Thorn Group Limited

ABN 54 072 507 147

Appendix 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

YEAR ENDED 31 MARCH 2019

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

Contents

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

Current year: 1 April 2018 to 31 March 2019
Previous corresponding year: 1 April 2017 to 31 March 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Year ended	**31 March 2019 $'000s**	**31 March 2018 $'000s**	**% Change**
Revenue from ordinary activities- Continuing operations	221,857	234,277	Down 5%
(Loss)/ Profit from discontinued operation, net of tax	3,182	2,839	Up 12%
Reported net profit / (loss) after tax	(14,940)	(2,210)	Down 676%

A brief explanation of the above figures, a commentary on the financial performance and position, and other Appendix 4E disclosures can be found in the annual financial statements for the year ended 31 March 2019.

DIVIDENDS	**Amount per ordinary share**	**Franked amount per ordinary share**
Interim dividend	Nil	Nil
Final dividend (declared, not yet provided at 31 March 2019)	Nil	Nil

NET TANGIBLE ASSETS	**31 March 2019**	**31 March 2018**
Net tangible assets per ordinary share	106 cents	121 cents

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

Nil

2019 ANNUAL GENERAL MEETING

The 2019 Annual General Meeting will be held on Friday 23 August 2019 at 11.00 am in the KPMG Auditorium, Tower Three International Towers Sydney, 300 Barangaroo Avenue, Sydney, NSW 2000.

Compliance statement

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

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

Signed ……………………………………… Date 30 May 2019
David Foster
Chairman

Annual Financial Report

31 March 2019

ACN 072 507 147

CONTENTS

The Directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as 'Thorn', the 'Group' or the 'consolidated entity') for the financial year ended 31 March 2019 and the auditor's report thereon.

STRATEGIC REVIEW

The Company announced on 1 April 2019 that it had initiated a review of its strategic options. This review is ongoing and further announcements will be made in due course.

One component of the review is an exploration of alternative ownership considerations which would include the potential sale of various divisions of the Group or the Company as a whole (including all of the assets of the Company). There is no certainty the strategic review will result in any offers for either the Company or a division thereof, or that if any offers are received they will be on commercially acceptable terms.

Nonetheless, the directors are of the view that if a sale of the Company as a whole (including all of the assets of the Company) or any division thereof were to occur, it is likely such a sale would be at a value (or implied value) lower than the Company's recorded net assets of $172.0m in these accounts which are presented as a going concern. This differential in value is also reflected in the company's market valuation. Factors giving rise to this include uncertainty over the company's future cash flows, the presence of the class action contingent liability, and a recognition that the value of assets realised in an immediate sense may be lower than the value realised in the ordinary course of business.

OPERATING AND FINANCIAL REVIEW

Principal activities

Thorn is a diversified financial services group providing the leasing of household products to consumers, and commercial asset finance to small and medium size enterprises. There were no other significant changes in the nature of the activities of the consolidated entity during the year.

Financial performance

Revenue decreased in the year to $221.9m (2018: $234.3m), and net profit after tax fell to a loss of $(14.9m) (2018: $(2.2m)).

The profit and loss statements include non operating matters which have significantly affected the results. This year asset impairments arose in the Consumer Leasing division as a result of lower reported operating profits and cash flows which prompted the directors to review the carrying value of the assets in that division and to write them down. Last year, the goodwill balance of $20.7m was written off and this year the software and fixed assets balances were written off to a value of $10.0m pre tax. For the purpose only of better explaining the results, these two adjustments have been separated out into one line in the table below.

This year a specific provision of $11.5m was taken in the Business Finance division against a group of receivables where the individual lessees for a certain product, introduced via agency arrangements, had defaulted and challenged the enforceability of the leases. There were also a number of accounting policy changes which are explained in the notes.

Segment performance

A$m	Segment revenue		Segment EBIT to PAT	
	2019	**2018**	**2019**	**2018**
Consumer Leasing	178.7	195.4	(2.1)	28.4
Business Finance	43.2	38.9	16.1	24.3
Corporate	-		(13.8)	(14.8)
Goodwill and asset impairments	-		(10.0)	(20.7)
Sub-total	**221.9**	**234.3**	**(9.8)**	**17.2**
Net interest expense			(15.4)	(15.8)
Profit before tax			**(25.2)**	**1.3**
Tax expense			7.1	(6.4)
Net loss after tax from continuing operations			(18.1)	(5.0)
Profit from discontinued businesses after tax			3.2	2.8
Net loss after tax			**(14.9)**	**(2.2)**

Consumer Leasing

The Company's consumer leasing division, Radio Rentals, continued to experience challenging trading conditions during the year. Retail sales were slow, the consumer leasing industry was in the spotlight with the recent Senate Inquiry, there is continuing publicity around the class action against the Company, the rise of unregulated buy now pay later financiers, and the individual customer's financial position has been impacted by persistent low income growth and rising household costs.

To respond to these challenges, the division refurbished stores and increased its marketing offers and promotions to customers including offering new longer contract terms. These activities were successful in that they served to stabilise sales with 83,299 units being installed in the year which was 1% higher than last year's 82,371.

Revenue for the 2019 financial year reduced by $16.8m to $178.6m (2018: $195.4m). Revenue is a combination of sales revenue from installations under new contracts and the interest and fee income from past written contracts. While sales revenue was up on last year it came with increased promotional and discounting costs. An accounting policy change was enacted where gift cards and similar promotional activity offered upfront has been adjusted to be written off as an immediate expense rather than being amortised over the effective life of the contract.

Interest income reduced as the net receivables book, which generates the interest income, fell to $136.2m (2018: $153.2m post AASB 9 adoption). Other fees and charges reduced as legacy products wound off and the volume of other fees and charges reduced.

The division's costs (excluding intangible and asset impairments) increased by $13.8m to $180.8m (2018: $167.0m) due to higher promotional costs and a significant increase in customer arrears in the second half leading to higher provisioning and write off. The arrears position continues to be addressed and is trending down but remains elevated compared to prior periods. Other than the above, all other expenses were in line with or lower than the prior year. The division continues to pursue changes to its operating model with changes having been implemented in collections, servicing and warehousing. The resulting EBIT before intangible and asset impairments was a loss of $(2.1m) (2018: profit of $28.4m) and a loss of $(12.1m).

Business Finance

Business Finance experienced a year of constrained growth as the availability of credit remained tight. While the new warehouse mezzanine structure raised the gearing of the division, the Group's declining profitability and cash flow limited the capital availability for the junior notes component. Originations were therefore limited and ended 25% below the prior year at $150.5m (2018: $208.9m). The net receivables book fell marginally to $318.3m (2018: $314.8m post AASB 9 adoption) mostly as a result of the specific provision taken referred to previously.

Revenue rose 11% to $43.2m (2018: $38.9m). Arrears and consequent bad debt write offs remained in the acceptable range except for the specific provision which was required to be taken for the industry wide issue where Thorn's exposure was provided for in full. With costs under control, EBIT before that matter would have been up 13% at $27.6m. After that specific provision, EBIT was $16.1m (2018: $24.3m).

Corporate

Corporate expenses continue to be elevated due to the legal and compliance costs of the ASIC and class action matters but overheads were cut resulting in the expenses of the corporate centre for the year reducing from $14.8m last year to $13.8m.

Interest expense

Net borrowing costs decreased by 3% from $15.8m to $15.4m. Borrowings increased during the year as growth in the Business Finance book was funded predominantly by debt and with the introduction of a mezzanine financier into the warehouse from August 2018. Borrowings in the warehouse rose to $288.6m (2018: $243.3m). The corporate facility balance was further reduced during the year down to $15.0m (2018: $41.0m). The price of financing rose mostly because the mezzanine tranches in the warehouse naturally come with higher credit spreads.

Tax expense

The Group generally pays corporation tax at or slightly above the 30% statutory rate as some expenses are not tax deductible.

Discontinued operations

Three business divisions were sold over the past two years to reduce debt. There were final payment adjustments and the resolution of provisions set aside for warranty and other claims during this financial year which have given rise to a profit after tax for discontinued businesses of $3.2m. As at the date of this report there are no balances held on the balance sheet in relation to these sold entities and one limited exposure warranty remains in force.

Financial position

The balance sheet is presented below and has two versions. The first version excludes the securitised warehouse trust borrowings for Business Finance along with those associated receivables (which are non-recourse funding for the warehouse) leaving only the corporate bank debt facility, and the second is as per the statutory accounts format with all debt included.

Summarised financial position	31 March 2019		31 March 2018	
$m	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at bank (i)	30.6	30.6	28.2	28.2
Receivables	144.8	457.4	187.0	489.0
Investment in unrated notes	24.0	-	58.7	-
Inventories and other assets	24.8	24.8	18.1	18.1
Intangible assets	-	-	5.7	5.7
Total Assets	**224.2**	**512.8**	**297.7**	**541.0**
Borrowings	15.0	303.6	41.0	284.3
Other liabilities	37.2	37.2	57.0	57.0
Total Liabilities	**52.2**	**340.8**	**98.0**	**341.3**
Total Equity	**172.0**	**172.0**	**199.7**	**199.7**
Gearing (net debt/equity) (ii)	**4.1%**	**171.9%**	16.3%	138.2%
EPS		(9.3)		(1.4)
Return on Equity (iii)		(8.0%)		(1.1%)

(i) Cash at bank consists of free cash of $7.9m (2018: $8.4m) and restricted cash $22.7m (2018: $19.8m) relating to the operation of the securitised warehouse SPV.
(ii) Gearing is calculated as closing net debt (i.e. debt less free cash) divided by closing equity
(iii) ROE is calculated as PAT divided by the average of opening and closing equity and annualised. With goodwill and assets impairment excluded ROE would have been (2.6)% (2018: 9.1%).

Cash at bank
The cash amount includes the free cash available to the Group for its usual working capital balance plus the tied cash held within the securitised warehouse special purpose vehicle. At the year end free cash was $7.9m and tied cash $22.7m.

Receivables
Consumer leasing receivables reduced by $16.8m to $136.4m (2018: $153.2m post AASB 9 adoption). This was a combination of existing receivables in the book amortising off faster than new volumes could replace them, additional bad debt write offs being experienced, and higher provisioning as a result of the higher arrears and loss given default under AASB 9.

Business Finance receivables remained relatively flat at $318.3m (2018: $314.8m post AASB 9 adoption) as constrained origination volumes grew the book but that increase was offset by the specific provision of $10.1m taken against the industry wide matter referred to above.

Investment in unrated notes
This balance represents the equity notes held by the Group in the securitised warehouse. It has decreased since 31 March 2018 due to the introduction of the mezzanine investor into the warehouse who purchased 60% of the Group's notes as part of that transaction.

Borrowings
Borrowings rose to $303.6m (2018: $284.3m). The securitised warehouse funding grew $45.3m from $243.3m to $288.6m. The corporate facility was reduced by $26.0m from $41.0m to $15.0m.

Other liabilities
Liabilities reduced as the regulatory remediation program proceeded and there were changes in the deferred tax position as a result of the provisions taken and write downs made.

Funding

The Group has the following debt facility limits:

$m	2019	2018
Secured Corporate Loan Facilities A and B	30.0	70.0
Securitised Warehouse Facility	368.0	250.0

The Company continues to be funded in its corporate facility and the majority of its securitised warehouse facility by one Australian major bank. That bank and the Company entered into facility variation agreements during the year which required the Company to undertake progressive debt repayments and meet new covenants. Progressive repayments were made and the outstanding balance at year end was $15.0m with a further $2.5m earmarked for bank guarantees given to landlords of retail stores occupied by the Company. The consequent available facility headroom is therefore $12.5m but the facility presently has a drawstop placed upon it such that $10.0m of further draw downs can only take place with the lender's prior approval (the difference is a $2.5m overdraft tranche which is unrestricted).

The corporate facilities terminate on 30 November 2020 with the bank having the right to a scheduled annual review of the facility on 30 November 2019. The corporate facilities are secured by a fixed and floating charge over the assets of the consolidated entity.

The securitised warehouse facility is a separate special purpose vehicle where the borrowings advanced by the bank and the mezzanine financier are secured by the rentals and payments receivable from the underlying lease receivable contracts and is non-recourse to the Group beyond Thorn's subordinated notes in the warehouse. The facility is drawn to $288.6m leaving $79.4m as the undrawn capacity which can be accessed providing the lease and loan receivables to be sold into the warehouse meet the warehouse eligibility criteria and all other terms and conditions of that facility remain met.

The facility terminates in 10 August 2025 and the financiers have the right at 10 August 2019 to cease funding new originations whereby the facility would go into run off and be repaid from the underlying cash flows. The facility received a credit rating during the year.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends declared or paid during the financial year:

	Cents per share	Amount $'000	Franking	Date of payment
2019				
Final 2018	-	-	n/a	n/a
Interim 2019	-	-	n/a	n/a
Total amount		**-**		
2018				
Final 2017	2.5	3,956	100%	18-Jul-17
Interim 2018	1.0	1,593	100%	19-Jan-18
Total amount		**5,549**		

Directors have resolved that no final dividend be declared. This decision was taken after considering the need to retain cash to provide balance sheet flexibility for the Company following the changes to its bank financing arrangements and the reported loss for the year.

REGULATORY MATTERS

Thorn is complying with the Enforceable Undertaking agreed with ASIC on 23 January 2018. The remediation is substantially completed in compliance with the requirements of the EU and the amounts remain provided for.

Deloitte was appointed as the Independent Expert on 12 February 2018 to provide a series of reports in accordance with the EU to assess Thorn's compliance with its obligations under its Australian Credit Licence and the progress of its consumer remediation program for affected consumers. These reports are available on the ASIC website.

The group is not subject to any significant environmental regulation.

CONTINGENT LIABILITY

The Thorn subsidiary operating Radio Rentals remains a respondent to a class action proceeding commenced by one of its customers in the Federal Court of Australia on 29 March 2017. The allegations relate to misleading and deceptive conduct, unconscionable conduct, false representations and unfair contract terms.

The matter is being defended and no provision has been made in these accounts. The proceedings remain ongoing with a hearing scheduled for October 2019. Furthermore, the applicant was successful in its application to join Thorn's former managing director James Marshall and Thorn's insurer, AIG, to the proceedings. Legal fees continue to be incurred defending the matter.

FINANCING AND GOING CONCERN BASIS FOR THE FINANCIAL REPORT

On 9 November 2018, the Group and its bank entered into a revised corporate facility with a tenor out to November 2020 and a facility limit of $30m. In the present circumstances, with the Company announcing a substantial loss for the year, waivers on financial convenants and a strategic review underway, on 29 March 2019 the bank implemented a draw stop to only permit further drawings under the corporate facility with the bank's prior approval. Accordingly $10m of the corporate facility headroom of $12.5m at year end can only be accessed at the bank's absolute discretion (the difference is a $2.5m overdraft tranche which is unrestricted). The Group maintains a working relationship with its financier, despite the circumstances noted above.

As referred to in Note 27 the Group is defending a class action and legal fees continue to be incurred in defending the matter. The proceedings remain ongoing with the outcome of the matter uncertain as at the date of this report.

The continuing viability of the group and its ability to continue as a going concern is dependent upon the Group returning to profitability, maintaining the support of its lender, and progressing the strategic review. In that regard, the Group also has the ability to restrict its originations and cash outflows, including suspending originations, and retains the ability to raise funds via a variety of asset realisation and funding options.

As a consequence of the above matters, a material uncertainty exists that may cast significant doubt as to whether Thorn will be able to continue as a going concern and therefore whether Thorn will be able to realise its assets and extinguish its liabilities, and contingent liabilities should they become non-contingent, in the normal course of business and for the amounts recorded in this report.

However, the directors believe that there are reasonable grounds to determine that the going concern basis should be adopted in preparing this financial report. The directors refer the reader to note 1 in the financial statements for further details.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities, contingent or non-contingent, which might be necessary should the Group not continue as a going concern.

OUTLOOK

Challenging trading conditions are expected to persist for Consumer Leasing although volumes are now stable; arrears, bad debts and promotional discounts are all being brought down gradually; and a major competitor has given notice they are exiting the market.

Business Finance is expected to perform similarly to this year (excluding a repeat of the specific provision) given similar capital constraints. The corporate centre will continue to suffer ongoing legal and advisory fees for the class action and enforceable undertaking.

The Group is expected to return to a trading profit in FY20.

DIRECTORS' INFORMATION

David Foster
Independent, Non-Executive
Appointed 1 December 2014
Appointed Board Chairman 1 February 2018

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 led Suncorp's strategy function which included numerous merger and acquisition activities including one of Australia's largest Financial Services transactions – Promina Limited.

Other current ASX directorships
G8 Education Limited, MotorCycle Holdings Limited
Genworth Mortgage Insurance Australia Limited

Former ASX directorships
Kina Securities Limited

Interests in shares and options
60,270 ordinary shares

Belinda Gibson
Independent, Non-Executive
Appointed 1 July 2016
Chairman of the Risk & Compliance Committee
Appointed 1 February 2018

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

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

Other ASX current directorships
None

Former ASX directorships
Getswift Limited

Interests in shares and options
20,000 ordinary shares

Andrew Stevens
Independent, Non-Executive
Appointed 1 June 2015
Chairman of the Audit Committee
Appointed 1 February 2018

Qualifications
Master of Commerce
FCA

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

Other ASX current directorships
Stockland Corporation Limited

Former ASX directorships
MYOB Group Limited

Interests in shares and options
15,720 ordinary shares

Stephen Kulmar
Independent, Non-Executive
Appointed 15 April 2014
Chairman of the Remuneration & Nomination Committee
Appointed 15 April 2014

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

Stephen has over 40 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 ASX current directorships
Accent Group Ltd

Former ASX directorship
None

Interests in shares and options
68,000 ordinary shares

Tim Luce

Managing Director
Appointed 15 February 2018

Qualifications
Bachelor of Commerce

Experience
Tim has extensive executive experience working with retail brands in Australia and Asia and joins Thorn Group after six years with Courts Asia Ltd, an SGX listed retailer with over 90 stores selling household, technology, furniture, services and consumer finance products, headquartered in Singapore where he was Chief Operating Officer with P&L responsibility for Singapore, Malaysia and Indonesia. Prior to Courts, Tim held General Manager roles for Lovisa and Goldmark Jewellers.

Other current ASX directorships
None

Former ASX directorships
None

Interests in shares and options
646,460 ordinary shares
1,187,947 performance rights over ordinary shares. 598,803 are sign on bonus performance rights and 589,144 are long term incentive performance rights.

Joycelyn Morton

Independent, Non-Executive
Appointed 1 October 2011, resigned 31 May 2018
Board Chairman 26 August 2014 until 1 February 2018

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 ASX current directorships
Argo Investments Limited, Argo Global Listed Infrastructure Limited, Beach Energy Limited

Former ASX directorships
InvoCare Limited, Crane Group Limited
Count Financial Limited, Noni B Limited

Interests in shares and options
95,119 ordinary shares

Company Secretaries

David Lines is the Group's General Counsel having joined the company on 1 June 2017. Mr Lines is an experienced and qualified solicitor with extensive legal and business experience having practiced in England, Bermuda and Australia. He was a partner of an international law firm and advised clients in corporate law, corporate finance, corporate structuring and general regulatory matters.

Peter Forsberg is the Group's CFO having joined the company on 28 September 2015. Mr Forsberg BSc Hons, FCA, F Fin, GAICD, MFTA is an experienced and qualified CFO and senior executive having worked in healthcare, manufacturing and distribution, FMCG, professional services, and in publicly listed, private equity owned and charitable companies operating both in Australia and internationally.

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 Committee Meetings		Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
David Foster	7	7	5	5	4	4	3	3
Joycelyn Morton[1]	1	1	2	2	-	-	-	-
Belinda Gibson	7	7	5	5	4	4	3	3
Andrew Stevens	7	7	5	5	4	4	3	3
Stephen Kulmar	7	7	5	5	4	4	3	3
Tim Luce	7	7	n/a	n/a	n/a	n/a	n/a	n/a

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year
[1] Ms Morton resigned on 31 May 2018 before any Risk and Compliance Committee or Remuneration and Nomination Committee meetings.
n/a – Mr Luce, as an executive director, attended Committee meetings but as an invitee only

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

Insurance premiums

During the financial year the Company has paid insurance premiums of $416,426 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

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 Pwc.

The report is structured as follows:

1. Remuneration governance
2. Non-Executive Directors and Key Management Personnel
3. Non-Executive Director remuneration
4. Key Management Personnel remuneration
5. Alignment between remuneration and performance
6. Service contracts for 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 & 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 2018 AGM, the Remuneration Report received a vote of approval of 94% of the votes received.

The Committee can draw on independent experts where appropriate to provide advice on remuneration levels, trends and structures. Where this occurs the consultants are instructed by and report directly to the Chairman of the Committee and are thereby free of any undue influence by any KMP to whom their recommendations may relate.

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

For the year ended 31 March 2019, the NEDs and KMP were:

Non-Executive Directors	Position	Director/Committee Chair Term or Date
David Foster	Director	Full Year
	Board Chairman	Full Year
Joycelyn Morton	Director	Until 31 May 2018
Stephen Kulmar	Director	Full Year
	Chairman of the Remuneration & Nomination Committee	Full Year
Andrew Stevens	Director	Full Year
	Chairman of Audit Committee	Full Year
Belinda Gibson	Director	Full Year
	Chairman of Risk & Compliance Committee	Full Year

Executive KMP	Position	Term or Date
Tim Luce	CEO and Managing Director	Full Year
Peter Forsberg	Chief Financial Officer and Company Secretary	Full Year
Wendy Yip	Chief Risk Officer	Full Year
David Lines	General Counsel and Company Secretary	Full Year

Changes to KMP during the year

There were no changes in KMP during the year.

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 inclusive of superannuation per annum and was last voted upon by shareholders at the 2013 AGM. Director's individual fees did not increase in 2018/19 and the Board does not intend to seek a change to the fee pool at the 2019 AGM.

The base annual fee for the Chairman is $187,223 per annum including superannuation. Base fees for other non-executive directors are $93,611 per annum including superannuation. The Chairs of each of the committees receive an additional annual fee of $10,950 inclusive of superannuation.

Non-executive directors do not receive performance-related remuneration. Non-executive directors are not entitled to any additional remuneration upon retirement. Out-of-pocket expenses are reimbursed to directors upon the production of proper documentation.

Name	Year	Salary and fees	Superannuation	Total
David Foster	2019	170,980	16,243	187,223
	2018 (i)	123,071	11,692	134,763
Stephen Kulmar	2019	95,490	9,072	104,562
	2018	95,490	9,071	104,561
Andrew Stevens	2019	95,490	9,072	104,562
	2018	86,913	8,257	95,170
Belinda Gibson	2019	95,490	9,072	104,562
	2018	86,913	8,257	95,170
Joycelyn Morton	2019 (i)	16,112	1,531	17,642
	2018 (i)	158,814	15,087	173,901
Total Non-Executive Director Remuneration	**2019**	**473,561**	**44,989**	**518,550**
	2018	**551,201**	**52,364**	**603,565**

(i) Ms Morton stepped down as Chairman and Mr Foster was elected Chairman on 1 February 2018. Ms Morton resigned on 31 May 2018.

4. EXECUTIVE KMP REMUNERATION - AUDITED

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

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

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

Business objective

The Company is committed to providing a 'fair go' for consumers and SMEs in a responsible manner while delivering shareholders sustainable and increasing long term value.

Remuneration strategy objectives

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

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

Future remuneration intentions

The above described remuneration framework is intended to continue for the FY20 year with the STI now subject to an 85% performance hurdle for EBIT whereon 25% of TFR becomes eligible and then a straight line apportionment up to 50% of the TFR at 100% of EBIT and through to 100% the TFR at 110% of EBIT.

Directors advise that with a strategic review underway this may give rise to a requirement to amend the framework to achieve specific company objectives. If necessary, a revised proposal for the LTI may be put to shareholders at the AGM.

Summary of executive KMP remuneration outcomes on a statutory basis – audited

Name	Year	Salary	Termination	STI	Other remuneration [a]	Superannuation	Long Service Leave	LTI[b]	Total
Executive KMP									
Tim Luce	2019	704,580	-	181,250	-	20,411	-	736,226	1,642,467
	2018	67,784	-	-	-	5,012	-	88,173	160,969
Peter Forsberg	2019	424,967	-	-	110,000	20,411		180,358	735,736
	2018	591,480	-	-	-	19,563	-	111,347	722,390
Wendy Yip	2019	329,580	-	-	60,000	20,411		115,488	525,479
	2018	329,676	-	-	-	19,563	-	55,552	404,791
David Lines	2019	329,580	-	-	60,000	20,411		102,249	512,240
	2018	210,702	-	-	-	10,024	-	87,792	308,518
Former KMP's									
Matt Ingram	2019	-	-	-	-	-	-	-	-
	2018	381,656	339,581	-	-	19,563	-	(77,419)	663,381
James Marshall	2019	-	-	-	-	-	-	-	-
	2018	427,279	-	-	-	13,220	2,893	(223,775)	219,617
Total KMP	**2019**	**1,788,707**	**-**	**181,250**	**230,000**	**81,644**	**-**	**1,134,321**	**3,415,922**
Remuneration	**2018**	**2,008,577**	**339,581**	**-**	**-**	**86,945**	**2,893**	**41,670**	**2,479,666**

Notes

a) Other incentives represents retention payments settled in cash

b) The LTI column represents the accounting charge recognised in the Company's profit and loss account in respect of the long term incentive plan, and also include retention payments settled in equity. 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 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 or anticipated failure to achieve non-market condition hurdles then the expense previously recognised can be reversed and result in a negative entry in this column.

It includes benefits attributed to Mr Luce for his sign on bonus of $1m of performance rights at the 5 day VWAP before his joining date of 15 February 2018 in two tranches, one with a one year vesting period and one with a two year vesting period, plus recurring LTI performance rights issues to KMP.

Retention payments

The KMP, with the exception of Mr Luce, received no pay rise or short term incentive in 2018 or 2019. The board recognised that retaining the services of several of its key executives was essential to the ongoing success of the Group and accordingly retention offers were made to those executives. Retention payment arrangements were paid in the year to 31 March 2019 to Mr Forsberg, Ms Yip and Mr Lines as set out in the table above. Further arrangements have been entered into subsequent to the year end for all KMP.

Remuneration mix

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

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

Fixed remuneration

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

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

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

Short term incentive

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

Features	Description		
Purpose	To motivate executives to achieve the short term performance targets.		
Opportunity		**Target (as % of Fixed)**	**Maximum (as % of Fixed)**
	KMP	50%	100%
Performance Period	12 months		
Gateway and performance metrics	The STI is subject to a Profit After Tax 'PAT' gateway below which no STI payments are made. The maximum STI that can be earned is based on NPAT against budget as follows:		
	Company PAT against budget	**STI that can be earned**	
	<85%	0%	
	85%	42.5%	
	100%	50%	
	110%	100%	
	60% 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 PAT with the remaining 40% dependent upon the individual's performance against their personal KPIs.		

Features	Description
	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.
Assessment, approval and payment	At the end of the financial year, the Remuneration & Nomination Committee assesses actual financial performance based on the Company's audited financial statements, and each executive's performance against their personal KPIs to determine the value of each executive's STI reward. The Board has 100% discretion with the STI outcome including the exercising of judgement with regard to any matter, both positive and negative, that may have occurred during the financial period and to adjust the levels of achievement accordingly. Once approved, the STI rewards are paid in the month following the release of the Company's results to the ASX.
Deferral	A deferral mechanism is in place whereby 30% of the awarded STI is deferred for one year and subject to forfeiture under two conditions only, first should a material misstatement or omission in the financial statements become apparent, or second the executive acts in a manner unbecoming of the office held. The deferred portion is subject to an election by the KMP as to its method of payment. It can be paid in cash one year later, subject to the restrictions stated, and will earn interest at a suitable deposit rate for that period, or it can be converted into performance share rights at a VWAP for the 5 days prior to the payment date of the initial tranche and receive an uplift by a dividend equivalent for any dividends declared during the deferral period. The performance rights will then be converted to shares on the due date and awarded to the KMP.

STI OUTCOMES FOR 2019 - AUDITED

The Company reported a loss after tax which did not meet the hurdle and accordingly no STI's were awarded, except for a payment to Mr Luce who was guaranteed an STI payment with no deferral under his employment contract.

STI for 2018-19	Target $	Earned %	Earned $	Forfeited %	Forfeited $
Tim Luce	362,500	50%	181,250	50%	181,250
Peter Forsberg	222,500	0%	-	100%	222,500
Wendy Yip	175,000	0%	-	100%	175,000
David Lines	175,000	0%	-	100%	175,000
Total	**935,000**	**0%**	**181,250**	**100%**	**753,750**

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 active 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 plans were granted in the form of performance rights directly linked to the performance of the Company, the returns generated, and relative increases in shareholder wealth. This structure was used to ensure appropriate alignment to shareholder value over a specified timeframe.

The following table sets out the key features of the plans with specific references to each of the 2016, 2017 and 2018 plans where they differ.

Features	Description
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.
Purpose	To motivate executives to achieve the long term performance targets.
Opportunity	50% of fixed remuneration The number of performance rights issued is determined by dividing the dollar opportunity by the prevailing share price of the Company at the date of issue.
Dividends or share issues	No dividends are paid or accrued on unvested awards.

<table>
<tr><th>Features</th><th>Description</th></tr>
<tr><td>Performance criteria</td><td>
The plans use a Relative Total Shareholder Return ("RTSR") performance hurdle and an Earnings Per Share ("EPS") hurdle in equal measure.
The company's Relative Total Shareholder Return performance is measured against a comparator group of ASX listed companies (available on the website at www.thorn.com.au).
RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.
Thorn Group Limited's TSR Ranking
<table>
<tr><th>July 2016, July 2017 and July 2018 Grants</th><th>Percentage of Performance Rights subject to TSR condition that qualify for vesting</th></tr>
<tr><td>< 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>50th to 75th percentile</td><td>Assessed on a straight line basis</td></tr>
<tr><td>75th percentile or greater</td><td>100%</td></tr>
</table>
Thorn Group Limited's EPS Hurdle
<table>
<tr><th>July 2016, July 2017 and July 2018 Grants</th><th>Percentage of Performance Rights subject to EPS condition that qualify for vesting</th></tr>
<tr><td>< 5% compound annual growth rate</td><td>0%</td></tr>
<tr><td>5%</td><td>50%</td></tr>
<tr><td>>5% to <10%</td><td>Assessed on straight line basis</td></tr>
<tr><td>= or > 10% CAGR</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>Performance period and vesting dates</td><td>

July 2016: 3 years (1 July 2016 to 30 June 2019). Vesting date is 1 September 2019.
July 2017: 3 years (1 July 2017 to 30 June 2020). Vesting date is 1 September 2020.
July 2018 : 3 years (1 July 2018 to 30 June 2021). Vesting date is 1 September 2021.
</td></tr>
<tr><td>Assessment, approval and payment</td><td> At the end of each performance period, the Remuneration & Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest. Payment is made by the issuing or transfer of shares. </td></tr>
<tr><td>Change of control</td><td>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.</td></tr>
<tr><td>Termination</td><td>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.</td></tr>
<tr><td>Claw back provisions</td><td>There are no specific provisions providing the capacity to clawback a component of remuneration in the event of a matter of significant concern.</td></tr>
</table>

Calculation of the value of performance rights in the remuneration tables

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

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

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

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

Grant date	Initial Test date	Expiry Date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
1 July 2016	1 September 2019	31 October 2019	$0.97	Nil	$1.45	33.0%	1.4%	5.9%
1 July 2017	1 September 2020	31 October 2020	$1.00	Nil	$1.42	37.0%	1.9%	5.3%
1 July 2018	1 September 2021	31 October 2021	$0.46	Nil	$0.60	44.0%	2.1%	2.8%

Long term incentive outcomes for FY19

The 2015 plan was tested at 1 June 2018, failed the performance criteria, and all performance rights attaching to it lapsed and were adjusted for in the prior year.

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Year in which Grants Vest (ended 31 March)	Values Yet to Vest $	
	Number	Date		Min (a)	Max (b)
Tim Luce	589,144	1 July 2018	2022	Nil	-
Peter Forsberg	361,928	1 July 2018	2022	Nil	-
Wendy Yip	284,414	1 July 2018	2022	Nil	-
David Lines	284,414	1 July 2018	2022	Nil	-

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

b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised. The share price as at 31 March 2019 was $0.46.

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	2019	2018	2017	2016	2015*
Profit After Tax (AUD millions)	(14.9)	(2.2)	25.3	20.1	30.6
Earnings per share (cents)	(9.3)	(1.4)	16.2	13.1	20.3
Dividends per share (cents)	0.0	1.0	8.0	11.5	11.75
Share price at year end ($)	0.46	0.62	1.31	1.82	2.67
Return on capital employed %	n/a	n/a	11.0	11.1	18.5
Return on equity %	n/a	n/a	12.4	10.4	16.9

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.
* Opening share price of 2015 was $2.15.

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	

7. OTHER STATUTORY DISCLOSURES - AUDITED

LTI and Other performance rights available for vesting

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

	Initial Grant			Financial Years in Which Grant Vests (ending 31 March)	Remaining Unvested	Values Yet to Vest $		2018 Movements on original grant		
	Type	Number	Date		Number	Min (a)	Max (b)	Vested	Forfeited	Unvested
Tim Luce	Sign-on	598,803	15 Feb 2018	2019	-	Nil	-	100%	-	-
	Sign-on	598,803	15 Feb 2018	2020	598,803	Nil	-	-	-	100%
	LTI	589,144	1 July 2018	2022	589,144	Nil				100%
Peter Forsberg	LTI*	143,346	1 July 2016	2020	143,346	Nil	-	-	-	100%
	LTI*	233,476	1 July 2017	2021	233,476	Nil	-	-	-	100%
	Retention	298,855	1 Dec 2017	2019	-	Nil	-	100%	-	-
	LTI	361,928	1 July 2018	2022	361,928	Nil				100%
Wendy Yip	LTI*	115,180	1 July 2016	2020	115,180	Nil	-	-	-	100%
	LTI*	126,692	1 July 2017	2021	126,692	Nil	-	-	-	100%
	Retention	173,913	1 Dec 2017	2019	-	Nil	-	100%	-	-
	LTI	284,414	1 July 2018	2022	284,414	Nil				100%
David Lines	LTI*	126,692	1 July 2017	2021	126,692	Nil	-	-	-	100%
	Retention	173,913	1 Dec 2017	2019	-	Nil	-	100%	-	-
	LTI	284,414	1 July 2018	2022	284,414	Nil	-	-	-	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 as the value of the shares at vesting date is not known, the maximum has not been disclosed and shown as '-'.

* Management have determined that the EPS hurdle of this tranche may not be met.

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 2018	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2019
Tim Luce	1,197,606	589,144	(598,803)	-	-	1,187,947
Peter Forsberg	675,677	361,928	(298,855)	-	-	738,750
Wendy Yip	415,785	284,414	(173,913)	-	-	526,286
David Lines	300,605	284,414	(173,913)	-	-	411,106

Shareholdings of the directors and executive KMP

2019 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
David Foster	60,270	-	-	60,270
Joycelyn Morton	95,119	-	-	95,119
Stephen Kulmar	68,000	-	-	68,000
Andrew Stevens	15,720	-	-	15,720
Belinda Gibson	20,000	-	-	20,000
Tim Luce	-	598,803	47,657	646,460
Peter Forsberg	35,000	298,855	-	333,855
Wendy Yip	10,000	173,913	-	183,913
David Lines	-	173,913	-	173,913

Other transactions with Directors or Executive KMP

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

A director, Stephen Kulmar, is the founder of the retail consultancy Retail Oasis, which has the Company as one of its clients. During the year there were no engagements nor fees billed. Accordingly Mr Kulmar is considered an independent director.

UNISSUED SHARES UNDER OPTIONS

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

NON-AUDIT SERVICES

During the year the Company changed auditors from KPMG to PwC.

PwC performed certain other services in addition to their statutory duties.The Board based on advice from the Audit Committee has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Details of the amounts paid to the auditor of the consolidated entity, PwC, and its related practices for audit and non-audit services provided during the year are set out in note 26.

ROUNDING OF FINANCIAL AMOUNTS

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

CORPORATE GOVERNANCE STATEMENT

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 20 and forms part of the directors' report for financial year ended 31 March 2019.

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

David Foster
Chairman

Dated at Sydney
30 May 2019

Auditor's Independence Declaration

As lead auditor for the audit of Thorn Group Limited for the year ended 31 March 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
30 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

$'000 AUD	Notes	2019	2018 Restated
Continuing operations			
Revenue	3	**221,857**	**234,277**
Finance lease cost of sales		(66,695)	(59,357)
Employee benefit expense	23	(53,268)	(50,062)
Impairment losses on loans and receivables		(47,852)	(30,017)
Marketing expenses		(9,220)	(11,226)
Property expenses		(10,666)	(10,566)
Transport expenses		(5,519)	(5,611)
Communication & IT expenses		(7,502)	(6,080)
Travel expenses		(1,127)	(1,450)
Printing, stationery and postage		(2,051)	(2,272)
Other expenses		(14,568)	(16,601)
Depreciation & amortisation		(3,248)	(3,218)
Impairment of property, plant and equipment	9	(4,767)	-
Impairment of intangibles	8	(5,210)	(20,658)
Total operating expenses		**(231,693)**	**(217,118)**
Earnings before interest and tax ("EBIT")		(9,836)	17,159
Finance expenses		(15,392)	(15,827)
(Loss)/Profit before income tax		(25,228)	1,332
Income tax	10	7,106	(6,381)
(Loss)/profit after tax from continuing operations*		**(18,122)**	**(5,049)**
Discontinued operations			
Profit from discontinued operations, net of tax	22	3,182	2,839
(Loss)/profit after tax for the year		**(14,940)**	**(2,210)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges		(2,784)	276
Income tax		835	(83)
Other comprehensive income for the year		**(1,949)**	**193**
Total comprehensive loss		**(16,889)**	**(2,017)**
Earnings per share - continuing operations			
Basic earnings per share (cents)	17	(11.3)	(3.2)
Diluted earnings per share (cents)	17	(11.3)	(3.2)
Earnings per share			
Basic earnings per share (cents)	17	(9.3)	(1.4)
Diluted earnings per share (cents)	17	(9.3)	(1.4)

** Restated to adjust certain line items to enable comparison with 31 March 2019 disclosures. For further details see note 1 (k)*
The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

$'000 AUD	Note	2019	2018* Restated	1 April 2017* Restated
Assets				
Current assets				
Cash and cash equivalents	4	30,627	28,227	14,681
Trade and other receivables	5	167,847	173,200	170,484
Prepayments and other assets		4,352	3,168	5,678
Inventories	6	13,638	11,376	9,472
Income tax receivable		1,293	-	8,741
Total current assets		**217,757**	**215,971**	**209,056**
Non-current assets				
Trade and other receivables	5	289,547	315,829	307,397
Deferred tax assets	10	5,541	-	-
Property, plant and equipment	9	-	3,463	5,058
Intangible assets	8	-	5,702	24,322
Total non-current assets		**295,088**	**324,994**	**336,777**
Total assets		**512,845**	**540,965**	**545,833**
Liabilities				
Current liabilities				
Trade payables		10,764	10,377	12,011
Income tax payable		-	407	-
Other payables		13,974	19,758	22,315
Loans and borrowings	15	122,490	77,348	46,904
Employee benefits		4,777	5,050	5,414
Provisions	14	2,767	7,459	9,037
Total current liabilities		**154,772**	**120,399**	**95,681**
Non-current liabilities				
Loans and borrowings	15	181,154	206,960	229,559
Deferred tax liabilities	10	-	12,421	13,010
Employee benefits		518	481	309
Derivative financial instruments	12	3,326	542	807
Provisions	14	1,035	487	847
Total non-current liabilities		**186,033**	**220,891**	**244,532**
Total liabilities		**340,805**	**341,290**	**340,213**
Net assets		**172,040**	**199,675**	**205,620**
Equity				
Issued capital		120,932	119,951	118,189
Reserves		(1,424)	181	130
Retained earnings		52,532	79,543	87,301
Total equity		**172,040**	**199,675**	**205,620**

** Restated to adjust certain line items to enable comparison with 31 March 2019 disclosures. For further details see note 1 (j) and (k)*
The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity*
Balance at 1 April 2017	118,189	130	87,301	205,620
Net loss for the period	-	-	(2,210)	(2,210)
Other comprehensive income	-	193	-	193
Issue of shares under dividend reinvestment plan	1,762	-	-	1,762
Share based payments transactions	-	(142)	-	(142)
Dividends to shareholders	-	-	(5,548)	(5,548)
Balance at 31 March 2018	**119,951**	**181**	**79,543**	**199,675**
Balance at 1 April 2018	119,951	181	79,543	199,675
Changes on initial application of AASB 9 (see note 1)	-	-	(12,071)	(12,071)
Net loss for the period	-	-	(14,940)	(14,940)
Other comprehensive income	-	(1,949)	-	(1,949)
Issue of shares under dividend reinvestment plan	-	-	-	-
Share based payments transactions	981	344	-	1,325
Dividends to shareholders	-	-	-	-
Balance at 31 March 2019	**120,932**	**(1,424)**	**52,532**	**172,040**

** Restated to adjust certain line items to enable comparison with 31 March 2019 disclosures. For further details see note 1 (j) and (k)*
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 2019

$'000 AUD	Note	2019	2018
Cash flows from operating activities			
Cash receipts from customers		369,154	784,696
Cash paid to suppliers and employees		(134,028)	(544,664)
Acquisition of inventories		(70,825)	(54,194)
Equipment finance originations		(155,447)	(208,827)
Cash generated from operations		**8,854**	**(22,989)**
Net borrowing costs		(15,168)	(15,681)
Income tax refund / (paid)		(6,563)	803
Net cash used in operating activities		**(12,877)**	**(37,867)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and software		(4,060)	(3,895)
Net cash received on sale of subsidiaries	22	-	51,249
Net cash from investing activities		**(4,060)**	**47,354**
Cash flows from financing activities			
Proceeds from borrowings		192,898	189,458
Repayment of borrowings		(173,561)	(181,612)
Dividends paid		-	(3,787)
Net cash from financing activities		**19,337**	**4,059**
Net increase in cash and cash equivalents		2,400	13,546
Cash and cash equivalents at April 1		28,227	14,681
Cash and cash equivalents at 31 March		**30,627**	**28,227**

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 2019

Reconciliation of cash flows from operating activities

$'000 AUD	2019	2018*
Profit after tax	(14,940)	(2,210)
Adjustments for:		
Depreciation, amortisation, asset and goodwill impairment	13,225	24,064
Equity settled transactions	1,326	(142)
(Profit)/loss before tax on sale of subsidiary	-	(512)
Loss on disposal of inventories		98
Operating profit before changes in working capital and provisions	**(389)**	**21,298**
Changes in working capital and provisions, net of the effects of the sale of subsidiaries		
(Increase) in trade and other receivables	14,389	(60,876)
(Increase) in prepayments and other assets	(1,184)	2,510
(Increase) in inventories	(2,262)	(1,904)
(Decrease)/increase in deferred tax liability	(11,953)	(991)
Decrease/(increase) in income tax receivables	(1,700)	9,148
(Decrease) in trade and other payables	(5,397)	(3,936)
(Decrease)/increase in provisions and employee benefits	(4,381)	(3,116)
Net cash from operating activities	**(12,877)**	**(37,867)**

** Restated to adjust certain line items to enable comparison with 31 March 2019 disclosures. For further details see note 1 (k)*
The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

Thorn Group Limited (the 'Company') is a for profit 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 2019 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity'). Thorn is a diversified financial services group providing the leasing of household products to consumers, and commercial asset finance to small and medium size enterprises.

(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 30 May 2019.

(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 except for derivative financial instruments which are measured at fair value.

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

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

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

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

(i) Valuation of goodwill and other intangibles. See note 8.
(ii) Impairment of property, plant and equipment. See note 9.
(iii) Determination of expected credit losses of receivables. See note 13.

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;
(iv) It is important for understanding the results of the Group or changes in the Group's business; and
(v) It relates to an aspect of the Group's operations that is important to its future operations.

Financing and going concern basis for the financial report

The Group incurred a loss before income tax from continuing operations of $25.2m (2018: $1.3m profit) for the year ended 31 March 2019 and net cash used in operating activities during the same period amounted to a $12.9m (2018: $37.9m) out flow.

On 9 November 2018, the Group and its bank entered into a revised corporate facility with a tenor out to November 2020 and a facility limit of $30m. Given the present circumstances, with the Company announcing a loss for the year, waivers on financial covenants and a strategic review underway, on 29 March 2019 the bank implemented a draw stop to only permit further drawings under the corporate facility with the bank's prior approval. Accordingly $10m of the corporate facility headroom of $12.5m at year end can only be accessed at the bank's absolute discretion (the difference is a $2.5m overdraft tranche which is unrestricted).

The Group maintains a working relationship with its financier, despite the circumstances noted above.

As referred to in Note 27 the Group is defending a class action and legal fees continue to be incurred in defending the matter. The proceedings remain ongoing with the outcome of the matter uncertain as at the date of this report.

The continuing viability of the group and its ability to continue as a going concern is dependent upon the Group:

- returning to profitability,
- maintaining the support of its lender, and
- progressing the strategic review.

The Group also:

- has the ability to restrict its originations and cash outflows, including suspending originations, and

- retains the ability to raise funds via a variety of asset realisation and funding options.

As a consequence of the above matters, a material uncertainty exists that may cast significant doubt as to whether Thorn will be able to continue as a going concern and therefore whether Thorn will be able to realise its assets and extinguish its liabilities, and contingent liabilities should they become non-contingent, in the normal course of business and for the amounts recorded in this report.

However, the directors are confident of being successful in the above matters and accordingly, the directors are satisfied that the going concern basis should be adopted in preparing this financial report.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities, contingent or non-contingent, which might be necessary should the Group not continue as a going concern.

Accounting Policies

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.

(d) Finance expenses

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

(e) Impairment

Non-Financial Assets

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

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 assets acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

(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 2018 have been applied to the consolidated entity effective from their required date of application. Note 1(h) explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers and Note 1(i) explains the impact of AASB 16 Leases on the Group's financial statements.

(h) New Standards and Interpretations Adopted

The following standards, amendments to standards and interpretations have been applied by the consolidated entity for the first time for their annual reporting period commencing 1 April 2018:

1. AASB 9 Financial Instruments
2. AASB 15 Revenue from Contracts with Customers

The financial impact of applying these new standards is detailed below.

AASB 9 Financial Instruments

AASB 9 was issued in December 2014. This standard replaced AASB 139 *Financial Instruments: Recognition and Measurement (AASB 139)* and includes requirements for impairment, classification and measurement and general hedge accounting.

AASB 9 had a date of initial application for the consolidated entity of 1 April 2018.

The classification and measurement, and impairment requirements were applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The consolidated entity did not restate comparatives.

AASB 9 provides an accounting policy choice to continue with AASB 139 *Hedge Accounting* given the International Accounting Standards Board's ongoing project on macro hedge accounting. The Group will continue to apply the hedge accounting requirements of AASB 139.

The financial impact of the adoption of AASB 9 is detailed in Note 1(l).

AASB 15 Revenue from Contracts with Customers

The new standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue. AASB 15 has been implemented. The accounting policies for the group's revenue for contracts with customers are explained in Note 3. Significant estimates and judgements have been made in the adoption of AASB 15.

(i) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases.

The standard is effective from 1 April 2019 and the consolidated entity is not early adopting this standard.

AASB 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. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be Consolidated entity's lease portfolio at that date, the Consolidated entity's latest assessment of whether it will exercise any lease renewal options and the extent to which the Consolidated entity chooses to use practical expedients permitted for entities that also adopt AASB 15 Revenue from contracts with customers. The Consolidated entity is assessing the potential impact on its financial statements resulting from the application of AASB 16.

Determining whether an arrangement contains a lease

The Consolidated entity has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under AASB 17. On transition to AASB 16, the Consolidated entity can choose whether to:

– apply the AASB 16 definition of a lease to all its contracts; or
– apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Consolidated entity plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and AASB 17.

Transition

As a lessee, the Group can either apply the standard using a:

– retrospective approach; or
– modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Consolidated entity plans to apply AASB 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The consolidated entity is assessing the potential impact of using these practical expedients.

The Consolidated entity is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The Consolidated entity has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment.

The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Consolidated entity's borrowing rate at 1 April 2019, the composition of the

and recognition exemptions. So far, the most significant impact identified is that the consolidated entity will recognise new assets and liabilities for its operating leases of warehouse and factory facilities. As at 31 March 2019, the consolidated entity's future minimum lease payments under non-cancellable operating leases amounted to $19,684,000 on an undiscounted basis (see note 7). Under AASB16, the Group would recognise a right of use asset and lease liability in the range of $11,000,000 to $18,000,000. The right of use asset will be subject to further impairment consideration yet to be undertaken.

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the consolidated entity's finance leases.

(j) Classification and measurement

The measurement category and the carrying amount of the financial assets and liabilities in accordance with AASB 139 and AASB 9 at 1 April 2018 are compared as follows:

	AASB 139		AASB 9	
	Measurement Category	**Carrying Amount $'000 AUD**	**Measurement Category**	**Carrying Amount $'000 AUD**
Financial Assets				
Cash and cash equivalents	Amortised cost	28,227	Amortised cost	28,227
Trade and other receivables	Amortised cost	489,235	Amortised cost	471,990
Financial Liabilities				
Derivatives	FVTPL	542	FVTPL	542
Loans and borrowings	Amortised cost	284,308	Amortised cost	284,308

There are three measurement classifications under AASB 9: Amortised cost, fair value through profit or loss ('FVTPL') and fair value through other comprehensive income ('FVOCI'). Financial assets are classified into these measurement classifications taking into account the business model within which they are managed, and their contractual cash flow characteristics.

The classification and measurement requirements for financial liabilities under AASB 9 are largely consistent with AASB 139 with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the consolidated entity's own credit risk are included in other comprehensive income.

(k) Reclassification of comparative financial information

During the period, the classification of transactions were reviewed and certain reclassifications were made to financial statement line items to enhance presentation. The comparative information in the statement of profit or loss and other comprehensive income, statement of financial position, segment note and statement of cash flow have been reclassified consistent with the presentation adopted in the 31 March 2019 financial statements.

- Stock on hand had been accounted for as rental assets. This classification has now been adjusted to inventory which resulted in an increase in the value of stock on hand or inventory from $6,979,000 to $11,376,000, an increase in cost of sales of $4,628,000 and a reduction in rental asset depreciation from $6,204,000 to zero. Opening retained earnings increased by $2,822,000. As result of this change we removed the rental asset note and operating lease as lessor note.
- Software balances under development, worth $923,000 have been reclassified from property, plant and equipment to intangible assets. This change has been reflected in the comparative of the Statement of financial position and the note 8 Intangible assets.
- Payments arising from the strategic alliance with Cashflow IT of $923,000 has been reclassified from other expenses to revenue, as this better reflects the substance of the payments under the terms of the alliance. This change has been reflected in the comparative of the Statement of profit and loss and other comprehensive income and the note 2 Operating Segments.

- Derivative financial instruments have been grossed up for tax with the tax impact of $163,000 recognised in deferred tax liabilities in the Statement of financial position. The derivative financial instruments has also been reclassified from other payables to its own caption, and to shifted to a non-current classification, reflecting the term of the underlying instrument.
- Thorn Business Finance customer accounts contain some credits which have been netted against the outstanding receivable to better reflect the net outstanding principal balance, resulting in a reduction of $3,065,000 to Trade and other receivables, and were previously disclosed in other payables. This has also impacted Note 2 operating segments.
- The segment note has been adjusted to place finance expenses and the balance of the securitised warehouse facility against Business Finance as they relate to that division. This has resulted in an interest expense of $9,941,000 and the facility liability balance of $243,308,000 being reallocated to Business Finance from Corporate.
- Past issues of shares totalling $2,849,000 have been reclassified from reserves to share capital in the opening Statement of Financial Position and the opening Statement of Changes in Equity.
- Radio Rentals had accounted for rent free incentive periods by capitalising these amounts and amortising against other comprehensive revenue in the statement of comprehensive income. It is now being expensed upfront against sales revenue. Other comprehensive revenue has been adjusted by eliminating amortisation of $5,564,000 and including a reduction in sales revenue of $4,452,000. The rent free deferred cost of $8,682,000 has been reduced against opening retained earnings. This has also impacted Note 2 operating segments.
- Where Radio Rentals had replaced or repaired an item on rent that was damaged due to fault of the customer, the replacement good value or repaired costs was charged over a lease term agreed with the customer in addition to the original amounts owing. This had been recognised on a cash basis with no receivable taken up. Other revenue has been increased by $117,000 and a receivable balance of $412,000 included in lease receivable. This has also impacted Note 2 operating segments.
- Establishment fees had previously been included in other revenue up front rather than amortised over the period of the lease. Other comprehensive income has been reduced by $185,000 and lease receivables have been reduced by $1,217,000. This has also impacted Note 2 operating segments.
- Promotional customer gift cards had been capitalised and amortised as an offset to other revenue over the average lease duration. This has now been adjusted as an immediate write off to finance lease cost of sales that resulted in an additional $597,800 expense. Prepayments and other assets reduced by $597,800.
- Radio Rentals at times will forgive of customer arrears in order to retain their custom. This had been included as a reduction to other revenue. This has now been expensed to impairment losses on loans and receivables. Other revenue and impairment expenses have both increased by $838,400.
- Costs of $1,156,000 incurred as part of customers changing the finance lease model their contract is under, have been reclassified from impairment losses on loans and receivables to Revenue in the Statement of Profit and Loss and Other Comprehensive Income and note 2 Operating segments as these changes do not relate to impairment losses.
- Prepayments and other assets of $3,168,000 have been reclassified into its own line in the face of the balance sheet. This have also impacted Note 5 trade and other receivables.
- Radio Rental had accounted for supplier rebates as other revenue, this has been adjusted to reduce other revenue by $1,513,000 and finance lease cost of goods sold decreased by $1,513,000.
- Early termination fees charged on disconnection of leases prior to the expiry of the contracted lease term were accounted for as a charge against revenue. An amount of $360,000 has been transferred as a recovery to impairment expense.

Statement of Financial Position (extract)	31 March 2018 $'000 AUD	Increase/(Decrease) $'000 AUD	31 March 2018 Restated $'000 AUD
Assets			
Trade and other receivables	173,257	(57)	173,200
Prepayments and other assets	-	3,168	3,168
Inventories	6,979	4,397	11,376
Total current assets	**208,463**	**7,508**	**215,971**
Trade and other receivables	330,978	(15,149)	315,829
Property, plant and equipment	4,386	(923)	3,463
Intangible assets	4,779	923	5,702
Total non-current assets	**340,143**	**(15,149)**	**324,994**
Total assets	**548,606**	**(7,641)**	**540,965**
Liabilities			
Other payables	23,202	(3,444)	19,758
Income tax payable	3,099	(2,692)	407
Total current liabilities	**126,535**	**(6,136)**	**120,399**
Deferred tax liabilities	11,265	1,156	12,421
Derivative financial instruments	-	542	542
Total non-current liabilities	**219,193**	**1,698**	**220,891**
Total liabilities	**345,728**	**(4,438)**	**341,290**
Net assets	**202,878**	**(3,203)**	**199,675**
Equity			
Issued capital	117,102	2,849	119,951
Reserves	3,030	(2,849)	181
Retained earnings	82,746	(3,203)	79,543
Total equity	**202,878**	**(3,203)**	**199,675**

Statement of Profit or Loss and Other Comprehensive income (extract) 2018	31 March 2018 $'000 AUD	Profit Increase/(Decrease) $'000 AUD	31 March 2018 Restated $'000 AUD
Continuing operations			
Revenue	**236,193**	**(1,916)**	**234,277**
Finance lease cost of sales	(55,635)	(3,722)	(59,357)
Impairment losses on loans and receivables	(30,695)	678	(30,017)
Depreciation & amortisation	(9,422)	6,204	**(3,218)**
Other expenses	(17,524)	923	**(16,601)**
Total operating expenses	**(221,201)**	**4,083**	**(217,118)**
Earnings before interest and tax ("EBIT")	14,992	2,167	**17,159**
Finance expenses	(15,681)	(146)	(15,827)
Profit before income tax	(689)	2,021	1,332
Income tax	(5,774)	(607)	(6,381)
(Loss)/profit after tax from continuing operations	**(6,463)**	**1,414**	**(5,049)**
(Loss)/profit after tax for the year	**(3,624)**	**1,414**	**(2,210)**

(l) Impact on the financial statements of adoption of AASB 9

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained below, AASB 9 was generally adopted without restating comparative information and the Consolidated entity has elected to continue to adopt AASB 139 in relation to aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of Financial Position (extract)	31 March 2018 Restated $'000 AUD	AASB 9 $'000 AUD	1 April 2018 Restated $'000 AUD
Assets			
Trade and other receivables	173,200	(7,911)	165,289
Total current assets	**215,971**	**(7,911)**	**208,060**
Trade and other receivables	315,829	(9,335)	306,494
Total non-current assets	**324,994**	**(9,335)**	**315,659**
Total assets	**540,965**	**(17,246)**	**523,719**
Liabilities			
Deferred tax liabilities	12,421	(5,175)	7,246
Total non-current liabilities	**220,891**	**(5,175)**	**215,716**
Total liabilities	**341,290**	**(5,175)**	**336,115**
Net assets	**199,675**	**(12,071)**	**187,604**
Equity			
Retained earnings	79,543	(12,071)	67,472
Total equity	**199,675**	**(12,071)**	**187,604**

2. SEGMENT REPORTING

The Board and CEO (the chief operating decision maker) monitor the operating results of the two reportable segments which are the Consumer Leasing division which leases household products and the Equipment Finance division which provides financial products to small and medium enterprises including equipment leasing.

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

The Trade & Debtor Finance and Consumer Finance businesses were sold in 2018.

2019 $'000 AUD	Consumer Leasing	Equipment Finance	Discontinued operations	Corporate	Consolidated
Sales Revenue	78,512	-	-	-	78,512
Interest Revenue	85,838	42,373	-	-	128,211
Other	14,262	872	-	-	15,134
Total Segment revenue	**178,612**	**43,245**	**-**	**-**	**221,857**
Operating expenses	(179,790)	(27,030)	3,197	(11,648)	(215,271)
EBITDA	**(1,178)**	**16,215**	**3,197**	**(11,648)**	**6,586**
Depreciation and amortisation	(1,018)	(108)	-	(2,122)	(3,248)
Impairment	(9,977)	-	-	-	(9,977)
EBIT	**(12,173)**	**16,107**	**3,197**	**(13,770)**	**(6,639)**
Finance expense	-	(13,688)	-	(1,704)	(15,392)
Profit before tax	**(12,173)**	**2,419**	**3,197**	**(15,474)**	**(22,031)**
Segment assets	161,099	336,966	-	14,780	512,845
Segment liabilities	(37,161)	(288,644)	-	(15,000)	(340,805)

2018 $'000 AUD	Consumer Leasing	Equipment Finance	Discontinued operations	Corporate	Consolidated
Sales Revenue	75,023	-	-	-	75,023
Interest Revenue	96,860	37,097	-	-	133,957
Other	23,524	1,773	13,510	-	38,807
Segment revenue	**195,407**	**38,870**	13,510	**-**	**247,787**
Operating expenses	(165,930)	(14,354)	(9,266)	(12,958)	(203,020)
EBITDA	**29,477**	**24,516**	**4,244**	**(12,958)**	**44,767**
Depreciation and amortisation	(1,074)	(242)	(188)	(1,902)	(3,406)
Impairment	-	-	-	(20,658)	(20,658)
EBIT	**28,403**	**24,274**	**4,056**	**(35,518)**	**20,703**
Finance Expense	-	(9,941)	-	(5,886)	(15,827)
Profit before tax	**28,403**	**14,333**	**4,056**	**(41,404)**	**4,876**
Segment assets	186,491	346,092	-	8,382	540,965
Segment liabilities	(44,154)	(243,308)	-	(53,828)	(341,290)

Reconciliations of reportable segment to IFRS measures

$'000 AUD	2019	2018
Revenue		
Total revenue for reportable segments	221,857	247,787
Elimination of discontinued operations	-	(13,510)
Consolidated Revenue	**221,857**	**234,277**
Profit before tax		
Total profit before tax for reportable segments	(22,031)	5,388
Elimination of discontinued operations	(3,197)	(4,056)
Consolidated profit before tax from continuing operations	**(25,228)**	**1,332**

3. REVENUE

$'000 AUD	2019	2018
Interest	128,211	133,957
Finance lease sales	78,512	75,023
Other	10,630	25,846
Total Rev	**221,857**	**234,277**

The major components of revenue are recognised as follows:

- 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 or if lower, the present value of the lease payments discounted using a market rate of interest.
- Interest revenue is calculated and charged on the average outstanding loan or lease balance and recognised on an accrual basis using the effective and implicit interest rate method respectively.
- Other revenue includes late fees, establishment fees, termination fees and other non-lease related income.

4. CASH AND CASH EQUIVALENTS

$'000 AUD	2019	2018
Bank balances	30,627	28,227
Call deposits	-	-
Cash and cash equivalents	**30,627**	**28,227**

Included in cash is an amount of $22,681,000 (2018: $19,845,000) 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 $7,947,000 (2018: $8,382,000).

5. TRADE AND OTHER RECEIVABLES

$'000 AUD	2019	2018
Current		
Trade receivables	11,711	4,675
Finance lease receivables	128,128	142,901
Loan receivables	28,008	25,624
	167,847	**173,200**
Non-current		
Finance lease receivables	238,855	261,295
Loan receivables	50,692	54,534
	289,547	**315,829**

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

Trade receivables and loan receivables are stated at their amortised cost less impairment losses. The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 13.

6. INVENTORIES

$'000 AUD	2019	2018
Stock held for lease	**13,638**	**11,376**

Inventories represent purchased consumer goods held in stores. The costs of individual items of inventory are determined using weighted average costs less volume rebates received. Inventory is valued at the lower of cost or net realisable value.

7. LEASES

Finance leases as lessor

The consolidated entity has finance lease, hire purchase agreements and chattel mortgage contracts. The consolidated entity classifies Consumer Leasing contracts as finance leases where the term of the contract over 24 months. The future minimum lease receipts under non-cancellable finance leases are as follows:

$'000 AUD	2019	2018
Lease receivables - less than one year	250,173	251,257
Lease receivables - between one and five years	334,767	353,379
Total Lease receivables	**585,940**	**604,636**
Unearned interest income on finance leases - less than one year	(91,360)	(97,341)
Unearned interest income on finance leases - between one and five years	(76,934)	(78,015)
Total unearned interest income on finance leases	**(168,294)**	**(175,356)**
Impairment provisioning	(49,663)	(25,084)
Net Lease receivables	**366,983**	**404,196**

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

$'000 AUD	2019	2018
Less than one year	9,154	8,968
Between one and five years	10,530	13,809
	19,684	**22,777**

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

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

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

Operating lease rental expenditure for the year ended 31 March 2019 was $10,714,000 (2018: $11,302,000).

8. INTANGIBLE ASSETS

$'000 AUD	Goodwill	Software	Total
Year ended 31 March 2018			
Opening net carrying amount	20,658	3,664	24,322
Additions	-	3,301	3,301
Amortisation charges for the year	(20,658)	-1,263	-1,263
Impairment charges for the year		-	-20,658
Closing net book amount	-	**5,702**	**5,702**
At 31 March 2018			
Cost	-	15,709	15,709
Amortisation	-	(10,007)	(10,007)
Impairment		-	-
Net book amount	-	**5,702**	**5,702**

$'000 AUD	Goodwill	Software	Total
Year ended 31 March 2019			
Opening net carrying amount	-	5,702	5,702
Additions	-	1,205	1,205
Amortisation charges for the year	-	(1,697)	(1,697)
Impairment charges for the year		(5,210)	(5,210)
Closing net book amount	-	-	-
At 31 March 2019			
Cost	-	16,914	16,914
Amortisation	-	(11,704)	(11,704)
Impairment		(5,210)	(5,210)
Net book amount	-	-	-

Goodwill

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

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

Other intangibles

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

Amortisation

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

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

Impairment tests for Cash Generating Units (CGU) containing goodwill

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

The recoverable amount of the above CGU's are determined based on a fair value less cost of sale calculation. The fair value measurement was categorised as a Level 3 fair value based on the inputs of the valuation techniques used. This is calculated based on the present value of cash flow projections over a 5 year period plus a terminal value and includes certain future strategic initiatives. The cash flow projections have been approved by the Board.

Key assumptions used for fair value less cost of sale calculations

Consumer Leasing

Testing using a fair value less cost of disposal 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 $5,210,000 has been recognised in the income statement for the year ended 31 March 2019. The circumstances that led to this impairment included lower than expected business performance including origination and collections since the previous year end which prompted a downgrade to the future outlook in terms of both growth and cash flows.

The key assumptions used in the estimation of recoverable amount are set out as follows. 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 4.6% which included installation growth of 13% between 2019 and 2022. Volume related costs have increased according to the increased volume during the testing period. Other costs have been either increased by CPI or contracted arrangements, or where reasonable kept flat with productivity savings assumption. The post-tax discount rate is assumed at 9.5% (2018: 9.5% post-tax).

9. PROPERTY, PLANT AND EQUIPMENT

$'000 AUD	Total
Year ended 31 March 2018	
Opening net carrying amount	5,058
Additions	360
Depreciation charges for the year	(1,955)
Impairment charges for the year	-
Closing net book amount	**3,463**
At 31 March 2018	
Cost	31,333
Accumulated depreciation	(27,870)
Impairment	-
Net book amount	**3,463**

$'000 AUD	Total
Year ended 31 March 2019	
Opening net carrying amount	3,463
Additions	2,855
Depreciation charges for the year	(1,551)
Impairment charges for the year	(4,767)
Closing net book amount	-
At 31 March 2019	
Cost	34,188
Accumulated depreciation	(29,421)
Impairment	(4,767)
Net book amount	-

Property plant and equipment

Property plant and equipment consist of furniture, fittings, and physical computer equipment.

Impairment

Testing using a fair value less cost of disposal revealed the carrying amount of the CGU exceeded its recoverable amount and the entire balance of property, plant and equipment was impaired. Refer to note 8 for details.

10. INCOME TAX EXPENSE

Recognised in the Income Statement

$'000 AUD	2019	2018
Current tax expense		
Current year	5,612	9,412
Adjustment for prior year	(919)	(542)
Deferred tax expense		
Origination and reversal of temporary differences*	(11,784)	(1,272)
Tax on discontinued operations	(15)	(1,217)
Total income tax (benefit)/ expense in income statement	**(7,106)**	**6,381**

Numerical reconciliation between tax expense and pre-tax accounting profit

$'000 AUD	2019	2018
Profit before tax	**(25,228)**	**1,332**
Prima facie income tax using the domestic corporation tax rate of 30% (2018: 30%)	(7,568)	400
Change in income tax expense due to:		
Non-deductible expenses	1,380	6,523
(Over) / Under provided in prior years	(919)	(542)
Income tax (benefit)/ expense on pre-tax accounting profit	**(7,106)**	**6,381**

11. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
$'000 AUD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Inventories	69,663	69,846	-	-	69,663	69,846
Property, plant and equipment	4,049	698	-	-	4,049	698
Trade, loan and other receivables	-	-	(2,641)	(617)	(2,641)	(617)
Finance lease receivables*	-	-	(70,510)	(87,541)	(70,510)	(87,541)
Accruals	2,640	3,613	-	-	2,640	3,613
Provisions	1,342	1,417	-	-	1,342	1,417
Financial derivative	998	163	-	-	998	163
Tax assets / (liabilities)	**78,692**	**75,737**	**(72,153)**	**(88,158)**	**5,541**	**(12,421)**

** Movement from 2018 to 2019 includes adoption of AASB 9 $5,174,000 DTA on the 1st April 2018.*

Income tax

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

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

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

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

Tax consolidation

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

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

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

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

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

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

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The full fair value of a hedging derivative is classified as a non-current liability as the remaining maturity of the hedged item is more than 12 months from 31 March 2019.

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

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

$'000 AUD	2019	2018
Interest rate swap liability	3,326	542

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

Credit risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company and is the most significant risk to the group. The maximum exposure to credit risk is represented by the carrying amount receivables and loans. The Group leases products to consumers (as well as consumer loans that are in run off) and provides business finance to SME's pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity. The Group is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers.

The Group maintains a provision for receivable losses. The process for establishing the provision for losses is critical to the Group's results of operations and financial condition.

Credit risk grew in-line with the growth of the loan and lease receivables in all segments.

Expected credit loss measurement

Under AASB 9, a three-stage approach is applied to measuring expected credit losses ('ECL') based on credit migration between the stages as follows:

Stage 1: At initial recognition, a provision equivalent to 12 months ECL is recognised.
Stage 2: Where there has been a significant increase in credit risk since initial recognition, a provision equivalent to full lifetime ECL is required.
Stage 3: Lifetime ECL is recognised for loans where there is objective evidence of impairment.

ECL are probability weighted and determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk based on quantitative information to identify this on an asset level. Each financial asset will be assessed at the reporting date for significant deterioration where the financial asset is more than 30 days past due. When an account is cured from default status it retains an adjusted and higher probability of default within the impairment model for 6 months.

Macroeconomic Scenarios

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for Consumer Leasing and Business Finance.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group has a process for developing the forward looking economic scenarios and probability weightings to determine the ECL. The Group prepares a base, best and worst case scenario based on economic variables relevant to Consumer Leasing and Business Finance. The final ECL will be based on the probability weighted caculation based on these three scenarios.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Consumer Leasing lease receivables

Lease receivables	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Model risk reserve $'000 AUD	Total $'000 AUD
Loss allowance as at 1 April 2018	10,924	5,724	3,724	6,111	26,483
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(865)	3,514	-	-	2,648
Transfer from Stage 1 to Stage 3	(304)	-	2,509	-	2,204
Transfer from Stage 2 to Stage 1	369	(1,573)	-	-	(1,205)
Transfer from Stage 2 to Stage 3	-	(345)	487	-	142
Transfer from Stage 3 to Stage 1	85	-	(604)	-	(518)
Transfer from Stage 3 to Stage 2	-	133	(313)	-	(180)
New financial assets originated or purchased	2,063	996	1,109	-	4,168
Changes in PDs/LGDs/EADs	(282)	(413)	(37)	-	(732)
Changes to model assumptions and methodologies	-	-	-	-	-
Write-offs	(1,793)	(2,429)	(2,643)	-	(6,865)
Total net P&L charge during the period	**(728)**	**(117)**	**509**	**-**	**(337)**

The following table further explains changes in the gross carrying amount of the loans and receivables to help explain their significance to the changes in the loss allowance as discussed above:

Lease receivables	**Stage 1 12-month ECL $'000 AUD**	**Stage 2 Lifetime ECL $'000 AUD**	**Stage 3 Lifetime ECL $'000 AUD**	**Total $'000 AUD**
Gross carrying amount as at 1 April 2018	161,054	13,656	4,306	179,017
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(9,107)	8,084	-	(1,023)
Transfer from Stage 1 to Stage 3	(3,304)	-	3,107	(196)
Transfer from Stage 2 to Stage 1	2,438	(3,338)	-	(900)
Transfer from Stage 2 to Stage 3	-	(738)	603	(135)
Transfer from Stage 3 to Stage 1	383	-	(698)	(315)
Transfer from Stage 3 to Stage 2	-	218	(362)	(143)
New financial assets originated or purchased	29,881	2,135	1,374	33,390
Changes in PDs/LGDs/EADs	(18,489)	(1,320)	(32)	(19,841)
Changes to model assumptions and methodologies	-	-	-	-
Write-offs	(21,153)	(5,447)	(3,056)	(29,655)
Total net change during the period	**(19,351)**	**(405)**	**936**	**(18,820)**

Business finance loan and lease receivables

Loan and lease receivables	**Stage 1 12-month ECL $'000 AUD**	**Stage 2 Lifetime ECL $'000 AUD**	**Stage 3 Lifetime ECL $'000 AUD**	**Model risk and seasoning reserves $'000 AUD**	**Total $'000 AUD**
Loss allowance as at 1 April 2018	4,754	1,059	3,137	7,725	16,676
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(90)	696	-	-	606
Transfer from Stage 1 to Stage 3	(286)	-	3,447	-	3,161
Transfer from Stage 2 to Stage 1	76	(390)	-	-	(314)
Transfer from Stage 2 to Stage 3	-	(367)	508	-	141
Transfer from Stage 3 to Stage 1	54	-	(282)	-	(228)
Transfer from Stage 3 to Stage 2	-	17	(40)	-	(22)
New financial assets originated or purchased	2,121	296	339	-	2,756
Changes in PDs/LGDs/EADs	(573)	(10)	(139)	-	(722)
Changes to model assumptions and methodologies	-	-	-	(2,460)	(2,460)
Write-offs	(640)	(260)	(1,917)	-	(2,817)
Total net P&L charge during the period	**662**	**(17)**	**1,915**	**(2,460)**	**100**

The following table further explains changes in the gross carrying amount of the loans and receivables to help explain their significance to the changes in the loss allowance as discussed above:

Loan and lease receivables	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Total $'000 AUD
Gross carrying amount as at 1 April 2018	325,029	4,040	7,256	336,326
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(4,112)	3,016	-	(1,096)
Transfer from Stage 1 to Stage 3	(10,664)	-	9,249	(1,415)
Transfer from Stage 2 to Stage 1	1,060	(1,547)	-	(487)
Transfer from Stage 2 to Stage 3	-	(1,328)	1,363	35
Transfer from Stage 3 to Stage 1	413	-	(652)	(239)
Transfer from Stage 3 to Stage 2	-	51	(92)	(41)
New financial assets originated or purchased	130,467	1,214	909	132,590
Changes in PDs/LGDs/EADs	(76,138)	(49)	(41)	(76,227)
Changes to model assumptions and methodologies	-	-	-	-
Write-offs	(43,934)	(1,006)	(4,434)	(49,374)
Total net change during the period	**(2,907)**	**352**	**6,302**	**3,747**

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	2019	2018
Trade receivables	11,711	4,675
Consumer Leasing lease receivables	129,652	155,239
Business Finance lease receivables	237,331	248,957
Loan receivables	78,700	80,158
	457,394	**489,029**

Write-off policy

The Group writes off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral such that there is no reasonable expectation of full recovery. Default is defined as 60 days for Radio Rentals and 90 days for Business Finance.

Modification of financial assets

The Group sometimes modifies the terms of leases provided to customers due to commercial renegotiations, or for distressed leases, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness. Restructuring policies an practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Impairment losses

Consumer Leasing lease receivables

$'000 AUD	Gross 2019	Impairment 2019
Stage 1	144,947	(14,040)
Stage 2	13,210	(7,612)
Stage 3	5,228	(5,228)
	163,385	**(26,881)**

The Group applies the AASB 9 three-stage approach to measuring expected credit losses which uses a twelve month loss for lease receivables in stage one and lifetime expected loss for lease receivables in stages 2 and 3. To measure the expected credit losses, lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of lease receivables over a period of 36 months before 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The net value of consumer finance lease and trade receivables at 31 March 2019 was $136,504,000. The provision reflects the risk to the consolidated entity of the expected credit loss.

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 2019 is $81,647,000.

Business Finance lease receivables

$'000 AUD	Gross 2019	Impairment 2019
Stage 1	240,638	(5,353)
Stage 2	3,344	(1,190)
Stage 3	20,362	(16,261)
	264,344	**(22,804)**

The net value of commercial finance lease receivables as at 31 March 2019 was $241,540,000.

Loan receivables (Business Finance and remaining consumer solar loans)

$'000 AUD	Gross 2019	Impairment 2019
Stage 1	79,334	(2,066)
Stage 2	998	(329)
Stage 3	3,108	(1,697)
	83,440	**(4,092)**

The net value of loan receivables as at 31 March 2019 was $79,348,000.

Liquidity risk

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

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

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

Liquidity risk is managed through the adequate provision of funding and effective capital management policies.

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2019.

31 March 2019 ($'000 AUD)	Carrying amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Secured loan facilities	303,644	336,977	119,923	217,054	-
Trade and other payables	24,738	24,738	24,738	-	-
	328,382	**361,715**	**144,661**	**217,054**	**-**

31 March 2018 ($'000 AUD)	Carrying Amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Secured loan facilities	284,308	321,195	89,810	231,385	-
Trade and other payables	30,135	30,135	30,135	-	-
	314,443	**351,330**	**119,945**	**231,385**	**-**

The consolidated entity's access to financing arrangements is disclosed in note 15.

Market risk

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

Foreign currency risk

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

Interest rate risk

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

The consolidated entity purchases interest rate hedges to effectively fix the securitised warehouse liabilities which have a known term and predictable cash flows. No interest rate hedges have been purchased on the corporate senior debt facility.

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

$'000 AUD	2019	2018
Free cash	7,947	8,382
Borrowings	(303,644)	(284,308)

A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's equity and other comprehensive income by $2,070,000 (2018: $1,931,000), net of tax.

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 16 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. Thorn does not apply netting.

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.

Fair values

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date

Uncertainty currently exists in regards to the fair value of the Group's financial assets and liabilities due to the ongoing strategic review.

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 instrument is measured at fair value. The Group's only Level 2 instrument is the interest rate derivative.

14. PROVISIONS

2019 **$'000 AUD**	**Business Finance restitution**	**Regulatory**	**Make good**	**Total**
Opening balance	-	6,138	1,808	7,946
Provisions made during the year	1,420	-	75	1,495
Provisions used during the year	-	(3,237)	(208)	(3,445)
Provisions reversed during the year	-	-	-	-
Provisions reclassified to accruals	-	(2,194)	-	(2,194)
	1,420	**707**	**1,675**	**3,802**
Current	1,420	707	640	2,767
Non-current	-	-	1,035	1,035
	1,420	**707**	**1,675**	**3,802**

2018 $'000 AUD	Business Finance restitution	Regulatory	Make good	Total
Opening balance	-	8,100	1,784	9,884
Provisions made during the year	-	450	596	1,046
Provisions used during the year	-	-	(481)	(481)
Provisions reversed during the year	-	-	(91)	(91)
Provisions reclassified to accruals	-	(2,412)	-	(2,412)
	-	**6,138**	**1,808**	**7,946**
Current	-	6,138	1,321	7,459
Non-current	-	-	487	487
	-	**6,138**	**1,808**	**7,946**

Business Finance restitution

A large specific provision of $10.1m was taken up to provide in full for the receivable for the industry wide matter of a group of customers for a specific product who were challenging the enforceability of their leases. The Australian Financial Complaints Authority has issued an initial advice in favour of the customers and setting out terms of further restitution beyond the writing off of their payable balance. This provision is for that purpose.

Regulatory

Regulatory provision represents amounts set aside in the Consumer Leasing division for potential customer remediation, penalties and administration costs. During the year $2,194,000 was reclassified to accruals and represents actual or specific amounts known to be payable rather than estimated.

Make good on leased premises

Make good provision represent expected costs of returning leased office, showroom or warehouse premises to the condition specified in the individual lease contracts upon termination of the lease.

15. LOANS AND BORROWINGS

$'000 AUD	2019	2018
Current liabilities		
Secured loans	122,490	77,348
Non-Current liabilities		
Secured loans	181,154	206,960
	303,645	**284,308**

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	2019	2018
Secured corporate loan facility A (Maturity 30 November 2020)	25,000	65,000
Utilised	(15,000)	(41,000)
Available headroom	**10,000**	**24,000**
Secured corporate loan facility B (Maturity 30 November 2020)	5,000	5,000
Utilised	(2,146)	(2,100)
Available headroom	**2,854**	**2,900**
Securitised warehouse facility	368,000	250,000
Utilised	(288,644)	(243,308)
Available headroom	**79,356**	**6,692**
Total loan facilities	398,000	320,000
Utilised	(305,790)	(286,408)
Secured loan facilities not utilised at reporting date	**92,210**	**33,592**

The Group continues to be funded by one Australian major bank. That bank and the Company entered into a revised corporate facility in November 2018 with a $30m limit and a two year tenor.

The corporate facilities terminate on 30 November 2020. Progressive repayments were made and the outstanding balance at year end was $15.0m with a further $2.5m earmarked for bank guarantees given to landlords of retail stores occupied by the Company. The consequent available facility headroom is therefore $12.5m but the facility presently has a drawstop placed upon it such that $10.0m of further draw downs can only take place with the lender's prior approval (the difference is a $2.5m overdraft tranche which is unrestricted).The corporate 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 and is non-recourse to the Group. 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. The warehouse facility has been extended from $250m to $368m and has an availability period to 10 August 2019 and a final maturity date of 10 August 2025. In order for the Group to utilise the available headroom in the Warehouse facility, the Group, as the holder of the residual interest, needs to fund a minimum percentage of the value of receivables sold down into the warehouse facility. For more information about the consolidated entity's exposure to interest rate risk and liquidity risk see note 13.

16. CAPITAL AND RESERVES

Number of shares	2019	2018
On issue at the beginning of year	159,929,582	158,246,851
Issue of new shares on vesting of performance rights	1,245,484	-
Issue of shares under dividend investment plan	-	1,682,731
	161,175,066	**159,929,582**

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.

Reserves

The reserves consist of the equity remuneration reserve and the cash flow hedge reserve. The equity remuneration reserve represents the value of performance rights issued. The cash flow hedge reserve consists of the fair value of cash flow hedges after tax.

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
2019				
Final 2018	-	-	-	n/a
Interim 2019	-	-	-	n/a
Total amount		-		
2018				
Final 2017	2.5	3,956	100%	18 July 2017
Interim 2018	1.0	1,593	100%	19 January 2018
Total amount		**5,549**		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.
There was no dividend declared after the balance date.

Dividend franking account

$'000 AUD	2019	2018
30% franking credits available to shareholders of Thorn Group Limited	39,608	38,767

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.

17. 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 2019 was based on the loss attributable to ordinary shareholders of $14,940,000 (2018: loss of $2,210,000) and a weighted average number of ordinary shares during the year ended 31 March 2019 of 160,160,631 (2018: 159,094,096).

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 weighted average number of ordinary shares during the year ended 31 March 2019 is 165,042,055 (2018: 160,214,741). The weighted average number of performance rights of 1,908,000 (2018: 1,455,000) was not included because they were anti-dilutive.

$'000 AUD	2019	2018
Earnings per share		
Profit attributable to ordinary shareholders (basic) $'000 AUD		
Profit attributable to ordinary shareholders (basic) - continuing operations	(18,122)	(5,049)
Profit attributable to ordinary shareholders (basic and diluted) - discontinued operations	3,182	2,839
Profit attributable to ordinary shareholders (basic)	(14,940)	(2,210)
Weighted average number of ordinary shares (basic) '000's		
Issued ordinary shares at 1 April	159,930	158,247
Effect of shares issued	231	847
Weighted average number of ordinary shares for the year	**160,161**	**159,094**
Weighted average number of ordinary shares (diluted) '000's		
Issued ordinary shares at 1 April	163,134	158,760
Effect of shares issued	1,908	1,455
Weighted average number of ordinary shares for the year	**165,042**	**160,215**
Earnings per share - continuing operations		
Basic earnings per share (cents)	(11.3)	(3.2)
Diluted earnings per share (cents)	(11.3)	(3.2)
Earnings per share - discontinued operations		
Basic earnings per share (cents)	2.0	1.8
Diluted earnings per share (cents)	1.9	1.8
Earnings per share		
Basic earnings per share (cents)	(9.3)	(1.4)
Diluted earnings per share (cents)	(9.3)	(1.4)

18. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest	
		2019	2018
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia	100%	100%
Rent Try Buy Pty Ltd	Australia	100%	100%
Thorn Equipment Finance Pty Ltd	Australia	100%	100%
Thorn Finance Pty Ltd	Australia	100%	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%

Basis of consolidation

Subsidiaries

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

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

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

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

19. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations Instrument 2016/914 certain wholly owned subsidiaries are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Corporates Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of this is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are listed in note 18 (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 2019, 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 $22,681,000 and trade and other payables would decrease by $22,681,000, Receivables would decrease by $288,644,000 and loans payable would decrease by $288,644,000.

20. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 March 2019 the parent entity of the consolidated entity was Thorn Group Limited.

$'000 AUD	2019	2018
Result of Parent Entity		
Profit for the period	-	5,549
Other comprehensive income	-	-
Total comprehensive income for the period	-	5,549
Financial position of the parent entity at year end		
Current assets	1,293	-
Total assets	127,377	133,339
Current liabilities	-	407
Total liabilities	5,541	12,828
Total equity of the parent comprising		
Share capital	120,932	119,951
Equity remuneration reserve	904	560
Total Equity	**121,836**	**120,511**

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 18 and note 19.

21. SPECIAL PURPOSE ENTITY

The Group sells receivables to a warehouse financing facility through its special purpose entity. The SPE is consolidated as set out in note 18 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the special purpose vehicle. The table below presents assets and the underlying borrowings attributable to the SPE to external funders.

$'000 AUD	2019	2018
Receivables	313,744	304,135
Cash held by Trust	22,681	19,845
Total	**336,425**	**323,980**
Borrowings related to receivables	**288,644**	**243,308**

The Group provide additionl support to the special purpose entity including a liquidity facility of $3.3m (2018: $5.3m) and a bill and collect facility of $2.2m (2018: Nil).

22. DISPOSAL OF SUBSIDIARY

Three business divisions were sold over the past two years to reduce debt. There were final payment adjustments, tax finalisation and the resolution of provisions set aside for warranty and other claims during this financial year which have given rise to a profit after tax for discontinued businesses of $3.2m.

(a) Result of discontinued operations

$'000 AUD	2019	2018
Revenue	-	13,510
Expenses	-	(9,966)
Results from operating activities	**-**	**3,544**
Income tax	-	(1,063)
Results from operating activities, net of tax	**-**	**2,481**
Gain/(loss) on sale of discontinued operation	3,197	512
Income tax on sale of discontinued operation	(15)	(154)
Profit (loss) from discontinued operations, net of tax	**3,182**	**2,839**

(b) Cash flow from /(used in) discontinued operation

$'000 AUD	2019	2018
Net cash used in operating activities	-	(463)
Net cash from investing activities	-	51,249
Net cash flows for the year	**-**	**50,786**

(c) Effect of disposal on the financial position of the Group

$'000 AUD	2019	2018
Cash and cash equivalents	-	-
Trade and other receivables	-	(49,587)
Deferred tax asset	-	(323)
Property, plant and equipment	-	(97)
Trade and other payables	-	255
Employee benefits	-	38
Provisions	-	(1,023)
Net assets and liabilities	**-**	**(50,737)**
Consideration received, satisfied in cash	-	51,249
Cash and cash equivalents disposed of	-	-
Net cash inflows	**-**	**51,249**

23. EMPLOYMENT BENEFITS EXPENSE

$'000 AUD	2019	2018
Wages and salaries	47,823	46,303
Contributions to defined contribution superannuation funds	3,422	3,474
Termination benefits	697	494
Equity settled share-based payment transactions	1,326	(209)
	53,268	**50,062**

24. RELATED PARTIES

Key management personnel remuneration

$	2019	2018
Short-term employee benefits	2,528,221	2,930,197
Post-employment benefits	126,632	478,890
Long-term employee benefits	-	2,893
Share based payments	1,134,321	(328,749)
	3,789,174	**3,083,231**

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.

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

A director, Stephen Kulmar, is the founder of the retail consultancy Retail Oasis, which has the Company as one of its clients. During the year there were no engagements nor fees billed for services rendered . Accordingly Mr Kulmar is considered an independent director. 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.

25. SHARE BASED PAYMENTS

The aggregate transactions and outstanding balances relating to share based payments were as follows:

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Year in which Grants Vest (ended 31 March)
	Number	Date	
Performance rights	2,671,908	1 July 2018	2022

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 the employees is as follows:

	Held at 1 April 2018	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2019
Performance rights	3,206,317	2,671,908	(1,245,484)	-	(242,891)	4,389,850

26. AUDITORS' REMUNERATION

In whole AUD	2019	2018
	PwC Australia	KPMG Australia
Audit services		
Audit and review of financial reports	660,240	574,650
Disposal of subsidiary related audit services	-	15,000
Total Audit Services	**660,240**	**589,650**
Other services		
Taxation services – compliance and advice	-	234,380
Risk consulting services	-	127,285
Compliance assurance services	140,879	26,500
Other services	-	109,397
Total other services	**140,879**	**497,562**
Total auditor's remuneration	**801,119**	**1,087,212**

27. CONTINGENT LIABILITY

The Thorn subsidiary operating Radio Rentals remains a respondent to a class action proceeding commenced by one of its customers in the Federal Court of Australia on 29 March 2017. The allegations relate to misleading and deceptive conduct, unconscionable conduct, false representations and unfair contract terms.

The matter is being defended and no provision has been made in these accounts. The proceedings remain ongoing with a hearing scheduled for October 2019. Furthermore, the applicant was successful in its application to join Thorn's former managing director, James Marshall, and Thorn's insurer, AIG, to the proceedings. Legal fees continue to be incurred defending the matter.

28. SUBSEQUENT EVENTS

The Company announced on 1 April 2019 that it had initiated a review of its strategic options. This review is ongoing and further announcements will be made in due course.

One component of the review is an exploration of alternative ownership considerations which would include the potential sale of various divisions of the Group or the Company as a whole (including all of the assets of the Company). There is no certainty the strategic review will result in any offers for either the Company or a division thereof, or that if any offers are received they will be on commercially acceptable terms.

Nonetheless, the directors are of the view that if a sale of the Company as a whole (including all of the assets of the Company) or any division thereof were to occur, there is a material probability such a sale will be at a value (or implied value) lower than the Company's recorded net assets of $172.0m in these accounts presented as a going concern. This differential in value is also reflected in the company's market valuation. Factors giving rise to this include uncertainty over the company's future cash flows, the presence of the class action contingent liability, and a recognition that the value of assets realised in an immediate sense may be lower than the value realised in the ordinary course of business.

Directors' declaration

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

1. (a) the financial statements and notes that are set out on pages 21 to 55 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2019 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 15 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the consolidated entities pursuant to ASIC Corporations Instrument 2016/914.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2019.

Signed in accordance with a resolution of the directors.

David Foster
Chairman

Dated at Sydney
30 May 2019

Independent auditor's report

To the members of Thorn Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Thorn Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 March 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a loss before income tax from continuing operations of $25.2m for the year ended 31 March 2019 and net cash used in operating activities during the same period amounted to $12.9m. As a result the Group is dependent upon returning to profitability, maintaining support from its financiers and progressing the strategic review. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

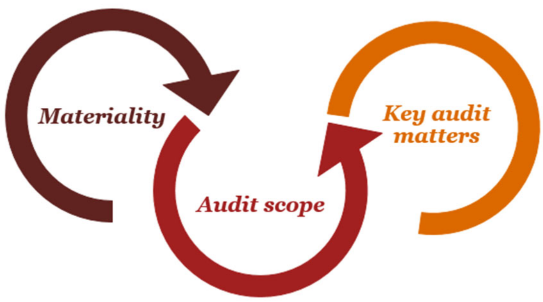
Emphasis of matter: uncertainty regarding outcome of litigation

We draw your attention to Note 27 in the financial report which describes the uncertainty related to the outcome of the class action filed against the Group. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $1,009,000, which represents approximately 4% of the Group's loss before income tax from continuing operations. • We applied this threshold, together with qualitative	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is principally involved in providing leases to	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: – Valuation of intangible assets and property, plant and equipment – Recoverability of trade and

considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

- We chose Group loss before income tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 4% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

consumers and to businesses in Australia, through its two key divisions, Radio Rentals and Thorn Business Finance, respectively.

- The accounting processes are structured around a central Group finance function at the Group's head office in Sydney.

other receivables
  – Recognition of revenue
- These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *Material uncertainty related to going concern* section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of intangible assets and property, plant and equipment *(Refer to notes 8 and 9)* This was a key audit matter because of the level of judgement required in assessing the Group's assets for impairment. The recoverable amount of the Intangible assets and Property, plant and equipment was determined through a model based on the Group's cash flow forecasts from the latest budget. The most significant judgements related to the assumptions supporting the underlying cash flows, in particular, revenue growth	We inspected the Group's impairment analysis for Radio Rentals CGU, as disclosed in Note 8 and 9 and developed an understanding of the process by which they were developed. We considered whether the cash flows were based on supportable assumptions by: • comparing the forecasts to latest budgets • comparing previous forecasts to actual results to assess the Group's historic ability to forecast future cash flows

Key audit matter	*How our audit addressed the key audit matter*
rates, terminal growth rates and discount rate. The Group considered that each reportable operating segment constituted its own Cash Generating Unit (CGU). The Group identified through its annual assessment of impairment that assets were impaired and recorded an impairment charge of $10m against its Intangible assets ($5.2m) and its Property, plant and equipment ($4.8m), reducing their carrying amounts to nil at the balance date.	• performing sensitivity analysis on the assumed growth rate in revenues and the terminal growth rate used in the cash flow forecasts. In testing the valuation model, we: • evaluated the calculations for mathematical accuracy • checked that the methodology used to prepare the valuation model was in accordance with the requirements of Accounting Standard AASB 136 *Impairment of assets*. • considered the sensitivity of the calculation by varying assumptions (e.g. discount rate) and applying other values within a reasonably possible range • compared the output of the model to the impairment charge recorded.
Provision for impairment of trade and other receivables *(Refer to note 13)* This was a key audit matter because it was the first period of reporting under Accounting Standard AASB 9 *Financial Instruments (AASB 9)* and the determination of the provision for impairment of trade and other receivables was driven by subjective judgements made by the Group in determining the approach for predicting expected credit losses (ECL). The majority of the receivables balances were low value and therefore the ECL was modelled on a collective basis at a portfolio level. Key elements in the provisioning for trade and other receivables under AASB 9 include: • the judgements applied in determining customers that have had a significant increase in credit risk, which is assessed by the Group	We have performed the following procedures amongst others: • examined the key assumptions in the ECL model developed by the Group, such as the staging, PDs and LGDs. This included using PwC credit modelling experts to assess the appropriateness of the assumptions and whether those assumptions were applied correctly in the ECL model. • assessed the appropriateness of the delinquency status and staging applied at customer account level by re-performing the delinquency status calculation and stage assignment on a sample basis. • assessed the integrity of the input data used in the ECL model by comparing key data inputs to signed customer contracts and source systems on a sample basis.

Key audit matter	*How our audit addressed the key audit matter*
based on the delinquency status at a customer account level. • judgements applied in setting the assumptions used in the ECL model, such as the probability of default (PDs) and loss given default (LGDs). • reserves and overlays included to reflect emerging trends or particular situations which are not otherwise captured by the ECL model. The Group identified certain exposures and provided individually for these, separate to the collectively assessed provision.	• considered the accuracy of the modelled provision for impairment held by the Group by re-performing the ECL calculation on a portfolio basis. • obtained an understanding of and evaluated the appropriateness of the reserves and overlays applied. • for receivables which were identified and provisioned for separately, considered the basis of measuring the individually assessed provisions by considering the latest information available to the Group. • assessed the integrity of the input data used to compute the individually assessed provisions by comparing key inputs to signed contracts and source systems on a sample basis.
Recognition of revenue *(Refer to note 3)* The Thorn Group has two main sources of revenue, finance lease interest income and sales revenue. This was a key audit matter because of: • the significance of finance lease interest income in the context of the profit of the Group; and • the significance of sales revenue recorded at the commencement of the lease contract, and the associated incentives offered to customers.	We performed the following procedures amongst others: • inspected and compared the key contract data inputs in the product system to the signed contract for a sample of leases • re-performed the finance lease calculations on a sample basis • for a sample of sales during the year, we tested the sales amount recorded to external price lists and internally determined rental rates • for a sample of adjustments to sales revenue, tested the incentives offered to customers by agreeing the amount to the signed lease contract.
Operation of IT systems and controls The Group is dependent on its IT systems for the processing and recording of significant volumes of transactions.	We evaluated the design and implementation of key controls over relevant IT systems, which included assessing: the governance of the Group's technology control environment, IT change management controls, security and access controls, system development

Key audit matter	*How our audit addressed the key audit matter*
This was a key audit matter because a number of key financial controls we seek to rely on are related to IT systems and automated controls. Controls relating to the management of IT systems are important because they are intended to ensure changes to applications and data are appropriately implemented and authorised. Ensuring staff have appropriate access to IT systems and that access is monitored are key controls in mitigating the potential for fraud or error as a result of underlying changes to an application or data.	controls and IT operations controls. Based on the results of our IT control design assessment, we were required to carry out further direct tests over the accuracy of relevant automated calculations and reports to obtain sufficient evidence for our audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 20 of the directors’ report for the year ended 31 March 2019.

In our opinion, the remuneration report of Thorn Group Limited for the year ended 31 March 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Sydney
30 May 2019