



# Annual Financial Report

## 31 March 2016

ACN 072 507 147



## CONTENTS

Directors' Report	2
Corporate Governance Statement	26
Lead Auditor's Independence Declaration	32
Consolidated Statement of Comprehensive Income Statement	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cash Flows	36
Notes to the Consolidated Financial Statements	38
Directors' Declaration	59

## DIRECTORS' REPORT

31 March 2016

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 2016 and the auditor's report thereon.

### OPERATING AND FINANCIAL REVIEW

Thorn is a diversified financial services group providing financial solutions to consumers and businesses. Activities are predominantly 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.

There were no significant changes in the nature of the activities of the consolidated entity during the year. At the close of the financial year, Thorn announced that it was closing the TFS consumer loan business.

#### Financial performance

Revenue increased 3.5% on the previous year, growing from \$293.7m to \$304.0m.

Reported profit after tax fell 34.4% from \$30.6m to \$20.1m. However, the profit after tax was impacted by three significant items:

1. The announced closure of the TFS consumer loan division at the year end which prompted an adjustment to the carrying values of the assets employed in that business and provision for closure costs. The total pre tax amount of these adjustments was \$2.3m.
2. The NCML credit management division's goodwill balance, created on the original acquisition of the business in 2011, and with a carrying value of \$6.7m both pre and post tax, was written off at the year end.
3. At the half year, the Consumer Leasing division disclosed it had identified a number of customer credit balances existed that had not been refunded as they should have been. A liability was created to repay the \$2.8m pre tax principal amount. These balances go back many years and procedures have since been implemented to ensure eligible refunds are processed in a timely manner.

Excluding those significant items, the profit after tax would have been \$30.3m or approximately equal to last year (0.7% lower).

#### Segment performance

A\$m	Segment revenue		Segment EBIT to PAT	
	2016	2015	2016	2015
Consumer Leasing	245.7	246.2	49.7	54.9
Business Finance	30.5	15.0	14.0	6.8
Receivables Management	14.7	18.7	1.4	2.2
Consumer Finance	13.1	13.8	(1.6)	1.2
Corporate excl impairment	-	-	(17.8)	(16.3)
<b>Sub-total</b>	<b>304.0</b>	<b>293.7</b>	<b>45.7</b>	<b>48.8</b>
Goodwill impairment			(6.7)	-
Net interest expense			(6.5)	(4.2)
Profit before tax			32.5	44.6
Tax expense			(12.4)	(14.0)
<b>Profit after tax</b>			<b>20.1</b>	<b>30.6</b>

### **Consumer Leasing**

Revenue for the Consumer Leasing segment remained steady at \$246m and was impacted by the transition to a more rigorous customer serviceability assessment process. Finance leases, which are longer term leases out to 48 months, continued to become increasingly prevalent, representing 94% of contracts written in 2016 compared to 88% in the prior year. While finance lease originations rose 6.4% to \$103.2m, operating lease installations continued to decrease and overall installations decreased by 3.8%.

Impairment losses remained at a consistent level however provisioning increased in line with receivables. Costs for the segment were increased by a one off \$2.8m relating to historic customer credit refunds. Other operating expenses for the Consumer Leasing segment also increased in-line with the expanded store footprint put in place in the previous year. After adjusting for the customer credit refunds, EBIT fell by \$2.4m or 4%.

### **Business Finance**

Thorn Business Finance consists of Thorn Equipment Finance and Thorn Trade and Debtor Finance. Revenue doubled from \$15.0m to \$30.5m. This was mostly due to continued origination growth in Thorn Equipment Finance which drove an increase in net receivables from \$82.6m to \$131.9m, an increase of 59.7%.

Thorn Trade and Debtor Finance was purchased in December 2014 and so comparison to last year is affected by this. Invoice purchases increased from \$100.1m to \$369.2m, and revenue rose from \$4.3m to \$13.8m.

Business Finance EBIT doubled in the year to \$14.0m.

### **Receivables Management**

Revenue fell 21.7% to \$14.7m due to lower contingent collections due to changing business practises in long standing clients.

Purchased Debt Ledger ("PDL") receivables increased 35.4% from \$14.4m to \$19.5m as the Company bought \$12.0m of new debt, compared to \$12.5m in the previous year. At year end, the valuation methodology for PDL's was reassessed and adjustments were made to the valuation of the PDL book to the tune of a \$1.2m decrease. This impacted both the PDL revenue line and the EBIT for the division which fell from \$2.2m to \$1.4m.

### **Consumer Finance**

Consumer Finance continued to originate loans during the year but the decision was taken at year end to close the direct marketed channel due to the high cost of customer acquisition and the consequent poor return on capital. The net book of \$33.6m will be liquidated. The costs of closure and asset value adjustments of \$2.3m reduced the current year EBIT from a profit of \$0.7m to a loss of \$1.6m.

### **Corporate**

Corporate expenses increased 8.9% from \$16.3m to \$17.8m. The increase was due to investment in risk management with the hire of a Chief Risk Officer and General Counsel, the appointment of a Chief Operating Officer and legal and consulting costs from the implementation of new serviceability models in the Group and in analysing and responding to the recent Treasury Inquiry into the consumer leasing industry.

### **Interest expense**

Net borrowing costs increased by 56.0% from \$4.2m to \$6.5m as borrowings increased from \$144.0m to \$197.9m. The increase in borrowings has been predominantly to fund the growth of the Business Finance division.

### **Tax expense**

The tax expense for the 2016 year is affected by the goodwill impairment which is not tax effected leading to a higher underlying tax percentage than might be expected.

### **Profit after tax**

Profit after tax decreased 34.3% from \$30.6m to \$20.1m including the significant items (underlying \$30.3m if they are excluded).

## DIRECTORS' REPORT

31 March 2016

### Financial position

The balance sheet is presented below in two versions; first excluding the securitised warehouse for the equipment finance receivables along with the associated receivables (which are non recourse funding for the warehouse), and second as per the statutory accounts format. The Company's lenders view their covenants through the first view, i.e. excluding Trust.

Summarised financial position (\$m)	31 March 2016		31 March 2015	
	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at Bank	14.0	14.0	13.9	13.9
Receivables	277.2	379.5	214.0	287.8
Investment in unrated notes	20.4	-	13.8	-
Rental and other assets	26.9	26.9	40.1	40.1
Intangible assets	25.5	25.5	34.7	34.7
<b>Total Assets</b>	<b>364.0</b>	<b>445.9</b>	<b>316.5</b>	<b>376.5</b>
Borrowings	116.0	197.9	84.0	144.0
Other liabilities	50.5	50.5	43.0	43.0
<b>Total Liabilities</b>	<b>166.5</b>	<b>248.4</b>	<b>127.0</b>	<b>187.0</b>
<b>Total Equity</b>	<b>197.5</b>	<b>197.5</b>	<b>189.5</b>	<b>189.5</b>
Gearing (net debt/equity) <sup>(i)</sup>	53.2%	94.6%	38.7%	70.3%
Operating cash flow		127.8		102.9
EPS		13.1		20.3
Return on Equity <sup>(ii)</sup>		10.4%		16.9%

(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. With the significant items excluded, ROE would have been 15.7%

### Receivables

Net receivables increased by 31.8% to \$379.5m during the year. Net consumer lease receivables grew by 36.0% to \$136m driven by both the movement to finance leases from operating leases and increased originations since the introduction of RTB 48 month contract. Net equipment finance lease receivables within the business finance segment increased by 59.7% to \$131.9m.

### Rental and other assets

The decrease is predominantly due to the decrease in rental assets by 45.1% from \$33.2m to \$18.2m. This decrease has been driven by the continued move from operating lease to finance lease contracts in consumer leasing.

### Borrowings and gearing

Total borrowings have increased from \$144.0m in the prior year to \$197.9m. This increase has been driven predominantly by the continued growth in Thorn Business Finance equipment finance lease receivables.

Net gearing has increased from 38.7% in the prior year to 53.2% excluding the impact of the securitised debt. This increase is predominantly due to the funding of Thorn's contribution to the securitised vehicle relating to equipment finance. Senior non-securitised debt increased from \$84m in the prior year to \$116.0m.

The consolidated entity continues to meet all debt covenants and can pay its debts as and when they become due.

### Return on Equity

ROE decreased from 16.9% to 10.4% predominantly due to the significant items.

### Cash flows

Net cash from operating activities increased from \$102.9m to \$127.8m. This was primarily attributable to the expansion of Thorn Business Finance and the increased net customer receipts resulting from it.

## DIRECTORS' REPORT

31 March 2016

### Funding

The group has the following debt facilities:

\$'000	2016	2015
Secured Loan Facility A and B	110,000	110,000
Secured Loan Facility C	30,000	-
Securitised Warehouse Facility	100,000	100,000
<b>Total loan facilities</b>	<b>240,000</b>	<b>210,000</b>

The \$110m and \$30m senior facilities 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 2015 paid	6.75	10,215	100%	16 July 2015
Interim 2016 paid	5.5	8,406	100%	21 Jan 2016
<b>Total amount</b>		<b>18,621</b>		
<b>Final 2016 proposed</b>	<b>6.0</b>	<b>9,268</b>	<b>100%</b>	<b>18 July 2016</b>

### Risks

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

Regulatory risk in relation to changes of law or regulations or regulatory oversight that impact the operations or results of the groups activities has a heightened significance given the recent Treasury Inquiry into the consumer leasing industry.

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.

Operational risk including compliance has been elevated during the year with the implementation of a new serviceability model and processes relating to credit assessment and acceptance. Operational risk also covers the implementation of technology in the credit and operational processes.

Consumer preference risk is the risk the Group fails to deliver products and services that appeal to customers. The Group addresses this risk through regular customer feedback and survey, review of competitor services and products, interaction with suppliers and new product review and testing.

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.

### Contingent Liability

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

In connection with that engagement, Thorn has been assisting ASIC in an investigation which ASIC has been undertaking into Thorn's compliance with the responsible lending obligations pertaining to consumer leases under the National Consumer Credit Protection Act 2009. ASIC has informed Thorn that it is concerned about possible breaches of Thorn's responsible lending obligations in respect of consumer leases entered into in the period 1 January 2012 to 1 May 2015. ASIC's investigation is ongoing and Thorn is obtaining advice and considering its position in relation to ASIC's concerns.

## DIRECTORS' REPORT

31 March 2016

There are a number of potential outcomes from this engagement with ASIC, one of which is the imposition of penalties, but the outcome is not certain at this stage and accordingly Thorn has not taken up any liability in its balance sheet other than the provision for customer credit refunds and associated matters which was explained at the half year. Refunds to customers have been made and continue to be made as those customers affected are contacted and their address or banking details obtained to enable the refund.

### *Outlook*

Thorn has announced the closure of its direct to market Consumer Loan business and liquidation of the loan receivables book as part of a focus on generating improved returns on capital. Capital released through the book run off will be redeployed to higher capital returning business divisions.

Thorn's strategic focus is on its two principal business divisions of consumer leasing and business finance, building on the economics of providing niche financial services efficiently to produce attractive returns on capital.

The consumer leasing industry has been subject to increasing levels of regulation and regulatory scrutiny in FY16 and Thorn, as an industry leader, intends to continue to invest in risk management and responsible lending initiatives to meet these requirements. Developments in these areas may have a short term effect on Thorn. However, strength of consumer sentiment and support for consumer leasing underpin confidence in positioning the business to advance market share and cement Thorn as a leading provider in the sector.

Thorn is confident Business Finance will continue its growth trajectory, with the group also seeking out opportunities to grow this division further.

Thorn will continue to pursue organic growth across the group while reviewing acquisition opportunities that add value and align with the group's overall strategy.

## DIRECTORS' REPORT

31 March 2016

### 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**

85,786 ordinary shares

#### **James Marshall**

Managing Director

Appointed 5 May 2014

#### **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**

175,054 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.

Steve 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



## DIRECTORS' REPORT

31 March 2016

### **Peter Henley**

Independent, Non-Executive

Appointed 21 May 2007

### **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**

AP Eagers Limited

### **Former directorships**

GE Motor Solutions Australia GE MoneySingapore and Malaysia.  
United Financial Services Limited  
MTA Insurances Limited

### **Interests in shares and options**

71,499 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

### **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 is a director of the Committee for Economic Development of Australia (CEDA) and was appointed by the Australian Federal Minister for Industry and Science as Chairman of the Advanced Manufacturing Growth Centre.

Andrew previously served as Managing Director of IBM Australia and New Zealand from 2011 to 2014.

### **Other current directorships**

MYOB Group Limited  
The Greater Western Sydney Football Club  
Australian Chamber Orchestra

### **Former directorships**

### **Interests in shares and options**

15,000 ordinary shares

## DIRECTORS' REPORT

31 March 2016

### COMPANY SECRETARY

Peter Ryan was appointed on 7 December 2015. Mr Ryan is an experienced commercial lawyer with particular expertise in the consumer credit and equipment finance industries. For the past 28 years, Mr Ryan has been a commercial partner in Sydney law firms and, most recently, for the past 17 years has been a partner of Dibbs Barker Lawyers operating in the Financial Services Section of its Commercial Group.

### 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	12	12	7	7	4	4
James Marshall	12	12	n/a	n/a	n/a	n/a
Stephen Kulmar	12	12	7	7	4	4
Peter Henley	12	12	7	7	4	4
David Foster	12	12	7	7	4	4
Andrew Stevens	10	10	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 Stevens was appointed as a director on 1 June 2015)

n/a – Mr Marshall, as an executive Director, attended all meetings but as an invitee

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

#### Insurance Premiums

During the financial year the Company has paid insurance premiums of \$77,387 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 2015 AGM, the Remuneration Report received a vote of approval of 98% of the votes received.

The Committee draws on independent experts where appropriate to advise on remuneration levels, trends and structures. During 2015-16 the Committee drew on the expertise of Mr Martin Morrow of Guerdon Associates to provide advice on the remuneration framework and on benchmarks of remuneration with a fee of \$34,562. Korn Ferry was engaged during the financial year by the Board to assist in the recruitment of a Non-Executive Director with fees of \$80,000.

These consultants were instructed by and reported directly to the Chairman of the Committee and were thereby free of any undue influence by any KMP to whom their recommendations may relate.

#### *Changes proposed for 2017*

The Committee has proposed that, in addition to the usual benchmarking exercise of executive remuneration, it will review the incentive arrangements to ensure the executive KMP focus on shareholder value in a challenging market and regulatory environment.

This includes possible changes to the mix of pay by reweighting the percentage of STI at target performance and at the same time introducing an STI deferral mechanism. This proposed change would permit the clawback of an executive's STI if a material misstatement or omission comes to light in the Company's financial statements or if the executive acts in a manner unbecoming of the office. The LTI plan is also being reviewed to ensure the performance hurdles are aligned with the business strategy and shareholder value.

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

For the year ended 31 March 2016, 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	Full Year
David Foster	Director	Full Year
Andrew Stevens	Director	From 1 June 2015

Executive KMP	Position	Term or Date
James Marshall	CEO and Managing Director	Full Year
Peter Forsberg	Chief Financial Officer	From 28 September 2015
Matt Ingram	Chief Operating Officer	Full year
Wendy Yip	Chief Risk Officer	From 7 December 2015
Peter Ryan	General Counsel and Company Secretary	From 7 December 2015
Peter Eaton	Chief Financial Officer	Until 24 July 2015
Derrick Hubble	General Manager Consumer Leasing	Full Year
Rob Price	General Manager Consumer Finance	Full Year
Sean Jones	General Manager Receivables Management	Full Year

### Changes to KMP during the year

The Board advanced the Company's executive ranks in 2015-16 with the appointment of executives to enhance the Company's capabilities and expertise during a period of change, challenge and growth.

- Peter Forsberg was recruited as the new CFO to replace Peter Eaton
- Matt Ingram was promoted from his role as General Manager Business Finance to Chief Operating Officer, and
- Wendy Yip and Peter Ryan were new hires recruited into the new roles of Chief Risk Officer and General Counsel.

In securing these executives, the Company structured new remuneration arrangements to encourage the executives to move from their previous roles. In particular, changes have been proposed to the incentive arrangements to encourage the advancement of shareholder value.

The Board takes a considered approach to executive remuneration but is mindful that retaining and motivating a management team of this calibre is critical to achieving the Company's aims.

These new appointments have assumed some key management personnel roles and the General Managers will not be classed as KMP from 1 April 2016. They are included in the remuneration tables for completeness.

Remuneration for all KMPs reported represents 100% of their remuneration received from the business during the year, no apportionment for periods not acting as a KMPs is made. Remuneration for KMPs joining the business part way through the year represents actual remuneration paid for the service period.

## DIRECTORS' REPORT

31 March 2016

### 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. No increase is proposed at this time or will be sought at the 2016 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
<b>Non-Executive Directors</b>								
Joycelyn Morton	2016	170,980	-	-	16,243	-	-	187,223
	2015(i)	140,729	-	-	13,313	-	-	154,042
Stephen Kulmar	2016	95,490	-	-	9,071	-	-	104,561
	2015	89,933	-	-	8,501	-	-	98,434
Peter Henley	2016	85,490	-	-	8,121	-	-	93,611
	2015	84,226	-	-	7,954	-	-	92,180
David Foster	2016	100,490	-	-	9,546	-	-	110,036
	2015	32,852	-	-	3,121	-	-	35,973
Andrew Stevens	2016 (ii)	70,694	-	-	6,716	-	-	77,410
	2015	-	-	-	-	-	-	-
David Carter	2016	-	-	-	-	-	-	-
(Resigned 17 November 2014)	2015	86,831	-	-	8,153	-	-	94,984
Total Non-Executive Director Remuneration	2016	523,144	-	-	49,697	-	-	572,841
	2015	434,571	-	-	41,042	-	-	475,613

(i) Ms Morton was appointed as Chair on 26 August 2014. The 2015 totals include a proportion of time as Chair

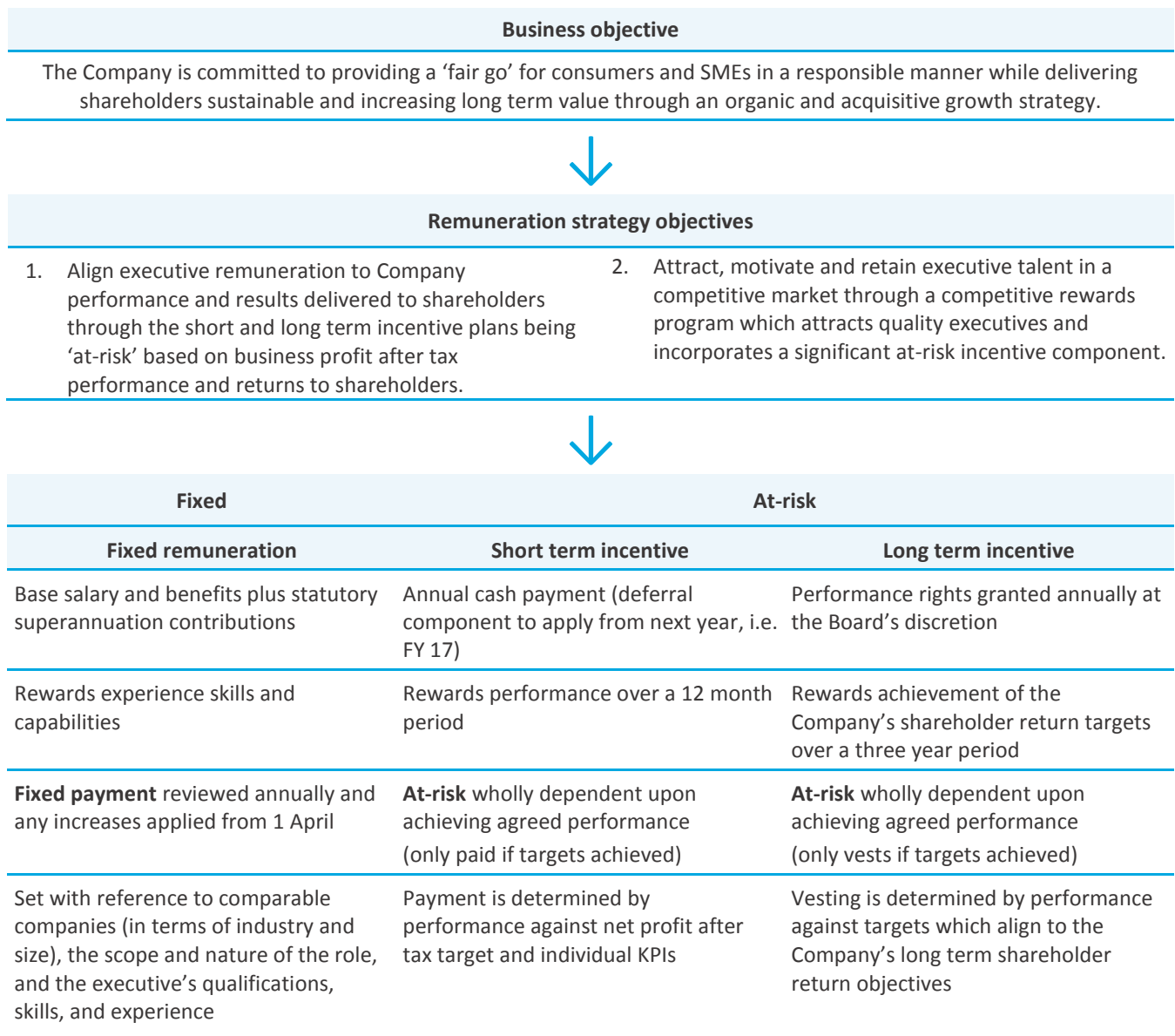
(ii) Mr Stevens was appointed as a director on 1 June 2015

**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.



## DIRECTORS' REPORT

31 March 2016

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

The table below sets out the 2015-16 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 <sup>(a)</sup>	Other incentives <sup>(b)</sup>	Super-annuation	Vested LTI <sup>(c)</sup>	Total Realised Remuneration
James Marshall	530,352	-	-	19,187	105,663	655,202
Peter Forsberg	189,471	-	-	9,654	-	199,125
Peter Eaton	113,818	-	100,000	6,562	105,663	326,043
Matt Ingram	264,806	75,000	-	19,187	-	358,993
Wendy Yip	82,507	-	-	5,941	-	88,448
Peter Ryan	99,752	-	12,500	5,941	-	118,193
Derrick Hubble	250,934	-	-	19,187	-	270,121
Rob Price	237,003	-	-	19,909	-	256,912
Sean Jones	210,594	-	-	19,187	-	229,781
Total	1,979,237	75,000	112,500	124,755	211,326	2,502,818

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

- The STI is stated as paid although it will actually be paid in June 2016.
- Other incentives are retention (Mr Eaton) and sign on bonuses (Mr Ryan).
- The vested LTI relates to the 2012 plan which part vested during the year at 63% of the original grant and which provided Mr Marshall and Mr Eaton with 39,873 shares at a value on vesting of \$2.65 each.
- Peter Forsberg, Wendy Yip and Peter Ryan were appointed part way during the year. Matt Ingram was promoted from general manager to Chief Operating Officer part way during the year.

## DIRECTORS' REPORT

31 March 2016

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

Name	Year	Salary and fees	STI	Other incentives <sup>(a)</sup>	Super-annuation	Long service leave	LTI <sup>(b)</sup>	Total
<b>Executive KMP</b>								
James Marshall	2016	530,352	-	-	19,187	30,609	94,894	675,042
	2015	435,796	152,505	51,439	18,551	93,946	103,369	855,606
Peter Forsberg	2016	189,471	-	-	9,654	-	18,515	217,640
	2015	-	-	-	-	-	-	-
Peter Eaton	2016	113,818	-	16,772	6,562	6,110	(87,182)	55,975
	2015	331,217	104,030	133,333	18,551	17,937	92,165	697,233
Matt Ingram	2016	264,806	75,000	-	19,187	-	18,473	377,466
	2015	229,224	63,336	50,000	18,551	-	10,658	371,769
Wendy Yip	2016	82,507	-	-	5,941	-	14,526	102,974
	2015	-	-	-	-	-	-	-
Peter Ryan	2016	99,752	-	15,972	5,941	-	15,869	137,534
	2015	-	-	-	-	-	-	-
Derrick Hubble	2016	250,934	-	7,585	19,187	-	18,637	296,343
	2015	230,000	65,957	7,213	20,648	-	10,744	334,562
Rob Price	2016	237,003	-	-	19,909	-	7,427	264,339
	2015	38,923	8,903	12,500	3,179	-	-	63,505
Sean Jones	2016	210,594	-	-	19,187	-	15,309	245,090
	2015	182,745	27,607	-	16,930	-	8,595	235,877
<b>Executive KMP who left in 2014-15</b>								
John Hughes (resigned 30 June 2014)	2016	-	-	-	-	-	-	-
	2015	180,830	-	337,500	4,824	1,261	-	524,415
Richard Shepherd (Resigned 30 June 2015)	2016	-	-	-	-	-	-	-
	2015	213,666	-	-	15,661	-	-	229,327
Total Executive KMP Remuneration	2016	1,979,237	75,000	40,224	124,755	36,719	116,468	2,372,403
	2015	1,842,401	422,338	591,985	116,895	113,144	225,531	3,312,294

a. Other incentives are retention and sign on bonuses

b. 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.



## DIRECTORS' REPORT

31 March 2016

### EXECUTIVE REMUNERATION STRUCTURE - AUDITED

#### *Remuneration mix*

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

	Fixed remuneration	At risk	
		Short term incentive	Long term incentive
C-Suite Executives	55.5%	16.7%	27.8%
General Managers	64.5%	16.1%	19.4%

The C-Suite executives consist of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and the General Counsel.

#### *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 was sought in FY 16 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 the matter.

<b>Features</b>	<b>Description</b>										
<b>Purpose</b>	To motivate executives to achieve the short term performance targets.										
<b>Opportunity</b>	<table border="1"> <thead> <tr> <th></th> <th><b>Target (as % of Fixed)</b></th> <th><b>Maximum (as % of Fixed)</b></th> </tr> </thead> <tbody> <tr> <td><b>CEO</b></td> <td>30%</td> <td>100%</td> </tr> <tr> <td><b>Other KMP</b></td> <td>25-30%</td> <td>60-100%</td> </tr> </tbody> </table>		<b>Target (as % of Fixed)</b>	<b>Maximum (as % of Fixed)</b>	<b>CEO</b>	30%	100%	<b>Other KMP</b>	25-30%	60-100%	
	<b>Target (as % of Fixed)</b>	<b>Maximum (as % of Fixed)</b>									
<b>CEO</b>	30%	100%									
<b>Other KMP</b>	25-30%	60-100%									
<b>Performance Period</b>	12 months										
<b>Gateway and performance metrics</b>	<p>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:</p> <table border="1"> <thead> <tr> <th><b>Company NPAT against budget</b></th> <th><b>STI that can be earned</b></th> </tr> </thead> <tbody> <tr> <td>&lt;95% NPAT</td> <td>0%</td> </tr> <tr> <td>95% NPAT</td> <td>12.5% - 15%</td> </tr> <tr> <td>100% NPAT</td> <td>25% - 30%</td> </tr> <tr> <td>110% NPAT</td> <td>60% - 100%</td> </tr> </tbody> </table> <p>Performance between these levels is rewarded on a straight line basis.</p> <p>General Managers have targets which are based on their divisional targets rather than the Company targets which apply to the C suite executives.</p> <p>60 - 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 (or divisional EBIT where applicable) with the remaining 30 - 40% dependent upon the individual's performance against their personal KPIs.</p> <p>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.</p>	<b>Company NPAT against budget</b>	<b>STI that can be earned</b>	<95% NPAT	0%	95% NPAT	12.5% - 15%	100% NPAT	25% - 30%	110% NPAT	60% - 100%
<b>Company NPAT against budget</b>	<b>STI that can be earned</b>										
<95% NPAT	0%										
95% NPAT	12.5% - 15%										
100% NPAT	25% - 30%										
110% NPAT	60% - 100%										
<b>Assessment, approval and payment</b>	<p>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.</p> <p>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.</p> <p>Once approved, the STI rewards are paid in the month following the release of the Company's results to the ASX.</p>										
<b>Clawback &amp; deferral</b>	For the 2016 financial year no deferral or clawback mechanism exists (one is proposed for 2017).										

## DIRECTORS' REPORT

31 March 2016

### STI OUTCOMES FOR 2016 - AUDITED

The Company reported an NPAT of \$20.1m which was below the budget target. Accordingly, the financial hurdle was not reached and no incentives were paid. The General Managers are also compensated on their divisional profit and KPI targets and accordingly, where these were reached or exceeded, a portion of their potential incentive opportunity was earned.

STI for 2015-16	Target \$	Earned %	Earned \$	Forfeited %	Forfeited \$
James Marshall	165,000	0%	-	100%	165,000
Peter Forsberg	60,000	0%	-	100%	60,000
Matt Ingram	75,675	99.1%	75,000	0.9%	675
Wendy Yip	26,500	0%	-	100%	26,500
Peter Ryan	31,700	0%	-	100%	31,700
Derrick Hubble	67,500	0%	-	100%	67,500
Rob Price	64,250	0%	-	100%	64,250
Sean Jones	57,500	0%	-	100%	57,500
<b>Total</b>	<b>548,125</b>	<b>13.7%</b>	<b>75,000</b>	<b>86.3%</b>	<b>473,125</b>

- Target STI for Peter Forsberg, Wendy Yip and Peter Ryan are pro-rated to reflect that they joined during the year. Peter Ryan received a \$50,000 sign on bonus which is paid quarterly and reflected in the remuneration tables as other incentives and not included above.
- Matt Ingram was promoted during the year so his target STI reflects the combination of his incentive as a General Manager and his incentive as Chief Operating Officer.
- Peter Eaton resigned and left during the year. He was not paid an STI but was paid a \$100,000 retention payment which is also reflected in the remuneration tables as other incentives.

#### **CEO and former CFO retention payments**

As noted in the prior year report, in the 2015 financial year, the current CEO, James Marshall, and former CFO, Peter Eaton, were paid \$100,000 each as a retention payment. In the 2016 financial year, Peter Eaton was paid a further \$100,000 by way of shares in the Company.

No retention payment arrangements are presently in force.

#### **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 three 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, and 2015 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.

## DIRECTORS' REPORT

31 March 2016

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

Features	Description								
<b>Instrument</b>	Performance rights being a right to receive a share subject to performance and vesting conditions.								
<b>Purpose</b>	To motivate executives to achieve the long term performance targets.								
<b>Opportunity</b>	<p><b>CEO</b> 50% of fixed remuneration</p> <p><b>Other KMP</b> 30-50% of fixed remuneration</p> <p>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.</p>								
<b>Dividends or share issues</b>	No dividends are paid or accrued on unvested awards.								
<b>Gateway Hurdle</b>	<p>Gateway hurdles of the grants across relevant measurement periods are as follows:</p> <table border="1"> <thead> <tr> <th>Plan</th> <th>Gateway</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>20.0% Return on capital employed</td> </tr> <tr> <td>2014</td> <td>18.5% Return on equity</td> </tr> <tr> <td>2015</td> <td>16.0% Return on equity</td> </tr> </tbody> </table> <p>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 2016 year.</p>	Plan	Gateway	2012	20.0% Return on capital employed	2014	18.5% Return on equity	2015	16.0% Return on equity
Plan	Gateway								
2012	20.0% Return on capital employed								
2014	18.5% Return on equity								
2015	16.0% Return on equity								
<b>Performance Hurdle</b>	<p>The company's relative Total Shareholder Return ("RTSR") performance is measured against a comparator group of ASX listed companies (available on the website at <a href="http://www.thorn.com.au">www.thorn.com.au</a>).</p> <p>RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.</p> <table border="1"> <thead> <tr> <th>Thorn Group Limited's TSR Ranking</th> <th>Percentage of Performance Rights subject to TSR condition that qualify for vesting</th> </tr> </thead> <tbody> <tr> <td>&lt; 50<sup>th</sup> percentile</td> <td>0%</td> </tr> <tr> <td>50<sup>th</sup> percentile</td> <td>50%</td> </tr> <tr> <td>90<sup>th</sup> percentile or greater</td> <td>100%</td> </tr> </tbody> </table> <p>Performance between the 50<sup>th</sup> and 90<sup>th</sup> percentile is assessed on a straight line basis.</p>	Thorn Group Limited's TSR Ranking	Percentage of Performance Rights subject to TSR condition that qualify for vesting	< 50 <sup>th</sup> percentile	0%	50 <sup>th</sup> percentile	50%	90 <sup>th</sup> percentile or greater	100%
Thorn Group Limited's TSR Ranking	Percentage of Performance Rights subject to TSR condition that qualify for vesting								
< 50 <sup>th</sup> percentile	0%								
50 <sup>th</sup> percentile	50%								
90 <sup>th</sup> percentile or greater	100%								
<b>Performance period and vesting Dates</b>	<ul style="list-style-type: none"> <li>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.</li> <li>2014: 3 years (1 April 2014 to 31 March 2017). Vesting date is 1 June 2017.</li> <li>2015: 3 years (1 April 2015 to 31 March 2018). Vesting date is 1 June 2018.</li> </ul>								
<b>Assessment, approval and payment</b>	<p>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.</p> <p>Payment is made by the issuing or transfer of shares.</p>								
<b>Change of control</b>	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.								
<b>Termination</b>	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.								
<b>Clawback provisions</b>	There are no specific provisions providing the capacity to clawback a component of remuneration in the event of a matter of significant concern.								

## DIRECTORS' REPORT

31 March 2016

### 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 salary 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%

### Long term incentive outcomes for 2016

The second tranche of the 2012 LTI award was tested on 1 June 2015. The ROCE hurdle was achieved and, based on the RTSR performance, the award vested at a rate of 63% of the opportunity.

James Marshall and Peter Eaton each received 39,873 shares in the Company from their potential 63,291 award thus causing 23,418 performance share rights to be carried forward.

### 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	103,695	31 October 2015	2019	Nil	219,833
Peter Forsberg	72,257	31 October 2015	2019	Nil	153,185
Matt Ingram	30,271	31 October 2015	2019	Nil	64,175
Wendy Yip	56,692	31 October 2015	2019	Nil	120,187
Peter Ryan	61,934	31 October 2015	2019	Nil	131,300
Derrick Hubble	30,575	31 October 2015	2019	Nil	64,819
Rob Price	28,987	31 October 2015	2019	Nil	61,452
Sean Jones	26,018	31 October 2015	2019	Nil	55,158

- 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.
- 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.

## DIRECTORS' REPORT

31 March 2016

### 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	2016	2015	2014	2013	2012
Net Profit After Tax (AUD millions)	20.1	30.6	28.2	28.0	27.8
Earnings per share (cents)	13.1	20.3	18.9	19.1	19.2
Dividends per share (cents)	11.5	11.75	10.5	10.0	8.9
Share price at year end (\$)	1.82	2.67	2.15	2.06	1.57
Return on capital employed %	11.1	18.5	21.8	24.8	30.3
Return on equity %	10.4	16.9	17.2	19.0	23.7

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	

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 is 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 Number	Values Yet to Vest \$		2016 Movements on original grant		
	Number	Date			Min (a)	Max (b)	Vested	Forfeited	Unvested
James Marshall	63,291	7 Dec 2012	2015 – 2018	23,418	Nil	44,728	63%	-	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 July 2014	2018	66,556	Nil	144,427	-	-	100%
	103,695	1 July 2015	2019	103,695	Nil	219,833	-	-	100%
Peter Eaton	63,291	7 Dec 2012	2015 – 2018	-	Nil	Nil	63%	37%	-
	63,291	7 Dec 2012	2016 – 2018	-	Nil	Nil	-	100%	-
	63,291	7 Dec 2012	2017 – 2018	-	Nil	Nil	-	100%	-
	34,425	1 July 2014	2018	-	Nil	Nil	-	100%	-
Peter Forsberg	72,257	31 Oct 2015	2019	72,257	Nil	153,185	-	-	100%
Matt Ingram	34,150	1 July 2014	2018	34,150	Nil	74,106	-	-	100%
	30,271	31 Oct 2015	2019	30,271	Nil	64,175	-	-	100%
Wendy Yip	56,692	31 Oct 2015	2019	56,692	Nil	120,187	-	-	100%
Peter Ryan	61,934	31 Oct 2015	2019	61,934	Nil	131,300	-	-	100%
Derrick Hubble	34,425	1 July 2014	2018	34,425	Nil	74,702	-	-	100%
	30,575	31 Oct 2015	2019	30,575	Nil	64,819	-	-	100%
Rob Price	28,987	31 Oct 2015	2019	28,987	Nil	61,452	-	-	100%
Sean Jones	27,540	1 July 2014	2018	27,540	Nil	59,762	-	-	100%
	26,018	31 Oct 2015	2019	26,018	Nil	55,158	-	-	100%

- 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.

## DIRECTORS' REPORT

31 March 2016

### 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 2015	Granted as Compensation	Vested during the year	Lapsed	Held at 31 March 2016
James Marshall	256,429	103,695	(39,873)	-	320,251
Peter Forsberg	-	72,257	-	-	72,527
Peter Eaton	224,298	-	(39,873)	(184,425)	-
Matt Ingram	34,150	30,271	-	-	64,421
Wendy Yip	-	56,692	-	-	56,692
Peter Ryan	-	61,934	-	-	61,934
Derrick Hubble	34,425	30,575	-	-	65,000
Rob Price	-	28,987	-	-	28,987
Sean Jones	27,540	26,018	-	-	53,558

### Shareholdings of the Directors and Executive KMP

2016 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	62,018	-	23,768	85,786
Stephen Kulmar	60,000	-	8,000	68,000
Peter Henley	71,499	-	-	71,499
David Foster	21,490	-	5,480	26,970
Andrew Stevens	-	-	15,000	15,000
James Marshall	131,085	39,873	4,096	175,054
Peter Forsberg	-	-	10,000	10,000
Matt Ingram	-	-	-	-
Wendy Yip	-	-	-	-
Peter Ryan	-	-	-	-
Peter Eaton (i)	367,435	78,380	(33,000)	412,815
Derrick Hubble	-	-	-	-
Rob Price	1,000	-	-	1,000
Sean Jones	-	-	-	-

(i) The closing balance of shares represents the end of Mr Eaton's service period being 24 July 2015.

### 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 a 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 2016 were \$239,197. They were on normal commercial terms and conditions.

An executive, Peter Ryan, was a partner at the law firm Dibbs Barker prior to joining the Company. The Company engaged Dibbs Barker to provide legal services on various matters. The billings received and accrued on the account were \$258,584 and were on normal commercial terms and conditions. As a partner, Peter would have received a share of the partnership income which would have included fees earned on services provided to the Company. Since joining the Company, Peter Ryan is no longer a partner, engaged in any capacity, or derives any income from Dibbs Barker.



## DIRECTORS' REPORT

31 March 2016

### SUBSEQUENT EVENTS

Other than the closure of the TFS consumer finance business unit announced on 27 April 2016 there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

### CONTINGENT LIABILITY

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

In connection with that engagement, Thorn has been assisting ASIC in an investigation which ASIC has been undertaking into Thorn's compliance with the responsible lending obligations pertaining to consumer leases under the National Consumer Credit Protection Act 2009. ASIC has informed Thorn that it is concerned about possible breaches of Thorn's responsible lending obligations in respect of consumer leases entered into in the period 1 January 2012 to 1 May 2015. ASIC's investigation is ongoing and Thorn is obtaining advice and considering its position in relation to ASIC's concerns.

There are a number of potential outcomes from this engagement with ASIC, one of which is the imposition of penalties, but the outcome is not certain at this stage and accordingly Thorn has not taken up any provision in its balance sheet other than the liability for customer credit refunds and associated matters which was explained at the half year. Refunds to customers have been made and continue to be made as those customers affected are contacted and their address or banking details obtained to enable the refund.

### 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 OFFICERS AND AUDITORS

#### *Indemnification*

The Company has agreed to indemnify the current, former and subsequent directors and officers of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its

controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

#### *Insurance Premiums*

During the financial year the Company has paid insurance premiums of \$44,187 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, has performed certain other services in addition to their statutory duties.

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

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

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 21.

### ROUNDING OF FINANCIAL AMOUNTS

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

## DIRECTORS' REPORT

31 March 2016

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 32 and forms part of the directors' report for financial year ended 31 March 2016.

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

A handwritten signature in black ink, appearing to read 'J Morton', is written over a faint, light blue circular stamp or watermark.

Joycelyn Morton  
*Chair*

Dated at Sydney  
25 May 2016

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

### CORPORATE GOVERNANCE STATEMENT

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

### BOARD OF DIRECTORS

#### *Role of the Board*

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

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

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

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

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

The Company Secretary is accountable to the Board, through the Chair of the Board, on all matters relating to the proper functioning of the Board.

#### *Board Processes*

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

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

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

#### *Director and Executive Education*

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

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

#### *Independent Professional Advice and Access to Company Information*

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

#### *Composition of the Board*

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

- a minimum of three directors, with a broad range of expertise both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the Company's industries, and/or extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- a non-executive independent director as Chairperson; and

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

- directors are subject to re-election every three years (except for the Managing Director).

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

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

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

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

The Board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least ten per cent of the relevant segment's or the director-related business' revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold (refer Note 20).

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

### BOARD SKILLS MATRIX

The Directors have been appointed by assessing their range of personal and professional experiences, skills and expertise. The Board seeks to achieve an appropriate mix of skills, diversity and tenures, including a significant understanding of the sectors in which Thorn operates, as well as corporate management and operational, financial and regulatory matters.

The Directors contribute the skills and experience in the following categories, identified for Thorn as important to drive shareholder value:

Category of skills and experience [Number of Directors – 5 Non-Executive Directors and 1 Executive Director]	Number of Directors with strong skills in this category
<b>Board &amp; Governance</b>	2
<b>Operations Management</b>	3
<b>Financial Acumen</b> <i>eg Accounting, Finance, Capital Management, Debt funding, M &amp; A</i>	2
<b>Financial Services</b>	2
<b>HR Management/Remuneration</b> <i>eg Culture, Diversity, Talent</i>	2
<b>Information Technology</b>	2
<b>Legal/Regulatory Policy/Risk Management</b>	2
<b>Retail</b> <i>eg Market</i>	2
<b>Customer Relations Management</b> <i>eg Customer, Data, Insights</i>	
<b>Strategy</b>	4

The Board Skills Matrix has been developed on the basis of identifying the most important values that each Director believes he/she specifically contributes to the Board.

On a collective basis, the Directors have the range of skills, knowledge and experience necessary to direct the Company. The core strengths are seen as being in Strategy and in Operations Management. In all categories, the Directors have experience and a reasonable level of knowledge to be able to contribute to the Board on a broad range of matters.

The categories of Information Technology and Board and Governance are covered with an adequate level of skills and each of these categories has one Director who has specifically focused experience.

### REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee has a documented charter, approved by the Board. All members are non-executive directors with a majority being independent.

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

The Remuneration and Nomination Committee assists the Board in its oversight responsibilities by monitoring and advising on:

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

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

- Stephen Kulmar (Chairperson) – Independent, Non-Executive (appointed 15 April 2014)
- Joycelyn Morton – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- David Foster – Independent, Non-Executive
- Andrew Stevens – Independent, Non-Executive (appointed 1 June 2015)

The Managing Director, James Marshall, is also invited to Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to himself. The performance of the directors were evaluated during the 2015-2016 financial year.

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

Korn Ferry was engaged during the financial year by the Board to assist in the recruitment of a Non-Executive Director. Fees of \$80,000 were incurred.

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

The Remuneration and Nomination Committee meets at least three times a year and as required. The Committee met four times during the year and Committee members' attendance record is disclosed in the table of directors' meetings.

### AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee has a documented charter, approved by the Board. The charter is available on the Company's website. All members are non-executive directors with a majority being independent. The Chairperson

may not be the Chairperson of the Board. The Audit, Risk and Compliance Committee advises the Board on the establishment and maintenance of a framework of risk management and internal control and appropriate ethical standards for the management of the Company.

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

- David Foster (Chairperson) – Independent, Non-Executive
- Joycelyn Morton – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- Stephen Kulmar – Independent, Non-Executive
- Andrew Stevens – Independent, Non-Executive (appointed 1 June 2015)

The General Counsel, who is also acting as the Company Secretary, acts as Secretary to the Committee.

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

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

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2016 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

- reviewing the annual and half year financial reports and other financial information distributed externally;
- assessing management processes supporting external reporting;
- review and assess the enterprise risk management framework on an annual basis;
- assessing the performance and objectivity of the internal audit function;
- establishing procedures for selecting, appointing and if necessary, removing the external auditor or internal audit co-sourcing provider;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

is compatible with the general standard of independence of auditors imposed by the Corporation Act 2001;

- assessing the adequacy of the internal control framework and the Company's code of ethical standards; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

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

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

### RISK MANAGEMENT

#### *Oversight of the Risk Management Framework*

The Board oversees the establishment, implementation and review of the Company's Risk Management Framework. Management has established and implemented the Risk Management Framework for assessing, monitoring and managing material business risks, for the consolidated entity. The Chief Risk Officer is responsible for Thorn's Risk, Compliance and Internal Audit function.

The Board Audit, Risk and Compliance Committee had reviewed Thorn's risk management framework on an annual basis. A review took place during the FY 2015-2016 and it is satisfied that it continues to be sound.

#### *Risk Profile*

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

Material business risks for the Company include credit risk, operational risks (including workplace health and safety and sustainability risks), financial risks (foreign exchange and interest rate movements, liquidity and capital), strategic risk, legal and compliance risks and regulatory risk.

#### *Risk Management, Compliance and Control*

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

#### *Quality and Integrity of Personnel*

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

#### *Financial Reporting*

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

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

#### *Economic, Environmental and social sustainability risks*

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The Directors are of the belief that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any of those environmental requirements as they apply to the consolidated entity. There is no material exposure to economic, environmental and social sustainability risks.

#### *Internal Audit*

The internal audit function assists the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The results of internal audits are reported on a monthly basis to the Board. During the year the internal audit function was upgraded with the appointment of a new internal audit manager and established a co-sourced internal audit partner.

### ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and consolidated entity. In order to promote ethical and responsible decision making, the Company has implemented a Code of Conduct to guide the directors and senior executives. Further, the Company has implemented a formal Securities Trading policy in order to formalise the Company's position on employees trading in the Company's securities.

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Code of Conduct and processes are in place to promote and communicate these policies. These policies are available on the Company's website.

### Conflict of Interest

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

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of director-related entity transactions with the Company and the consolidated entity are set out in note 20 to the financial statements.

### Code of Conduct and Whistleblower Policy

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

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

### Securities Trading Policy

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

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

### Diversity Policy

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

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

The consolidated entity's diversity performance is as follows:

Gender Representation	2016	2016	2015	2015
	Male	Female	Male	Female
Board Representation	83%	17%	83%	17%
Key Management Personnel Representation	80%	20%	100%	-
Group Representation	53%	47%	53%	47%

## COMMUNICATION WITH SHAREHOLDERS

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

In summary, the Continuous Disclosure policy operates as follows:

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

## CORPORATE GOVERNANCE STATEMENT

31 March 2016

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

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

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



## LEAD AUDITOR'S INDEPENDENCE DECLARATION

31 March 2016



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

To: the directors of Thom Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2016 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Anthony Travers'.

Anthony Travers  
*Partner*

Sydney

25 May 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

\$'000 AUD	Notes	2016	2015
<b>Revenue</b>	<b>3</b>	<b>303,999</b>	<b>293,702</b>
Finance lease cost of sales		(75,115)	(71,703)
Employee benefit expense	19	(59,431)	(53,853)
Impairment losses on loans and receivables		(31,467)	(27,598)
Marketing expenses		(14,727)	(12,993)
Property expenses		(10,711)	(9,923)
Transport expenses		(5,925)	(6,905)
Communication & IT expenses		(6,372)	(5,372)
Travel expenses		(1,925)	(1,586)
Other operating expenses		(27,372)	(22,451)
Depreciation and amortisation		(25,301)	(32,481)
Impairment of Intangibles		(6,672)	-
<b>Total operating expenses</b>		<b>(265,018)</b>	<b>(244,865)</b>
Earnings before Interest and Tax ("EBIT")		38,981	48,837
Finance expenses		(6,512)	(4,174)
Profit before income tax		32,469	44,663
Income tax expense	9	(12,410)	(14,070)
<b>Profit after tax for the year</b>		<b>20,059</b>	<b>30,593</b>
<b>Other comprehensive income - items that may be reclassified subsequently to profit or loss</b>			
Movement in fair value of cash flow hedge		107	(134)
<b>Total comprehensive income</b>		<b>20,166</b>	<b>30,459</b>
Basic earnings per share (cents)	14	13.1	20.3
Diluted earnings per share (cents)	14	13.1	20.3

*The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

\$'000 AUD	Notes	2016	2015
<b>Assets</b>			
Cash and cash equivalents		14,049	13,856
Trade and other receivables	4	147,914	124,601
Income tax receivable		5,363	1,379
<b>Total current assets</b>		<b>167,326</b>	<b>139,836</b>
Trade and other receivables	4	231,562	163,223
Deferred tax assets	10	-	1,503
Property, plant and equipment		3,244	3,957
Rental assets	6	18,238	33,215
Intangible assets	8	25,524	34,733
<b>Total non-current assets</b>		<b>278,568</b>	<b>236,631</b>
<b>Total assets</b>		<b>445,894</b>	<b>376,467</b>
<b>Liabilities</b>			
Trade payables		18,544	19,291
Other payables		22,941	14,582
Borrowings	12	39,091	19,778
Employee benefits		5,584	7,058
Provisions		990	719
<b>Total current liabilities</b>		<b>87,150</b>	<b>61,428</b>
Borrowings	12	158,782	124,195
Deferred tax liabilities	10	1,344	-
Employee benefits		375	395
Provisions		710	961
<b>Total non-current liabilities</b>		<b>161,211</b>	<b>125,551</b>
<b>Total liabilities</b>		<b>248,361</b>	<b>186,979</b>
<b>Net assets</b>		<b>197,533</b>	<b>189,488</b>
<b>Equity</b>			
Issued capital		109,854	103,446
Reserves		3,188	2,989
Retained earnings		84,491	83,053
<b>Total equity</b>		<b>197,533</b>	<b>189,488</b>

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 2016

\$'000 AUD	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 April 2014	99,060	2,851	69,709	171,620
Net profit for the year	-	-	30,593	30,593
Other comprehensive income	-	(134)	-	(134)
Issue of shares under dividend reinvestment plan	4,386	-	-	4,386
Share based payments transactions	-	272	-	272
Dividends to shareholders	-	-	(17,249)	(17,249)
<b>Balance at 31 March 2015</b>	<b>103,446</b>	<b>2,989</b>	<b>83,053</b>	<b>189,488</b>
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)
<b>Balance at 31 March 2016</b>	<b>109,854</b>	<b>3,188</b>	<b>84,491</b>	<b>197,533</b>

*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 2016

\$'000 AUD	Note	2016	2015
<b>Cash flows from operating activities</b>			
Cash receipts from customers		694,002	395,411
Cash paid to suppliers, employees and advanced to customers		(546,128)	(267,538)
Cash generated from operations		147,874	127,873
Net borrowing costs		(6,512)	(4,250)
Income tax paid		(13,548)	(20,730)
<b>Net cash from operating activities</b>		<b>127,814</b>	<b>102,893</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of assets		603	3,437
Acquisition of rental assets		(76,225)	(78,550)
Commercial finance originations		(91,743)	(61,527)
Acquisition of property, plant and equipment and software		(1,942)	(2,132)
Acquisition of subsidiary		-	(43,272)
<b>Net cash used in investing activities</b>		<b>(169,307)</b>	<b>(182,044)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		94,327	128,239
Repayment of borrowings		(40,428)	(24,763)
Dividends paid		(12,213)	(12,862)
<b>Net cash used in financing activities</b>		<b>41,686</b>	<b>90,614</b>
Net increase (decrease) in cash and cash equivalents		193	11,463
Cash and cash equivalents at April 1		13,856	2,393
<b>Cash and cash equivalents at 31 March</b>		<b>14,049</b>	<b>13,856</b>

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 2016

### Cash and cash equivalents

\$'000 AUD	2016	2015
Bank balances	13,936	13,746
Call deposits	113	110
Cash and cash equivalents	14,049	13,856

Included in cash are amounts of \$3,941,000 (2015: \$3,014,000) 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 \$10,108,000 (2015: \$10,842,000).

### Reconciliation of cash flows from operating activities

\$'000 AUD	2016	2015
Cash flows from operating activities		
Profit for the period	20,059	30,593
Adjustments for:		
Depreciation and amortisation	31,973	32,481
Equity settled transactions	92	272
Acquisition Costs	-	2,246
Transfer of rental assets to/from finance leases	70,625	67,075
Business Finance settlements	91,743	61,527
<b>Operating profit before changes in working capital and provisions</b>	<b>214,492</b>	<b>194,194</b>
<b>Changes in working capital and provisions, net of the effects of the Purchase of subsidiaries</b>		
(Increase) in trade and other receivables	(91,652)	(90,340)
(Increase) / Decrease in deferred tax assets	2,847	1,757
Increase / (Decrease) in income tax liability	(3,984)	(8,418)
Increase / (Decrease) in trade and other payables	7,612	4,785
Increase in provisions and employee benefits	(1,501)	915
<b>Net cash from operating activities</b>	<b>127,814</b>	<b>102,893</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

## 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 2016 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity were the leasing of household products, 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 2016.

#### (b) Basis of Preparation

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

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

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

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

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

revision and future periods if the revision affects both current and future periods.

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

- (i) Valuation of goodwill and other intangibles. See note 8.
- (ii) Impairment of goodwill. See note 8.
- (iii) Rent Try\$1 Buy asset depreciation. See note 6.
- (iv) Impairment of receivables. See note 11.
- (v) Purchased debt ledgers (PDL). 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;
- (vi) It is important for understanding the results of the Group or changes in the Group's business; and
- (vii) 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, and the unwinding of the discount on provisions. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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 2015 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 2018 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 2017, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 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 Business Finance division which provides financial products to small and medium enterprises including equipment leasing, trade finance and invoice discounting, the Receivables Management division which provides receivables management, debt recovery, credit information services, debt purchasing and other financial services and the Consumer Finance division which provides personal loans.

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

2016 \$'000 AUD	Consumer Leasing	Business Finance	Receivables Management	Consumer Finance	Corporate	Consolidated
<b>Segment revenue</b>	<b>245,701</b>	<b>30,525</b>	<b>14,654</b>	<b>13,119</b>	-	<b>303,999</b>
Operating expenses	(173,375)	(16,311)	(12,994)	(14,238)	(16,127)	(233,045)
<b>EBITDA</b>	<b>72,326</b>	<b>14,214</b>	<b>1,660</b>	<b>(1,119)</b>	<b>(16,127)</b>	<b>70,954</b>
Depreciation, amortisation and impairment (i)	(22,602)	(190)	(306)	(444)	(8,431)	(31,973)
<b>EBIT</b>	<b>49,724</b>	<b>14,024</b>	<b>1,354</b>	<b>(1,563)</b>	<b>(24,558)</b>	<b>38,981</b>
Finance expenses	-	-	-	-	(6,512)	(6,512)
<b>Profit before tax</b>	<b>49,724</b>	<b>14,024</b>	<b>1,354</b>	<b>(1,563)</b>	<b>(31,070)</b>	<b>32,469</b>
Segment assets	163,320	176,058	23,595	33,615	49,396	445,894
Segment liabilities	(41,989)	(5,889)	(2,612)	-	(197,871)	(248,361)

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

2015 \$'000 AUD	Consumer Leasing	Business Finance	Receivables Management	Consumer Finance	Corporate	Consolidated
<b>Segment revenue</b>	<b>246,169</b>	<b>15,046</b>	<b>18,727</b>	<b>13,760</b>	-	<b>293,702</b>
Operating expenses	(162,622)	(8,056)	(16,132)	(12,388)	(13,186)	(212,384)
<b>EBITDA</b>	<b>83,547</b>	<b>6,990</b>	<b>2,595</b>	<b>1,372</b>	<b>(13,186)</b>	<b>81,318</b>
Depreciation, amortisation and impairment	(28,673)	(184)	(336)	(125)	(3,163)	(32,481)
<b>EBIT</b>	<b>54,874</b>	<b>6,806</b>	<b>2,259</b>	<b>1,247</b>	<b>(16,349)</b>	<b>48,837</b>
Finance expense	-	-	-	-	(4,174)	(4,174)
<b>Profit before tax</b>	<b>54,874</b>	<b>6,806</b>	<b>2,259</b>	<b>1,247</b>	<b>(20,523)</b>	<b>44,663</b>
Segment assets	133,215	124,031	22,959	39,566	56,696	376,467
Segment liabilities	(36,427)	(4,628)	(1,951)	-	(143,973)	(186,979)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 3. REVENUE

\$'000 AUD	2016	2015
Operating leases	67,548	95,012
Finance lease sales	103,434	97,173
Interest	103,964	77,159
Collection revenue	10,644	14,737
PDL revenue	4,427	4,492
Other commercial revenue	13,823	4,289
Other income and fees	159	840
	<b>303,999</b>	<b>293,702</b>

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.
- Revenue from collection services rendered is recognised upon delivery of the services to the customers.
- Revenue from PDL's represents income derived from the application of the effective interest method net of any changes in fair value. The effective interest rate is the implicit interest rate based on forecast collections derived at the time of acquisition of an individual PDL. Change in fair value is determined based on the present value of expected future cashflows.
- The models used to value PDL cashflows were reassessed at year end. This reassessment resulted in a change in value of the PDL book and a \$1.2m write down which is recorded against PDL revenue in the final quarter.
- Other commercial revenue represents fees derived from invoice discounting transactions performed by the CRA business and is recognised on an accrual basis.

### 4. TRADE AND OTHER RECEIVABLES

\$'000 AUD	2016	2015
<b>Current</b>		
Trade receivables	3,776	2,985
Finance lease receivables	63,256	45,111
Other commercial receivables	41,592	34,725
Loan receivables	23,464	24,020
Purchased debt ledgers	7,184	5,852
Lease deposits	616	554
Other receivables and prepayments	8,026	11,354
	<b>147,914</b>	<b>124,601</b>
<b>Non-current</b>		
Finance lease receivables	204,718	137,630
Loan receivables	14,482	17,036
Purchased debt ledgers	12,362	8,557
	<b>231,562</b>	<b>163,223</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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 are 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 are 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 Rent Try \$1 Buy<sup>®</sup> 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	2016	2015
Lease receivables - less than one year	175,373	128,015
Lease receivables - between one and five years	283,653	197,492
<b>Total Lease receivables</b>	<b>459,026</b>	<b>325,507</b>
Unearned interest income on finance leases - less than one year	(85,855)	(63,125)
Unearned interest income on finance leases - between one and five years	(78,949)	(59,908)
<b>Total unearned interest income on finance leases</b>	<b>(164,804)</b>	<b>(123,033)</b>
Impairment provisioning – consumer leases	(26,248)	(19,733)
<b>Net Lease receivables</b>	<b>267,974</b>	<b>182,741</b>

#### *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	2016	2015
Less than one year	4,859	10,789
Between one and five years	1,093	2,741
	<b>5,952</b>	<b>13,530</b>

#### *Operating leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

\$'000 AUD	2016	2015
Less than one year	5,887	7,658
Between one and five years	6,933	8,296
	<b>12,820</b>	<b>15,954</b>

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

The 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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 2016 was \$11,285,000 (2015: 9,923,000).

### 6. RENTAL ASSETS

\$'000 AUD	2016	2015
Opening balance	33,215	52,644
Acquisitions	76,255	78,550
Disposals	(1,978)	(4,380)
Depreciation	(19,871)	(27,469)
Transfers to finance leases	(76,375)	(72,330)
Transfers from finance leases	6,992	6,200
	<b>18,238</b>	<b>33,215</b>

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

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

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

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.

### 7. PURCHASED DEBT LEDGERS

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

\$'000 AUD	2016	2015
At the beginning of the year	14,409	8,874
Net additions	11,981	12,473
Collections	(11,271)	(11,429)
Revenue (i)	4,427	4,491
<b>At the end of the year</b>	<b>19,546</b>	<b>14,409</b>

- (i) The models used to value PDL cashflows were reassessed at year end. This reassessment resulted in a change in value of the PDL book and a \$1.2m write down was recorded against PDL revenue in the final quarter.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

PDLs are classified as follows:

\$'000 AUD	2016	2015
Less than one year	7,184	5,852
Between one and five years	12,362	8,557
<b>At the end of the year</b>	<b>19,546</b>	<b>14,409</b>

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

The following summarises the assumptions used in these calculations:

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

A change of five percent in forecast collections at the reporting date would have increased or decreased the consolidated entity's equity and profit or loss by \$393,000 (2015: \$383,000).

### 8. INTANGIBLE ASSETS

\$'000 AUD	Goodwill	Customer Relationships	Software	Total
<b>Year ended 31 March 2015</b>				
Opening net carrying amount	22,276	3,517	5,941	31,734
Additions	5,054	-	1,108	6,162
Impairment and amortisation charges for the year	-	(1,759)	(1,404)	(3,163)
<b>Closing net book amount</b>	<b>27,330</b>	<b>1,758</b>	<b>5,645</b>	<b>34,733</b>
<b>At 31 March 2015</b>				
Cost	34,404	8,797	10,410	53,611
Amortisation and Impairment Losses	(7,074)	(7,039)	(4,765)	(18,878)
<b>Net book amount</b>	<b>27,330</b>	<b>1,758</b>	<b>5,645</b>	<b>34,733</b>
<b>Year ended 31 March 2016</b>				
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)
<b>Closing net book amount</b>	<b>20,658</b>	<b>-</b>	<b>4,866</b>	<b>25,524</b>
<b>At 31 March 2016</b>				
Cost	34,404	8,797	11,569	54,770
Amortisation and Impairment	(13,746)	(8,797)	(6,703)	(29,246)
<b>Net book amount</b>	<b>20,658</b>	<b>-</b>	<b>4,866</b>	<b>25,524</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### Goodwill

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

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

### Other Intangibles

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

### Amortisation

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

- Customer 5 years
- Software 3 – 10 years

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

### 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	2016	2015
Consumer leasing	15,604	15,604
Business finance	5,054	5,054
Receivables management	-	6,672
<b>Total</b>	<b>20,658</b>	<b>27,330</b>

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 grow at an average of 2.5% p.a. and the pre-tax discount rate is assumed at 13.85% (2015: 10.54%). A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2.0%. The value in use calculation in 2016 was determined on a similar basis to the 2015 calculation.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### Business Finance

Cash Resources Australia was purchased with effect 1 December 2014 and thus not tested for impairment in the year ended 31 March 2015.

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

A terminal value is calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2.0%. During the forecast period, revenue is assumed to grow at an average 7.5% and the pre-tax discount rate is assumed at 13.85%.

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

### Receivables Management

Testing using a value in use method revealed the carrying amount of the CGU exceeded its recoverable amount. An impairment charge for the total value of the intangible of the CGU of \$6,672,000 has been recognised in the income statement for year ended 31 March 2016. The impairment amount required the goodwill only to be written off with other assets and purchased debt ledgers still being carried at book value.

The circumstances that led to this impairment included lower than expected business performance during the second half of year. This prompted a downgrade to the future outlook in terms of both growth and cash flows.

Testing included a terminal value calculated using the cash flows for year 5 of the forecast period and a long-term growth rate of 2.0%. During the forecast period, revenue was assumed to grow at an average 10.9% and the pre-tax discount rate is assumed at 13.85%.

## 9. INCOME TAX EXPENSE

### Recognised in the Income Statement

\$'000 AUD	2016	2015
<b>Current tax expense</b>		
Current year	9,543	12,334
Adjustment for prior year	20	(21)
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	2,847	1,757
<b>Total income tax expense in income statement</b>	<b>12,410</b>	<b>14,070</b>

### Numerical reconciliation between tax expense and pre-tax accounting profit

\$'000 AUD	2016	2015
Profit before tax	32,469	44,663
Prima facie income tax using the domestic corporation tax rate of 30% (2015: 30%)	9,741	13,399
Change in income tax expense due to:		
Non-deductible expenses	2,649	692
(Over) / Under provided in prior years	20	(21)
<b>Income tax expense on pre-tax accounting profit</b>	<b>12,410</b>	<b>14,070</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 10. DEFERRED TAX ASSETS AND LIABILITIES

#### Recognised Deferred Tax Assets and Liabilities

\$'000 AUD	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Rental assets	55,504	42,194	-	-	55,504	42,194
Property, plant and equipment	675	310	-	-	675	310
Trade, loan and other receivables	2,601	1,721	-	-	2,601	1,721
Finance lease receivables	-	-	(66,892)	(46,963)	(66,892)	(46,963)
Accruals	4,391	2,421	-	-	4,391	2,421
Provisions	2,131	1,664	-	-	2,131	1,664
PDL liability	246	156	-	-	246	156
<b>Tax assets / (liabilities)</b>	<b>65,548</b>	<b>48,466</b>	<b>(66,892)</b>	<b>(46,963)</b>	<b>(1,344)</b>	<b>1,503</b>

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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

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

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

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	2016	2015
Trade receivables	3,776	2,985
Consumer finance lease receivables	136,047	100,151
Business finance lease receivables	131,927	82,590
Other commercial receivables	41,592	36,532
Loan receivables	37,946	41,056
Purchased debt ledgers	19,546	14,409
	<b>369,928</b>	<b>277,723</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 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 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	1,147	-	965	-
Past due 0 - 30 Days	2,070	(408)	1,761	(134)
Past due 31 - 180 Days	1,735	(767)	1,457	(1,064)
	<b>4,951</b>	<b>(1,175)</b>	<b>4,183</b>	<b>(1,198)</b>

The net value of trade receivables as at 31 March 2016 was \$3,776,000 (2015: \$2,985,000)

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 \$136,047,000 (2015: \$100,151,000) 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 2016 is \$22,114,000 (2015: \$17,325,000). 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 2016 is \$91,068,000 (2015: \$70,359,000).

#### Business finance lease receivables

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

\$'000 AUD	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	132,631	(2,086)	84,363	(1,773)
Past due 0 - 30 Days	1,535	(153)	124	(124)
Past due 31 - 180 Days	1,895	(1,895)	511	(511)
	<b>136,061</b>	<b>(4,134)</b>	<b>84,998</b>	<b>(2,408)</b>

The net value of commercial finance lease receivables as at 31 March 2016 was \$131,927,000 (2015: \$82,590,000)

#### Other commercial receivables

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

\$'000 AUD	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	9,136	-	7,757	-
Past due 0 - 30 Days	14,256	-	12,104	-
Past due 31 - 180 Days	20,225	(2,025)	17,171	(500)
	<b>43,617</b>	<b>(2,025)</b>	<b>37,032</b>	<b>(500)</b>

The net value of other commercial receivables as at 31 March 2016 was \$41,592,000 (2015: \$36,532,000)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### Loan receivables

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

\$'000 AUD	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	38,738	(3,463)	40,785	(1,881)
Past due 0 - 30 Days	2,968	(297)	2,391	(239)
Past due 31 - 180 Days	3,557	(3,557)	2,607	(2,607)
	<b>45,263</b>	<b>(7,317)</b>	<b>45,783</b>	<b>(4,727)</b>

The net value of loan receivables as at 31 March 2016 was \$37,946,000 (2015: \$41,056,000)

### Liquidity risk

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

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2016.

#### 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	40,151	40,151	40,151	-	-
	<b>238,024</b>	<b>253,754</b>	<b>86,630</b>	<b>167,124</b>	<b>-</b>

#### 31 March 2015

\$'000 AUD	Carrying Amount	Contractual Cash Flows	1 year or less	1-5 years	5 years or more
Secured loan facilities	143,973	158,612	25,360	133,252	-
Trade and other payables	32,005	32,005	32,005	-	-
	<b>175,978</b>	<b>190,617</b>	<b>57,365</b>	<b>133,252</b>	<b>-</b>

The consolidated entity's access to financing arrangements is disclosed in Note 12.

### 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.

### Interest Rate Risk

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

\$'000 AUD	2016	2015
Financial assets	10,108	10,842
Financial liabilities	(197,873)	(143,973)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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 \$1,314,000 (2015: \$932,000).

### 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. BORROWINGS

\$'000 AUD	2016	2015
<b>Current liabilities</b>		
Secured loans	39,091	19,778
<b>Non-current liabilities</b>		
Secured loans	158,782	124,195
	<b>197,873</b>	<b>143,973</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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	2016	2015
Secured Loan Facility (Maturity 28 November 2017)	110,000	110,000
Utilised	104,000	84,000
<b>Available headroom</b>	<b>6,000</b>	<b>26,000</b>
Secured Loan Facility (Maturity 22 January 2017)	30,000	-
Utilised	12,000	-
<b>Available headroom</b>	<b>18,000</b>	-
Securitised warehouse facility (Maturity 16 December 2017 with a roll over on 16 December 2016)	100,000	100,000
Utilised	81,873	59,973
<b>Available headroom</b>	<b>18,127</b>	<b>40,027</b>
Total loan facilities	240,000	210,000
Utilised	197,873	143,973
<b>Available headroom</b>	<b>42,127</b>	<b>66,027</b>

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.

### 13. CAPITAL AND RESERVES

Number of shares	2016	2015
On issue at the beginning of year	151,337,839	149,494,813
Issue of new shares on vesting of performance rights	-	-
Issue of shares under dividend investment plan	3,129,047	1,843,026
	154,466,886	151,337,839

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 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
<b>2016</b>				
Final 2015	6.75	10,215	100%	16 July 2015
Interim 2016	5.5	8,406	100%	21 January 2016
<b>Total amount</b>		<b>18,621</b>		
<b>2015</b>				
Final 2014	6.5	9,717	100%	17 July 2014
Interim 2015	5.0	7,532	100%	22 January 2015
<b>Total amount</b>		<b>17,249</b>		

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	6.0	\$9,268,013	100%	18 July 2016

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2016 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by \$3,972,000 (2015: \$4,377,987).

### Dividend franking account

\$'000 AUD	2016	2015
30% franking credits available to shareholders of Thorn Group Limited	37,625	35,733

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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, 3,129,047 new ordinary shares were issued during this financial year to the value of \$6,408,000.

### 14. 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 2016 was based on profit attributable to ordinary shareholders of \$20,059,000 (2015: \$30,593,000) and a weighted average number of ordinary shares during the year ended 31 March 2016 of 152,707,502 (2015: 150,430,487).

#### *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 2016 was based on profit attributable to ordinary shareholders of \$20,059,000 (2015: \$30,593,000) and a weighted average number of ordinary shares during the year ended 31 March 2016 of 152,707,502 (2015: 150,430,487), which includes performance rights granted.

	2016	2015
<b>Profit attributable to ordinary shareholders (basic)</b>		
\$'000 AUD		
Profit attributable to ordinary shareholders (basic and diluted)	20,059	30,593
<b>Weighted average number of ordinary shares (basic)</b>		
'000's		
Issued ordinary shares at 1 April	151,338	149,495
Effect of shares issued	1,370	935
<b>Weighted average number of ordinary shares for the year</b>	<b>152,708</b>	<b>150,430</b>
<b>Weighted average number of ordinary shares (diluted)</b>		
'000's		
Issued ordinary shares at 1 April	151,338	149,495
Effect of shares issued	1,370	935
<b>Weighted average number of ordinary shares for the year</b>	<b>152,708</b>	<b>150,430</b>
<b>Earnings per share</b>		
Basic earnings per share (cents)	13.1	20.3
Diluted earnings per share (cents)	13.1	20.3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

### 15. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2016	2015
<b>Parent entity</b>			
Thorn Group Limited	Australia		
<b>Subsidiaries</b>			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia	100%	100%
Rent Try Buy Pty Ltd	Australia	100%	100%
CashFirst Pty Ltd	Australia	100%	100%
1 <sup>st</sup> Cash Pty Ltd	Australia	100%	100%
Thorn Equipment Finance Pty Ltd	Australia	100%	100%
Thorn Finance Pty Ltd	Australia	100%	100%
Votrait No 1537 Pty Ltd	Australia	100%	100%
National Credit Management Limited	Australia	100%	100%
A.C.N 119211317 Pty Ltd (Greater Western Asset Management)	Australia	100%	100%
Hudson Legal Pty Ltd	Australia	100%	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%
Cash Resources Australia Pty Ltd	Australia	100%	100%
Cash Resources Australia 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 it 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.

### 16. DEED OF CROSS GUARANTEE

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

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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 15 (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 2016, 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 \$3,941,000 and trade and other payables would decrease by \$3,941,000.

### 17. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 March 2016 the parent entity of the consolidated entity was Thorn Group Limited.

\$'000 AUD	2016	2015
<b>Result of Parent Entity</b>		
Profit for the period	18,621	17,249
Other comprehensive income	107	(134)
<b>Total comprehensive income for the period</b>	<b>18,728</b>	<b>17,115</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	5,363	1,379
Total assets	119,749	107,814
Current liabilities	5,363	1,379
Total liabilities	6,707	1,379
<b>Total equity of the parent comprising</b>		
Share capital	109,854	103,446
Equity remuneration reserve	3,188	2,989
<b>Total Equity</b>	<b>113,042</b>	<b>106,435</b>

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.

### 18. ACQUISITION OF SUBSIDIARY

During the 2015 financial year the Group acquired the trade and assets of the following entities:

Date of acquisition	Entity Purchased	% Acquired
1 December 2014	Cash Resources Australia Pty Ltd	100%(i)
1 December 2014	Cash Resources Australia Trust	100%(i)

(i) Acquisition of business assets

In the financial report for the year ended 31 March 2015 Goodwill of \$3,247,000 was established using provisional assessments for fair value of net assets acquired. Subsequent to the purchase the fair value of net assets was revised recognising impairment of trade receivables for conditions that existed at the time of purchase.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

Details of the fair value of the assets acquired were as follows:

\$'000 AUD	Final	Provisional
(a) Purchase consideration		
Cash paid to date,	45,609	45,609
Less cash acquired	(2,337)	(2,337)
Net cash payment	43,272	43,272
Less acquisition costs	(2,246)	(2,246)
Net purchase consideration	41,026	41,026
Fair value of net identifiable assets acquired (b)	(35,972)	(37,779)
<b>Goodwill</b>	<b>5,054</b>	<b>3,247</b>
(b) Assets and liabilities acquired		
The assets and liabilities arising from the acquisition are as follows:		
Trade and other receivables	39,488	41,295
Property, plant and equipment	355	355
Creditors and employee benefits provision	(3,871)	(3,871)
<b>Fair value of net identifiable assets and liabilities acquired</b>	<b>35,972</b>	<b>37,779</b>

The fair value of identifiable assets and liabilities of CRA approximated their carrying values at the date of acquisition.

The accounting for the above acquisition was provisional as at 31 March 2015.

### 19. EMPLOYMENT BENEFITS EXPENSE

\$'000 AUD	2016	2015
Wages and salaries	55,024	49,679
Contributions to defined contribution superannuation funds	3,953	3,561
Termination benefits	362	341
Equity settled share-based payment transactions	92	272
	<b>59,431</b>	<b>53,853</b>

### 20. RELATED PARTIES

#### Key management personnel remuneration

\$'000 AUD	2016	2015
Short-term employee benefits	2,617,605	3,070,462
Post-employment benefits	174,452	157,937
Long-term employee benefits	36,719	333,977
Share based payments	116,468	225,530
	<b>2,945,244</b>	<b>3,787,906</b>

#### 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 \$263,097. This work was undertaken and invoiced on an arms 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

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.

### 21. AUDITORS' REMUNERATION

In whole AUD	2016	2015
Audit services		
KPMG Australia:		
Audit and review of financial reports	357,000	368,000
Compliance assurance services	31,500	31,500
Acquisition related audit services	--	45,000
	388,500	444,500
Other services		
KPMG Australia:		
Taxation services – compliance and advice	82,206	198,351
Transaction services	144,000	60,000
Risk management advisory	124,099	-
Risk Consulting services	77,000	-
Other Services	68,245	79,250
	495,550	337,601

### 22. CONTINGENT LIABILITY

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

In connection with that engagement, Thorn has been assisting ASIC in an investigation which ASIC has been undertaking into Thorn's compliance with the responsible lending obligations pertaining to consumer leases under the National Consumer Credit Protection Act 2009. ASIC has informed Thorn that it is concerned about possible breaches of Thorn's responsible lending obligations in respect of consumer leases entered into in the period 1 January 2012 to 1 May 2015. ASIC's investigation is ongoing and Thorn is obtaining advice and considering its position in relation to ASIC's concerns.

There are a number of potential outcomes from this engagement with ASIC, one of which is the imposition of penalties, but the outcome is not certain at this stage and accordingly Thorn has not taken up any liability in its balance sheet other than the provision for customer credit refunds and associated matters which was explained at the half year. Refunds to customers have been made and continue to be made as those customers affected are contacted and their address or banking details obtained to enable the refund.

### 23. SUBSEQUENT EVENT – CLOSURE OF CONSUMER FINANCE BUSINESS UNIT

Subsequent to the year end an announcement was made to the ASX confirming the decision to close the direct to market Consumer Loan business and liquidate the existing loan receivables book.

Adjustments to the carrying values of the assets employed in that business and provisions for closure costs were recognised in the year. The total pre tax amount of these adjustments was \$2.3m.

## DIRECTORS' DECLARATION

For the Year Ended 31 March 2016

### 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 33 to 58 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 2016 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 Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 March 2016.

Signed in accordance with a resolution of the directors.



Joycelyn Morton  
*Chair*



James Marshall  
*Managing Director*

Dated at Sydney  
25 May 2016



## Independent auditor's report to the members of Thom Group Limited

### Report on the financial report

We have audited the accompanying financial report of Thorn Group Limited (the company), which comprises the consolidated statement of financial position as at 31 March 2016, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

For the Year Ended 31 March 2016



### *Independence*

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

### *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 10 to 23 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Thom Group Limited for the year ended 31 March 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Anthony Travers  
*Partner*

Sydney

25 May 2016