purchase agreements and chattel mortgage contracts. The consolidated entity classifies longer term Consumer Rental contracts as finance leases where the term of the contract is 24 months, 36 months or 48 months. The asset rented has an estimated useful life equal to the contract length. The future minimum lease receipts under non-cancellable finance leases are as follows:

$'000 AUD	2017	2016
Lease receivables - less than one year	249,157	175,373
Lease receivables - between one and five years	392,341	283,653
Total Lease receivables	**641,498**	**459,026**
Unearned interest income on finance leases - less than one year	(108,193)	(85,855)
Unearned interest income on finance leases - between one and five years	(94,314)	(78,949)
Total unearned interest income on finance leases	**(202,507)**	**(164,804)**
Impairment provisioning – consumer leases	(26,930)	(26,248)
Net Lease receivables	**412,061**	**267,974**

Operating leases as lessor

The consolidated entity leases out its rental assets under operating leases.

The future minimum lease receipts under non-cancellable operating leases are as follows:

$'000 AUD	2017	2016
Less than one year	3,408	4,859
Between one and five years	886	1,093
	4,294	**5,952**

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

$'000 AUD	2017	2016
Less than one year	7,487	5,887
Between one and five years	10,831	6,933
	18,318	**12,820**

The consolidated entity leases all store and office premises under operating leases. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. The majority of the lease payments are increased every year to reflect market rentals.

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

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.

Operating lease rental expenditure for the year ended 31 March 2017 was $11,229,000 (2016: $11,285,000).

6. RENTAL ASSETS

$'000 AUD	2017	2016*
Opening balance	13,809	29,458
Acquisitions	81,889	75,584
Disposals	(1,559)	(1,978)
Depreciation	(11,740)	(19,871)
Transfers to finance leases	(85,237)	(76,375)
Transfers from finance leases	9,489	6,991
	6,651	**13,809**

**The procedure for purchasing rental assets involves making deposit payments to overseas suppliers and settling balances when delivery is complete. An adjustment for the gross up of rental assets and trade payables has occurred and has been reflected as a restatement of 2016 balances with other restatements to other receivables and trade creditors. This resulted in a reduction of rentals assets of $4.4m to $13.9m, increase of trade and other receivables (current) of $1.6m to $13.8m and decrease in trade payables of $2.8m to $15.7m.*

Recognition and Measurement

Rental assets represent purchased consumer goods held in store or delivered to end customers and earning revenue via operating lease arrangements. These 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.

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

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

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 recognised net within revenue in the profit or loss.

The procedure for purchasing rental assets involves making deposit payments to overseas suppliers and settling balances when delivery is complete. A change in procedures recording these cash flows has been reflected in a restatement of 2016 balances with other restatements to other receivables and trade creditors.

7. PURCHASED DEBT LEDGERS

Purchased Debt Ledgers (PDL) were measured at fair value and are classified as level 3 under the hierarchy set out in AASB 7 Financial Instruments: Disclosure. The following table shows a reconciliation of the PDL balances (up to 13 Sep 2016):

$'000 AUD	2017	2016
At the beginning of the year	19,546	14,409
Net additions	4,651	11,981
Collections	(4,715)	(11,271)
Revenue	2,587	4,427
Sale of asset through disposal of division	(22,069)	-
At the end of the year	**-**	**19,546**

PDLs are classified as follows:

$'000 AUD	2017	2016
Less than one year	-	7,184
Between one and five years	-	12,362
At the end of the year	**-**	**19,546**

Fair values of PDLs were determined using a discounted cash flow valuation technique. Cash flow forecasts were 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.

The following summarises the assumptions used in these calculations:

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

8. INTANGIBLE ASSETS

$'000 AUD	Goodwill	Customer Relationships	Software	Total
Year ended 31 March 2016				
Opening net carrying amount	27,330	1,758	5,645	34,733
Additions	-	-	1,159	1,159
Amortisation and Impairment charges for the year	(6,672)	(1,758)	(1,938)	(10,368)
Closing net book amount	**20,658**	**-**	**4,866**	**25,524**
At 31 March 2016				
Cost	34,404	8,797	11,569	54,770
Amortisation and Impairment	(13,746)	(8,797)	(6,703)	(29,246)
Net book amount	**20,658**	**-**	**4,866**	**25,524**

Year ended 31 March 2017				
Opening net carrying amount	20,658	-	4,866	25,524
Additions	-	-	839	839
Amortisation and Impairment charges for the year	-	-	(2,041)	(2,041)
Closing net book amount	**20,658**	**-**	**3,664**	**24,322**
At 31 March 2017				
Cost	27,732	-	12,408	40,140
Amortisation and Impairment	(7,074)	-	(8,744)	(15,818)
Net book amount	**20,658**	**-**	**3,664**	**24,322**

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 of the acquired business.

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

Other Intangibles

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

Amortisation

Amortisation is provided on all intangible assets excluding goodwill. Amortisation is calculated on a straight line basis so as to write-off the cost of each intangible asset over its estimated useful life. The estimated useful lives for software in the current and comparative periods are 3 – 8 years.

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

Impairment tests for Cash Generating Units (CGU) containing goodwill

Valuation of goodwill and other intangibles

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

Impairment of goodwill

Information about the assumptions and their risk factors relating to goodwill impairment is contained below. 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.

The following units have significant carrying amounts of goodwill:

$'000 AUD	2017	2016
Consumer leasing	15,604	15,604
Trade & Debtor Finance	5,054	5,054
Total	**20,658**	**20,658**

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

These cash flow projections are derived from budgets submitted and approved by the board. The budget cash flow projections are based on empirical experience, industry trends and other specific expectations in the future.

Key assumptions used for value-in-use calculations

Consumer Leasing

During the forecast period, revenue is assumed to be impacted by the application of new consumer lending criteria and certain strategic initiatives regarding the product offering. The finance lease receivable book position will decline temporarily resulting in strong initial cash flows. Cash flows will decline in subsequent years as the book grows until a terminal positive cash flow is achieved.

Cost of product purchased and operational costs are also assumed to reduce with the implementation of strategic initiatives already underway.

A pre-tax discount rate is assumed at 13.35% (2016: 13.85%).

A terminal value is calculated using the cash inflows for year 5 (when the book is mature and new contracts replaces those rolling off) with a long-term growth rate of 2.0%. The value in use calculation in 2017 was determined on a similar basis to the 2016 calculation.

Any reasonable change in the key assumptions on which the estimates and/or the discount rate are based would not cause the carrying amount of the Consumer Leasing CGU to exceed the recoverable amount.

Trade & Debtor Finance

Goodwill of $3,247,000 was initially and provisionally established at the time of purchase and finalised at $5,054,000 during the year ended 31 March 2016.

A pre-tax discount rate is assumed 10.40% (2016: 13.85%) and a terminal value is calculated using the cash flows for year 5 of the forecast period with a long-term growth rate of 2.0%.

Management has identified that a reasonable possible change in the budgeted EBITDA growth rate could cause the carrying amount to exceed the recoverable amount. Budgeted EBITDA growth rate would need to decrease individually by 26.58% for the estimated recoverable amount to be equal to the carrying amount.

9. INCOME TAX EXPENSE

Recognised in the Income Statement

$'000 AUD	2017	2016
Current tax expense		
Current year	2,379	9,543
Adjustment for prior year	(42)	20
Deferred tax expense		
Origination and reversal of temporary differences	9,817	2,847
Tax on discontinued operations	41	(406)
Total income tax expense in income statement	**12,195**	**12,004**

Numerical reconciliation between tax expense and pre-tax accounting profit

$'000 AUD	2017	2016
Profit before tax	37,601	31,115
Prima facie income tax using the domestic corporation tax rate of 30% (2016: 30%)	11,280	9,335
Change in income tax expense due to:		
Non-deductible expenses	957	2,649
(Over) / Under provided in prior years	(42)	20
Income tax expense on pre-tax accounting profit	**12,195**	**12,004**

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
$'000 AUD	2017	2016	2017	2016	2017	2016
Rental assets	65,883	55,504	-	-	65,883	55,504
Property, plant and equipment	602	675	-	-	602	675
Trade, loan and other receivables	944	2,601	-	-	944	2,601
Finance lease receivables	-	-	(85,972)	(66,892)	(85,972)	(66,892)
Accruals	5,000	4,391	-	-	5,000	4,391
Provisions	1,380	2,131	-	-	1,380	2,131
PDL liability	-	246	-	-	-	246
Tax assets / (liabilities)	**73,809**	**65,548**	**(85,972)**	**(66,892)**	**(12,163)**	**(1,344)**

Income Tax

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

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

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

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

Tax consolidation

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

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

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

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

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and 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.

11. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

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

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

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

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

Credit risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company and is the most significant risk to the group. The maximum exposure to credit risk is represented by the carrying amount receivables and loans. The Group leases products to consumers (as well as consumer loans that are in run off) and provides business finance to SME's pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity. The Group is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The Group maintains a provision for receivable losses. The process for establishing the provision for losses is critical to the Group's results of operations and financial condition. It is determined by the Group using a calculation that considers the relative maturity of the receivables and loans within the portfolio, the long term expected loss rates based on actual historical performance and the long-term expected losses for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current book performance, the Group could suffer increased loan losses beyond those provided for on its financial statements.

The Group cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Group.

Credit risk grew in-line with the growth of the loan and lease receivables in all segments, except Consumer Finance where bad debt provisioning increased as a percentage of the loan receivables due to the proposed liquidation of the book.

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

$'000 AUD	2017	2016
Trade receivables	6,614	3,776
Consumer finance lease receivables	172,793	136,047
Thorn Equipment Finance lease receivables	239,268	131,927
Other commercial receivables	33,873	40,313
Loan receivables	26,070	37,946
Purchased debt ledgers	-	19,546
	478,618	**369,555**

Impairment losses

Trade receivables

The consolidated entity assesses the impairment of receivables monthly. The calculations include an assessment of the expected rates of loss and for consumer lease receivables, an estimate of collateral.

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

$'000 AUD	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	3,949	-	1,146	-
Past due 0 - 30 Days	1,918	(384)	2,070	(408)
Past due 31 - 180 Days	2,027	(896)	1,735	(767)
	7,894	**(1,280)**	**4,951**	**(1,175)**

The net value of trade receivables as at 31 March 2017 was $6,614,000 (2016: $3,776,000)

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

Consumer finance lease receivables

Finance lease receivables net of provision total $172,793,000 (2016: $136,047,000) not past due. Finance lease receivables that are past due are disclosed in the trade receivables above.

The provision for impairment losses as at 31 March 2017 is $21,893,000 (2016: $22,114,000). 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 book value of this collateral as at 31 March 2017 is $106,581,000 (2016: $91,068,000).

Thorn Equipment Finance lease receivables

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

$'000 AUD	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	234,081	-	132,631	(2,086)
Past due 0 - 30 Days	5,261	-	1,535	(153)
Past due 31 - 180 Days	4,962	(5,036)	1,895	(1,895)
	244,304	**(5,036)**	**136,061**	**(4,134)**

The net value of commercial finance lease receivables as at 31 March 2017 was $239,268,000 (2016: $131,927,000)

Other commercial receivables

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

$'000 AUD	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	13,871	-	7,857	-
Past due 0 - 30 Days	13,265	-	14,256	-
Past due 31 - 180 Days	7,745	(1,008)	20,225	(2,025)
	34,881	**(1,008)**	**42,338**	**(2,025)**

The net value of other commercial receivables as at 31 March 2017 was $33,873,000 (2016: $40,313,000)

Loan receivables

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

$'000 AUD	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	26,250	(2,506)	38,738	(3,463)
Past due 0 - 30 Days	2,585	(259)	2,968	(297)
Past due 31 - 180 Days	3,294	(3,294)	3,557	(3,557)
	32,129	**(6,059)**	**45,263**	**(7,317)**

The net value of loan receivables as at 31 March 2017 was $26,070,000 (2016: $37,946,000)

Liquidity risk

Liquidity risk is the risk that the Group's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends.

The capital structure of the Group consists of external debt and shareholders' equity. The Group manages its capital structure and makes adjustments to it in light of economic conditions and the Group's individual situation. The Group's debt facilities must be renewed on a periodic basis. These facilities contain restrictions on the Group's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of financial and non-financial covenants. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lender to declare all amounts outstanding to be immediately due and payable or the inability to draw down further. In such a case, the financial condition, liquidity and results of operations of the Group could materially suffer.

The Group has been successful in renewing and expanding its debt facilities in the past to meet the needs of its growing business. If the Group were unable to renew these facilities or unable to renew on acceptable terms when they became due, there could be a material adverse effect on the Group's financial condition, liquidity and results of operations.

Liquidity risk is managed through the adequate provision of funding and effective capital management policies. Thorn will look to diversify its funding sources to further mitigate this risk into the future.

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2017.

31 March 2017

$'000 AUD	Carrying Amount	Contractual Cash Flows	1 year or less	1-5 years	5 years or more
Secured loan facilities	276,463	298,300	57,162	241,138	-
Trade and other payables	43,232	43,232	43,232	-	-
	319,695	341,532	100,394	241,138	-

31 March 2016

$'000 AUD	Carrying Amount	Contractual Cash Flows	1 year or less	1-5 years	5 years or more
Secured loan facilities	197,873	213,603	46,479	167,124	-
Trade and other payables	38,640	38,640	38,640	-	-
	236,513	252,243	85,119	167,124	-

The consolidated entity's access to financing arrangements is disclosed in Note 13.

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.

Foreign Currency Risk

The Group is also subject to currency risk related to the direct acquisition of rental assets from overseas suppliers. To mitigate this risk the group operates a foreign exchange risk policy. Group has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in an exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Company's financial performance. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

Interest Rate Risk

Interest rate risk is the risk the consolidated entity incurs financial loss due to adverse movement in interest rates. The consolidated entity is subject to interest rate risk on both its senior debt facility and the securitised warehouse.

The consolidated entity purchases interest rate hedges to effectively fix the securitised warehouse which has a known term and predictable cash inflows on the established book.

No interest rate hedges have been purchased on the senior debt facility.

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

$'000 AUD	2017	2016
Financial assets	6,638	10,108
Financial liabilities	(276,463)	(197,873)

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 $1,889,000 (2016: $1,314,000).

Financial Instruments

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 equity, which the consolidated entity defines as net profit after tax divided by the average of opening and closing equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 14 for quantitative data.

Non-derivative financial instruments

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

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

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

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

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

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

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

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.

The Fair Value Hierarchy

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

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

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

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

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

12. PROVISIONS

2017 $'000 AUD	Regulatory	Make good	Total
Opening balance	-	1,700	1,700
Provisions made during the year	8,100	299	8,399
Provisions used during the year	-	(144)	(144)
Provisions reversed during the year	-	(71)	(71)
	8,100	**1,784**	**9,884**
Current	8,100	937	9,037
Non- current	-	847	847
	8,100	**1,784**	**9,884**

2016 $'000 AUD	Regulatory	Make good	Total
Opening balance	-	1,680	1,680
Provisions made during the year	-	181	181
Provisions used during the year	-	(161)	(161)
Provisions reversed during the year	-	-	-
	-	**1,700**	**1,700**
Current	-	990	990
Non- current	-	710	710
	-	**1,700**	**1,700**

Regulatory

Regulatory provision represents amounts set aside for potential customer remediation, penalties and costs of engaging expert advice.

Make good – lease premises

Make good provision represent expected costs of returning lease premises to an appropriate condition upon termination of rental contract.

13. BORROWINGS

$'000 AUD	**2017**	**2016**
Current liabilities		
Secured loans	46,904	39,091
Non-current liabilities		
Secured loans	229,559	158,782
	276,463	**197,873**

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, 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.

Financing Loan Facilities

$'000 AUD	2017	2016
Secured Loan Facility (Maturity 30 April 2018)	110,000	110,000
Utilised	94,400	104,000
Available headroom	**15,600**	**6,000**
Secured Loan Facility (Maturity 30 April 2018)	65,000	30,000
Utilised	30,000	12,000
Available headroom	**35,000**	**18,000**
Securitised warehouse facility (Maturity 16 December 2017)	180,000	100,000
Utilised	152,063	81,873
Available headroom	**27,937**	**18,127**
Total loan facilities	355,000	240,000
Utilised	276,463	197,873
Available headroom	**78,537**	**42,127**

Secured loan facilities noted above are secured by a fixed and floating charge over the assets of the consolidated entity.

The securitised warehouse loan facility is secured by rentals and payments receivable in respect of the underlying lease receivable contracts during the financial year. The amounts due and payable on the warehouse loan facility in the next 12 months are disclosed as current. 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 leases are payable.

For more information about the consolidated entity's exposure to interest rate risk and liquidity risk see Note 11.

14. CAPITAL AND RESERVES

Number of shares	2017	2016
On issue at the beginning of year	154,466,886	151,337,839
Issue of new shares on vesting of performance rights	-	-
Issue of shares under dividend investment plan	3,779,965	3,129,047
	158,246,851	154,466,886

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.

- 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.

Equity Remuneration Reserve

The equity remuneration reserve represents the value of performance rights issued under the Company's long-term incentive plan.

Dividends

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

Dividends recognised in the current year by the Company are:

	Cents per share	Amount $'000 AUDs	Franking %	Date of payment
2017				
Final 2016	6.0	9,268	100%	18 July 2016
Interim 2017	5.5	8,612	100%	20 January 2017
Total amount		17,880		
2016				
Final 2015	6.75	10,215	100%	16 July 2015
Interim 2016	5.5	8,406	100%	21 January 2016
Total amount		18,621		

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 %	Expected date of payment
Final ordinary	2.5	3,956	100%	18 July 2017

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2017 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 $1,695,000 (2016: $3,972,000).

Dividend franking account

$'000 AUD	2017	2016
30% franking credits available to shareholders of Thorn Group Limited	31,559	37,625

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.

Dividend Reinvestment Plan (DRP)

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

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

In accordance with the Company's DRP 3,779,965 new ordinary shares were issued during this financial year to the value of $5,486,179.

15. EARNINGS PER SHARE

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic earnings per share

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.

The calculation of basic earnings per share at 31 March 2017 was based on profit attributable to ordinary shareholders of $25,308,000 (2016: $20,059,000) and a weighted average number of ordinary shares during the year ended 31 March 2017 of 156,266,756 (2016: 152,707,502).

Diluted earnings per share

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.

The calculation of diluted earnings per share at 31 March 2017 was based on profit attributable to ordinary shareholders of $25,308,000 (2016: $20,059,000) and a weighted average number of ordinary shares during the year ended 31 March 2017 of 156,266,756 (2016: 152,707,502), which includes performance rights granted.

	2017	2016
Profit attributable to ordinary shareholders (basic)		
$'000 AUD		
Profit attributable to ordinary shareholders (basic and diluted) – continuing operations	25,406	19,111
Profit attributable to ordinary shareholders (basic and diluted)	25,308	20,059
Weighted average number of ordinary shares (basic)		
'000's		
Issued ordinary shares at 1 April	154,467	151,338
Effect of shares issued	1,800	1,370
Weighted average number of ordinary shares for the year	156,267	152,708
Weighted average number of ordinary shares (diluted)		
'000's		
Issued ordinary shares at 1 April	154,467	151,338
Effect of shares issued	1,800	1,370
Weighted average number of ordinary shares for the year	156,267	152,708
Earnings per share – continuing operations		
Basic earnings per share (cents)	16.3	12.5
Diluted earnings per share (cents)	16.3	12.5
Earnings per share		
Basic earnings per share (cents)	16.2	13.1
Diluted earnings per share (cents)	16.2	13.1

16. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2017	2016
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%
Thorn Personal Finance 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	0%	100%
National Credit Management Limited	Australia	0%	100%
A.C.N 119211317 Pty Ltd (Greater Western Asset Management)	Australia	0%	100%
Hudson Legal Pty Ltd	Australia	0%	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%
Cash Resources Australia Pty Ltd	Australia	100%	100%
Cash Resources Australia Unit Trust	Australia	100%	100%

Basis of Consolidation

Subsidiaries

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

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

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

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

17. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations Instrument 2016/914 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 Corporates Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are listed in Note 16 (excluding Thorn ABS Warehouse Trust No. 1).

The consolidated Statement of Comprehensive Income comprising of entities which are parties to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2017, is the same as the consolidated Statement of Comprehensive Income in this financial report. The consolidated Statement of Financial Position in this financial report includes the assets and liabilities of Thorn ABS Warehouse Trust No. 1. Excluding the Thorn ABS Warehouse Trust No. 1, cash and cash equivalents would decrease by $8,043,000 and trade and other payables would decrease by $8,043,000.

18. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 March 2017 the parent entity of the consolidated entity was Thorn Group Limited.

$'000 AUD	**2017**	**2016**
Result of Parent Entity		
Profit for the period	17,880	18,621
Other comprehensive income	(546)	107
Total comprehensive income for the period	17,334	18,728
Financial position of the parent entity at year end		
Current assets	5,916	5,363
Total assets	136,398	119,749
Current liabilities	5,916	5,363
Total liabilities	18,079	6,707
Total equity of the parent comprising		
Share capital	115,340	109,854
Equity remuneration reserve	2,979	3,188
Total Equity	118,319	113,042

The parent entity has entered into a Deed of Cross Guarantee with the subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 16 and Note 17.

19. DISPOSAL OF SUBSIDIARY

Effective 13 September 2016, the NCML Receivables Management business was sold to a third party. The group received $21.6m cash on settlement. A further $1.0m is being held in escrow and has been recognised in other receivables.

There is an on-going independent review of the working capital position of the business at date of settlement and the sale price subsequently adjusted.

A provisional loss on sale of $710,000 after tax has been recognised in 2017.

Result of discontinued operation

$'000 AUD	2017	2016
Revenue	7,084	15,174
Expenses	(6,209)	(13,820)
Results from operating activities	**875**	**1,354**
Income tax	(263)	(406)
Results from operating activities, net of tax	**612**	**948**
(Loss) on sale of discontinued operation	(1,014)	-
Income tax benefit on sale of discontinued operation	304	-
(Loss)/Profit from discontinued operations, net of tax	**(98)**	**948**

Cash flow from (used in) discontinued operation

$'000 AUD	2017	2016
Net cash used in operating activities	(2,383)	797
Net cash from investing activities	(19)	(86)
Net cash flows for the year	**(2,402)**	**711**

Effect of disposal on the financial position of the Group

$'000 AUD	2017
Cash and cash equivalents	(415)
Trade and other receivables	(23,685)
Deferred tax asset	(519)
Property, plant and equipment	(216)
Trade and other payables	1,341
Employee benefits	801
Provisions	60
Net assets and liabilities	**(22,633)**
Consideration received, satisfied in cash	21,600
Cash and cash equivalents disposed of	(415)
Net cash inflows	**21,185**

20. EMPLOYMENT BENEFITS EXPENSE

$'000 AUD	2017	2016
Wages and salaries	53,320	48,281
Contributions to defined contribution superannuation funds	3,775	3,415
Termination benefits	718	316
Equity settled share-based payment transactions	337	92
	58,150	**52,104**

21. RELATED PARTIES

Key management personnel remuneration

$'000 AUD	2017	2016
Short-term employee benefits	2,981,837	2,617,605
Post-employment benefits	150,699	174,452
Long-term employee benefits	38,242	36,719
Share based payments	235,192	116,468
	3,405,970	**2,945,244**

Individual directors and executives compensation disclosures

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

Stephen Kulmar is a Director of Retail Oasis and Creative Oasis. During the financial year the group retained these entities in relation to brand and advertising work. The total benefit excluding GST was $33,665. This work was undertaken and invoiced on an arm's length basis and there were no balances outstanding as at year end. This was reviewed by the Board and determined to be in accordance with the Company's independence policy.

No other 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.

22. AUDITORS' REMUNERATION

In whole AUD	2017	2016
Audit services		
KPMG Australia:		
Audit and review of financial reports	367,000	357,000
Compliance assurance services	36,000	31,500
Disposal of subsidiary related audit services	33,500	-
	436,500	388,500
Other services		
KPMG Australia:		
Taxation services – compliance and advice	132,989	82,206
Transaction services	-	144,000
Regulatory advisory*	180,000	-
Risk Consulting services	112,848	201,099
Other Services	18,525	68,245
	444,362	495,550

* The regulatory advisory assignment was a one-off non recurring item and KPMG were contracted as they were best placed for that particular work.

23. CONTINGENT LIABILITY

Class Action

The Thorn subsidiary running Radio Rentals was named on 29 March 2017 as the respondent to a class action proceeding that has been commenced by one of its customers in the Federal Court of Australia. The statement of claim relates to misleading, deceptive and unconscionable conduct, false representations and unfair contract terms.

The matter will be vigorously defended and is expected to take some time, possibly years, to resolve. No provision has been taken in these accounts. Legal fees will be incurred defending the matter over the period of that defence should the matter proceed.

24. SUBSEQUENT EVENTS

Thorn's Chief Financial Officer and Company Secretary, Peter Forsberg, was appointed Acting CEO on 24 April 2017 following the resignation of James Marshall.

Thorn's General Manager of Finance, Andrew Crowther was appointed Acting Chief Financial Officer on 24 May 2017.

DIRECTORS' DECLARATION

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

   (a) the financial statements and notes that are set out on pages 28 to 55 and the remuneration disclosures that are contained in 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 2017 and of its 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 16 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 Corporations Instrument 2016/914.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2017.

Signed in accordance with a resolution of the directors.

Joycelyn Morton
Chair

Dated at Sydney
25 May 2017

Independent Auditor's Report

To the shareholders of Thorn Group Limited,

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of the Thorn Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Group's financial position as at 31 March 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 31 March 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Finance lease receivables impairment provision.
- Valuation of goodwill.
- Regulatory provisions

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Finance lease receivables impairment provision ($26,930,000)	
Refer to Note 11 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group estimate impaired finance lease receivables collectively, by categorising lease receivables into portfolios with similar risk profiles, and using historical experience of actual-category impairment losses adjusted for any effects of conditions existing at the balance date. Our audit attention focused on the finance lease receivables impairment provision specifically for the Rent Try Buy 48 month ("RTB 48") portfolio of finance lease receivables as a Key Audit Matter. This portfolio contains lease contracts which have not yet gone to term, therefore, there is a limited profile of historical impairment losses with which to estimate the impairment provision. As a result, there are significant asusmptions associated with the Group's assessment of the RTB 48 impairment provision, which are subjective and created complexity in our audit. We focused on the following significant assumptions: • 'expected loss' of products in the remaining life of the contract. The expected loss reflects the risk of non-recoverability of the receivable and the risk that the customer has also absconded with an asset after the cancellation of the contract. • extended length of maturity, compared to other categories, as this increases the risk of non-recoverability; and • nature of the products leased. Portable products increases the risk of loss of product.	Our procedures included: • Evaluation of the Group's finance leasing accounting process. We tested a sample of controls in this process designed to limit the risk of impairment of finance lease receivables including the approval of new customer applications and authorisation to write off impaired lease receivables; • We compared the RTB 48 month receivable life curve to prior period life curves, for patterns such as loss of products, length of maturity for expected loss, and nature of products lost, to challenge the profile of the current period RTB 48 month receivables life curve. We checked these considerations in the Group's impairment provision at balance date. The life curve is a graph showing the average proportion of receivables for a group of RTB 48 month receivables recorded in the same month since they were installed. • We assessed the total impairment provision by: (1) assessing the historical impairment losses, compared to the prior year's impairment provision; and (2) analysing actual impairment losses compared to gross historical finance lease receivable balances, economic conditions, and our experience. Economic conditions include consideration of household debt to assets ratio, unemployment rates and household discretionary income. Deterioration of these reduces capacity for customers to meet their repayments and increases the risk of impairment. We used this to inform our evaluation of the Group's impairment provision specifically for the RTB 48 month receivable portfolio.

Valuation of goodwill ($20,658,000)	
Refer to Note 8 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Our audit attention focused on the valuation of goodwill as a key audit matter due to the level of significant judgement required by us in evaluating the Group's assessment of impairment. The assessment of impairment of goodwill is based on a value in use model, which includes assumptions, including forecast cash flows, discount rate applied, and the forecast growth and terminal growth rates. Reasonably possible changes in these assumptions have a significant impact on the valuation. Estimating the cash flows requires the exercise of judgement as to the likely impact of: • competitive pressures in the invoice discounting sector • the Thorn Debtor Finance cash generating unit (CGU) being recently acquired and in the process of being integrated into the business • potential changes resulting from early adoption of proposed regulatory changes to the consumer leasing sector and lending practices. The significant judgement involved in the annual impairment testing necessitated specialist involvement and experienced senior team member time.	Our procedures included: • We performed sensitivity analysis, specifically for the recently acquired Thorn Debtor Finance CGU, for key assumptions, including terminal growth rate and forecast cash flows to further focus our procedures; • Working with our specialists we used our knowledge of the client, and their industry to challenge the Group's value in use model and significant assumptions. This included: (1) corroborating the Group's growth rate assumptions and discount rates for both the Thorn Debtor Finance and consumer leasing CGUs to known market trends and comparable entities, and (2) evaluating forecast cashflows in light of recent competitive market pressure and changes to lending practices resulting from proposed regulatory changes. This included comparing revenue growth rates for the consumer leasing and invoice discounting sector to the growth rates incorporated in the Group's value in use model. • We assessed the historical accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the value in use model.

Regulatory provision ($8,100,000)	
Refer to Note 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Our audit attention focused specifically on the regulatory provision as a key audit matter due to the level of judgement required by us in evaluating the Group's assessment of the provision. The provision relates to matters arising from the Group's serviceability model and lending practice compliance with the requirements of the National Consumer Credit Protection Act. The components of the provision estimation we focussed on are the: (1) anticipated civil penalty; and (2) compensation of customers, who are required to be remediated. ASIC's investigation into the Group's compliance with responsible lending laws is continuing, and has not yet been finalised. Our judgement involved assessing the Group's determination of the merit of the case, given the investigation is not finalised, evaluating and measuring any resulting obligations, and analysing the disclosure as a contingent liability against requirements of the accounting standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets. We used senior team members to assess these judgements.	Our audit procedures included: • Evaluating external information regarding the Group's estimates for claims relating to, their serviceability model and responsible lending practices, including an anticipated civil penalty and compensation of customers. • Obtaining the Group's calculation of the provision related to the compensation of customers and checking on a sample basis the data used in the calculation for consistency to the billing system, as tested by us. • Assessing the parameters of the Group's calculation of the provision related to the compensation of customers to the parameters likely to be applied by ASIC in considering the completeness of the provision. The parameters we specifically tested were the period in which the Group's serviceability model was in place, financial obligations, and arrears events of the customer. • Assessing the disclosures against those required under AASB 137 for consistency to reflect underlying facts and current circumstances and our knowledge of the matter.

Other Information

Other Information is financial and non-financial information in Thorn Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors's Report. The anticipated 2017 Financial Overview, Chair's Report, Managing Director's Report, Board of Directors, Leadership Team, Our Businesses, Addressing Financial Exclusion, Community, and the Corporate Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Thorn Group Limited for the year ended 31 March 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 12 to 24 of the Directors' report for the year ended 31 March 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Anthony Travers
Partner

Sydney
25 May 2017