THORN GROUP LTD

RAISING THE BAR

ANNUAL REPORT 2017

CONTENTS

NOTICE OF MEETING

11.00 am on Wednesday, 30 August 2017
in the KPMG Auditorium, Tower Three,
International Towers Sydney,
300 Barangaroo Avenue, Sydney
NSW 2000

RAISING THE BAR

FROM ITS ORIGINS IN 1937, THORN HAS BECOME ONE OF AUSTRALIA'S LEADING FINANCIAL SERVICE PROVIDERS, OFFERING A BROAD RANGE OF FINANCIAL SOLUTIONS TO CONSUMER AND COMMERCIAL MARKETS.

Thorn's foundation business, Radio Rentals remains a leader in consumer leasing with over 80 outlets nationally and Rent-Try-$1 Buy® offering. Thorn's other major pillar, Thorn Business Finance is growing fast and is now a major contributor to earnings, focusing on small and medium sized businesses with a broadening product suite.

Thorn's strategic direction over the next few years is to grow consumer leasing and business finance, the two areas of highest return, whilst pursuing product development, organic growth and potential acquisitions. We continue to raise the bar, delivering the best service, products and value to customers.

2017 FINANCIAL OVERVIEW

REVENUE	PROFIT AFTER TAX	GROUP RECEIVABLES
$299m	$25.3m	$493.0m
UP 3.2%	UP 26.2%	UP 29.4%

RETURN ON EQUITY	EPS	FULL YEAR, FULLY FRANKED DIVIDEND	GEARING
12.4%	16.2¢ PER SHARE	8.0¢ PER SHARE	56.1%

OPERATIONAL HIGHLIGHTS

SIMPLIFIED BUSINESS MODEL

With focus on two core businesses - consumer leasing and business finance - both generating an attractive return on capital.

STRONG INVESTMENT IN TECHNOLOGY

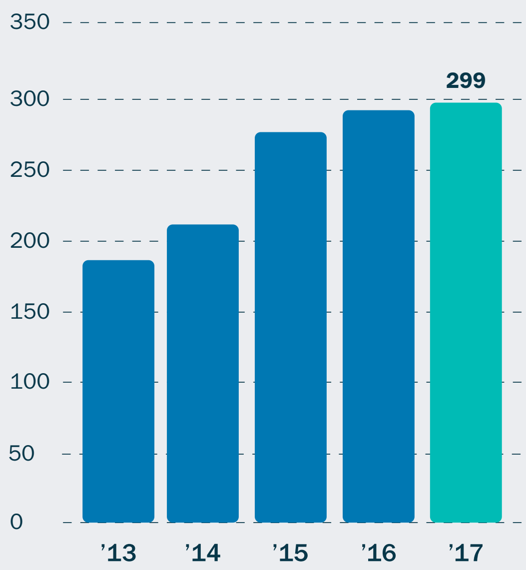
Refining application-to-approval process and improving the customer experience.

CONTINUED GROWTH IN BUSINESS FINANCE

Strong relationships with brokers and strategic partners resulting in receivables growth of 80 per cent in equipment finance, with the division now a significant contributor to group earnings diversity.

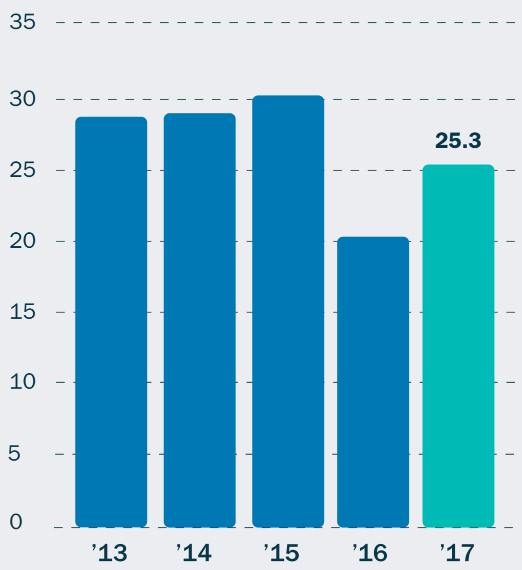
RESULTS AND HIGHLIGHTS

REVENUE*
($m)

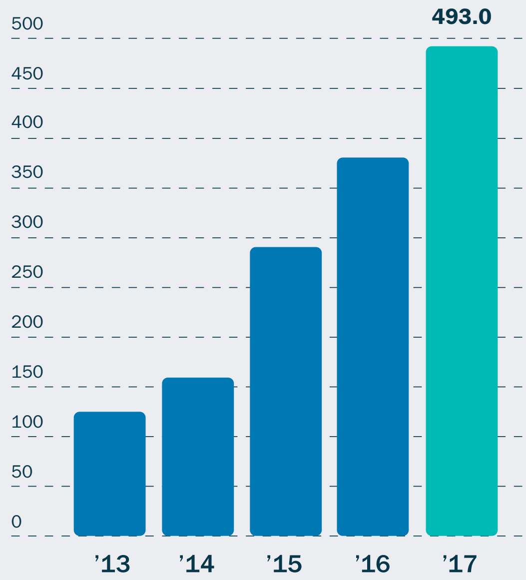


*Continuing business, does not include Receivables Management business

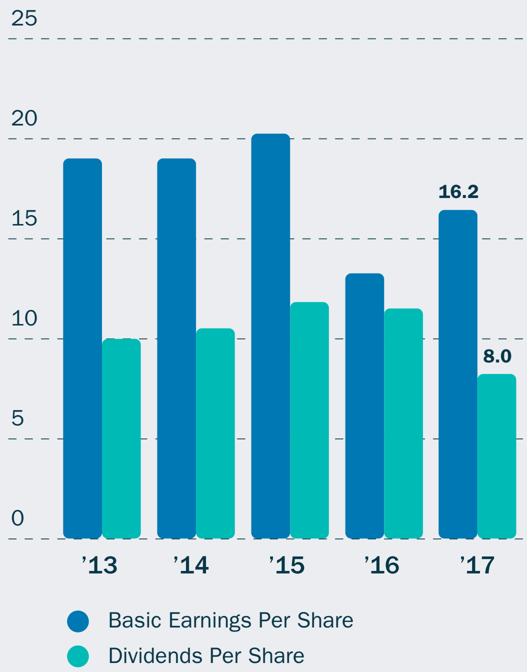
PROFIT AFTER TAX
($m)



GROUP RECEIVABLES
($m)



EPS & DIVIDENDS
(cents)



The past two years have been challenging for the Thorn Group, particularly in dealing with issues from the past. As I mentioned in last year's Annual Report, our strategic review identified that the two principal businesses, consumer leasing and business finance, generated good returns and offered growth potential over the longer term. Accordingly, the NCML receivables management business was sold and the TFS consumer loan division closed during the year.

FINANCIAL RESULTS

The financial outcomes from our business challenges are summarised in the CEO's report. Most importantly, net profit after tax for the year to 31 March 2017 was up 26 per cent on the previous year to $25.3 million and after significant items in both years, adjusted net profit after tax was up 3.6 per cent to $31.4 million.

STRATEGY

We are very confident about our two businesses, consumer leasing and business finance, supported by skills and systems in credit assessment. We believe Thorn now has an industry leading credit assessment system which ensures high standards in responsible lending. Both businesses are profitable and have distinctive industry positioning. For the past two years, business finance has been growing at a faster rate than consumer leasing. Thorn's strategy is to foster the growth of both these businesses by ensuring the best structural support as well as considering expansion opportunities which may arise from industry adjustment in consumer leasing and network expansion in business finance. The Board considers both businesses have positive prospects, while Radio Rentals faces some short term challenges due, in part, to changes in the regulatory environment.

BOARD

The Board restructure over the last couple of years has resulted in a strong, diversified and highly qualified Board, with skills across management, finance, strategy, law, retail and marketing. All directors have been actively involved in the difficult issues addressed during the year.

RESIGNATION OF MANAGING DIRECTOR

In April 2017 the Board accepted the resignation of Managing Director, James Marshall. James served the company for 24 years, ultimately attaining the top managerial position. He brought his accumulated experiences to his role and was in charge during a difficult time for the business. A search for a new managing director is in progress. Meanwhile, our CFO, Peter Forsberg, is acting CEO. We thank him for stepping up to this role.

DIVIDEND

Thorn's approach to provisioning for the issues it has faced has been an important factor in keeping the group in sound shape with two profitable business streams. Consumer leasing will face ongoing issues in FY18 but beyond that will continue to be a strong contributor demonstrating market leadership.

WITH AN ONGOING AND POSITIVE GROWTH TRAJECTORY FOR BUSINESS FINANCE, THE BOARD IS CONFIDENT THAT THORN WILL DEMONSTRATE ITS POTENTIAL IN YEARS TO COME.

THORN IS IMPLEMENTING AN INDUSTRY LEADING CREDIT ASSESSMENT SYSTEM WHICH ENSURES HIGH STANDARDS IN RESPONSIBLE LENDING

The Board took into account many considerations in deciding on a reduced final dividend - higher expenses from regulatory and legal issues, tougher business conditions for Radio Rentals as well as the need to conserve capital to fund the ongoing growth of business finance. The 50 per cent payout of full year profit after tax represents 8 cents a share compared with 11.5 cents in the previous year, all fully franked. In May 2017, at the time of the full year results announcement, the share price of $1.25 equated to a yield of 6.4% (a gross 9.1% if the franking credit is taken into account).

PEOPLE

The Board thanks the leadership team for accepting additional responsibility in recent times. We also believe Thorn's entire staff deserve acknowledgement and thanks for their hard work in addressing the challenges we have faced. They have treated our customers with respect and adhered to Thorn's values and vision. I also thank our shareholders for their support through our experiences and trust this will continue as we strive to meet their expectations.

JMorton

JOYCELYN MORTON

Chair

PETER FORSBERG

RAISING THE BAR

We have now simplified Thorn's business model down to the core businesses of consumer leasing and business finance. These two business lines earn a good return on capital and so it makes sense to redirect the capital released from the sale of the NCML receivables management business and the closure of the TFS consumer loan division back into their growth.

Having two businesses each focused on different market segments (consumer and SME) gives Thorn a distinctive market position and a balanced platform with some diversification benefit as these two segments should perform differently through the economic cycle.

Thorn's results this year reflect the combined outcome of these businesses with each having quite differing experiences in FY17.

INDUSTRY CONTEXT AND COMPANY SITUATION

Thorn's consumer leasing business, Radio Rentals, is a strong market leader in an industry where there are two other large constituents and then a number of smaller players. Radio Rentals is a well established brand which has been trading for 80 years this year. To be successfully serving customers for that length of time together with the leading market position brings with it brand recognition and economic scale with around 100,000 loyal customers and a widespread national footprint of over 80 outlets.

However the consumer leasing industry and Radio Rentals specifically have attracted scrutiny from the regulator (ASIC) and the federal government over the recent past on how responsible lending is conducted and the amount that is charged for the service.

The regulator ASIC has examined the quality of responsible lending of many consumer leasing companies over the past few years and has obtained enforcement outcomes against at least eight of them. Its investigation into Radio Rentals culminated this year in our taking up a provision for the expected costs of customer compensation and an anticipated penalty.

At an industry level, the federal government inquiry has reported and put forward recommendations. These are in the process of being translated into legislation in the coming year with caps on the cost to consumers, a protected earnings requirement, restrictions on some fees, changes to responsible lending assessment and suitability, and disclosure.

Radio Rentals supports the recommendations and has moved to early adopt the proposed price caps and most of the other recommendations. While these proposed legislative changes will hopefully settle the regulatory position of the industry and therefore any uncertainty that overhangs it, they will have an effect on the market and its profitability and Radio Rentals will not be immune from that.

Thorn Business Finance is a relatively small player in a large addressable market of 2 million small and medium enterprises representing 61% of Australian pre tax profits and employing 68% of Australian workers. The market for financing is growing as SMEs seek new financing increasingly from the non bank financial sector and particularly so if their financing requirements preclude offering property security, require flexibility or a quick decision. Thorn has positioned itself to provide what the market requires and is helped by its network of brokers and partners who contribute to a growing deal flow. Thorn has also expanded its offer with franchise financing, giving it broader product categories to meet the needs of small business.

Thorn's two core lines of business are therefore well positioned in sectors which have ongoing demand and sound fundamentals.

THORN HAS POSITIONED ITSELF TO PROVIDE WHAT THE MARKET REQUIRES AND IS HELPED BY ITS NETWORK OF BROKERS AND PARTNERS WHO CONTRIBUTE TO A GROWING DEAL FLOW.

FINANCIAL PERFORMANCE

The headline numbers for Thorn in FY17 are all positive – revenue is up 3 per cent to $299 million, EBIT is up 25 per cent to $47.1 million, NPAT is up 26 per cent to $25.3 million and return on equity is two percentage points higher at 12.4 per cent.

Within that performance though is the larger story of simplifying the business, dealing with consequences from historic Radio Rentals issues, positioning for the future and redirecting resources towards the faster growth in business finance than consumer leasing.

Simplifying the business has involved not only reducing it down to the present two business segments but also cutting costs in Radio Rentals and the corporate office.

The financial results are fully explained in the Operating and Financial Review in the Directors' Report. In summary though, FY16's profit after tax was impacted by a $6.7 million charge for NCML, a $1.6 million charge for closing the consumer loans business, and a $2.0 million charge for the first of the regulatory matters while FY17 had charges for further provisions for regulatory matters with a profit impact of $6.1 million after tax. If all these were adjusted then the reported profit between years would have been up 3.6 per cent.

We recognise that these adjustments have come at a significant cost to shareholders but we trust our actions in facing up to them and working through them provides shareholders with more confidence in the future.

BUSINESS OPERATIONS

A rigorous and disciplined approach to credit risk is key to success in both of Thorn's business units as there must be confidence that customers will meet their commitments. To this end we continue to invest in technology and refine the application-to-approval process to ensure that it is easy to use but rigorous enough to provide the necessary data to make an effective credit assessment in a timely manner.

In consumer leasing, we have also set out to ensure Radio Rentals provides a good value proposition to customers through lower pricing, a more modern and wider range of household equipment delivered through an improved online presence and through refurbished stores with some relocated into high traffic shopping centres to reach more customers and a wider demographic. This year while revenue rose 2 per cent to $251 million, higher costs including the provision for regulatory matters mentioned above resulted in EBIT falling 17 per cent to $36.3 million.

Thorn Business Finance saw its revenue lift 23 per cent to $37 million and its EBIT rise 40 per cent to $18.4 million. Underlying this was a particularly strong performance by Equipment Finance but a disappointingly lower revenue and EBIT from Trade & Debtor Finance as it reshaped its receivables book to move away from riskier credits towards more traditional debtor finance customers and incurred credit losses in the process.

PEOPLE

Employing and retaining the best people is critical to business performance. This year while Thorn lost some expertise through the business simplification process, the closure of six Radio Rentals stores and some senior resignations, there is a core of expertise which should serve the business well for the future. We know personal service and the customer relationship are crucial to keeping customers happy and loyal, so we tried to isolate these elements of our operation from any cost cutting. In what has been a difficult year for some parts of the business, we are grateful for all who have helped ensure we continue to provide the high levels of service our customers have come to expect.

OUTLOOK

In this report, we have been at pains to show we are facing up to and addressing some difficult business circumstances and being frank about the financial consequences. At the same time, it is important not to cloud the potential we see in the business model.

In consumer leasing, at a time when some 3 million Australians are excluded from the financial mainstream, there is an ongoing need for people to be able to lease consumer goods as an alternative to waiting some years to accumulate funds to buy these goods outright.

However there are some immediate challenges being faced by Radio Rentals in terms of adverse publicity, weaker retail market conditions, regulatory changes, temporary deferral of returning customers due to the launch of the 4 year contract 3 years ago, and significant business change including a transition to a new online origination platform and process. All of these are expected to put pressure on earnings in the short term.

WE ARE GRATEFUL FOR ALL WHO HAVE HELPED ENSURE WE CONTINUE TO PROVIDE THE HIGH LEVELS OF SERVICE OUR CUSTOMERS HAVE COME TO EXPECT

Over the medium term however the large pool of loyal customers and the more efficient cost base should position it for continued industry leadership and growth.

Business Finance on the other hand has strong momentum currently behind it and the combination of increasing small business demand, the industry structure and the referral network we have established, indicate that performance should continue to improve and see it form an increasing percentage of Thorn's earnings in future.

THANK YOU

Any success the company achieves is due to the efforts of the staff and management right across Thorn combined with the support and loyalty of our wonderful customers, clients and banking and finance partners. I am lucky to work with such a talented and committed team and I thank them on your behalf.

Peter Forsberg

PETER FORSBERG

Acting CEO

RAISING THE BAR

Over the past two years, Thorn has instituted a review of the way it does business. In particular this has focused on how we can help our people give customers the best service. This has ranged across many aspects of how we relate to customers, in consumer leasing and business finance, and we have called the program "raising the bar" which is the theme for this year's Annual Report.

Raising the bar relates to how we apply our values and how we utilise technology to ensure we are meeting our commitments to customers. By raising the bar we want to ensure all our practices are of the highest standard. In this way, we ensure we are giving customers the best deal in meeting their needs and increasing the opportunity for our people to feel good about the services we provide.

In consumer leasing, as well as being the market leader in size, we are striving for leadership in the pricing we apply and in ensuring we are providing goods in line with people's capacity to pay. Our pricing is highly competitive and we are now providing a wider range of goods for a broader demographic group. The look of our stores is also changing, with newer outlets in shopping centres making people realise that consumer leasing might be a new way of accessing household goods.

In business finance, we are also raising the bar in terms of credit quality, speed of decision making and applying a broader business understanding to the needs of small business customers. We provide finance that is not easy to obtain in today's market, such as equipment leasing and cash flow and franchise financing. By appreciating how small businesses operate and how we can help them, we are creating a superior operating practice that underlies our growth.

DAVID FOSTER

Independent, Non-Executive Director

25 years in financial services, including CEO of Suncorp Bank 2008-13.

ANDREW STEVENS

Independent, Non-Executive Director

30 years in business and technology, including over four years MD of IBM Australia and New Zealand.

JOYCELYN MORTON

Chair, Independent, Non-Executive Director

Over 35 years of experience in finance, taxation and management, in Australia and internationally.

BELINDA GIBSON

Independent, Non-Executive Director

Over 30 years legal experience across securities and financial markets and regulatory strategy.

STEPHEN KULMAR

Independent, Non-Executive Director

Over 35 years of experience in marketing and strategic development.

Full biographies in Director's Report, p.30 and 31

OUR STRATEGY

Thorn's strategy is to grow the market position and performance of its two core businesses, consumer leasing and business finance. These businesses have sound attributes and provide a suitable return on capital for the risk involved.

Our strategy involves ensuring our people and businesses have the resources to prosper. Fostering skills in credit assessment is common to how we execute our strategy, along with the people side of our business, as we deal directly with customers in our consumer leasing stores and come to know the individual needs of small businesses.

The rapid growth of business finance has meant that providing capital to this operation is a critical component of its expansion. Our bankers and shareholders are providers of this capital which has enabled business finance to take on more commitments, meeting the needs of more small businesses.

Both our core businesses have potential for organic growth and as business and industry conditions allow, there may be scope for acquisitions. Industry developments in consumer leasing may result in consolidation opportunities and in a more fragmented business finance industry, there is scope to foster a growing network of referrers and alliances as well as source bolt on acquisitions or develop new lines of business.

SIMON REVELMAN

Chief Information Officer

Joined Thorn Group in 2013 as General Manager Information Services. Has a diverse background in the IT marketplace across a range of industry sectors.

PHIL CHAPLIN

General Manager Thorn Business Finance

Over 20 years experience in the finance industry, with a broad skill-set across general management, sales leadership, operational excellence and strategic planning.

WENDY YIP

Chief Risk Officer

Over 18 years of experience as a risk and capital management professional, across advisory firms and major financial institutions.

ANDREW CROWTHER

Chief Financial Officer (acting)

Over 20 years experience in financial services involving the wealth and property sectors.

MATT INGRAM

Chief Operating Officer

Over 20 years extensive experience in the financial services sector, strong background in strategic planning, people development and team leadership.

PETER FORSBERG

Chief Executive Officer (acting)

Experienced CFO across healthcare, manufacturing and distribution, FMCG and professional services in listed, not-for-profit and private equity owned businesses.

DARREN-JOHN AQUILINA

Chief Marketing Officer

Over 20 years experience in Marketing & eCommerce across FMCG, Finance and Retail.

CONSUMER LEASING

STRATEGIC INTENT

THORN'S STRATEGIC INTENT IS TO RAISE THE BAR BY IMPROVING RADIO RENTALS' CUSTOMER OFFER THROUGH LOWER PRICES, A WIDER, MORE MODERN PRODUCT RANGE IN NEW IMPROVED STORES, THE IMPLEMENTATION OF A NEW ONLINE CUSTOMER APPLICATION AND CREDIT ASSESSMENT SYSTEM WHILE DRIVING OPERATIONAL EFFICIENCIES.

Over the past few years, there has been increased scrutiny of the consumer leasing industry, with the Radio Rentals' name regularly mentioned as an example for the wider industry because of its recognition and market leading position. Over the past year, Thorn has undertaken a review of the brand's value proposition, to ensure it continues to provide a competitive offer and superior customer service.

Radio Rentals has developed an online customer application and credit assessment system which is now being rolled out nationally. This streamlined system is the first of its kind in the consumer leasing industry, and will improve customer experience as well as provide a scalable and more efficient approval process.

THORN'S CONSUMER LEASING BUSINESS, RADIO RENTALS, IS A MARKET LEADER AND HAS BEEN OPERATING IN AUSTRALIA FOR 80 YEARS, WITH A BASE OF 100,000 LOYAL CUSTOMERS AND A NATIONAL FOOTPRINT OF OVER 80 OUTLETS.

Radio Rentals provides an extensive range of essential household goods and home office needs through consumer leasing products, principally under the Rent-Try-$1 Buy® banner. Rent-Try-$1 Buy® enables customers to enjoy the benefits and flexibility of rental along with the potential to obtain ownership. In line with the group's responsible lending policy, Radio Rentals ensures all customers are provided with products that suit their needs and budget and are not over committed, enabling more Australians to gain access to every day essentials.

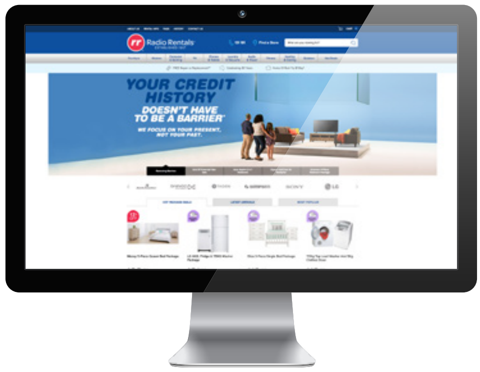
97.3%

OF CUSTOMERS SAY THE RADIO RENTALS TEAM TREAT THEM WITH DIGNITY AND RESPECT

OPERATIONS

Radio Rentals' strategy of reinventing itself to customers by creating new products, locations and ways of helping people access the goods they want and need has resulted in exposure to larger customer bases and higher demographics, with revenue increasing 2 per cent in FY17, to $251.2 million. However, the measures put in place to deliver an improved customer experience and investment in a more stable business have resulted in higher costs. These costs plus the provisioning for regulatory matters have resulted in EBIT being down 17 per cent to $36.3 million.

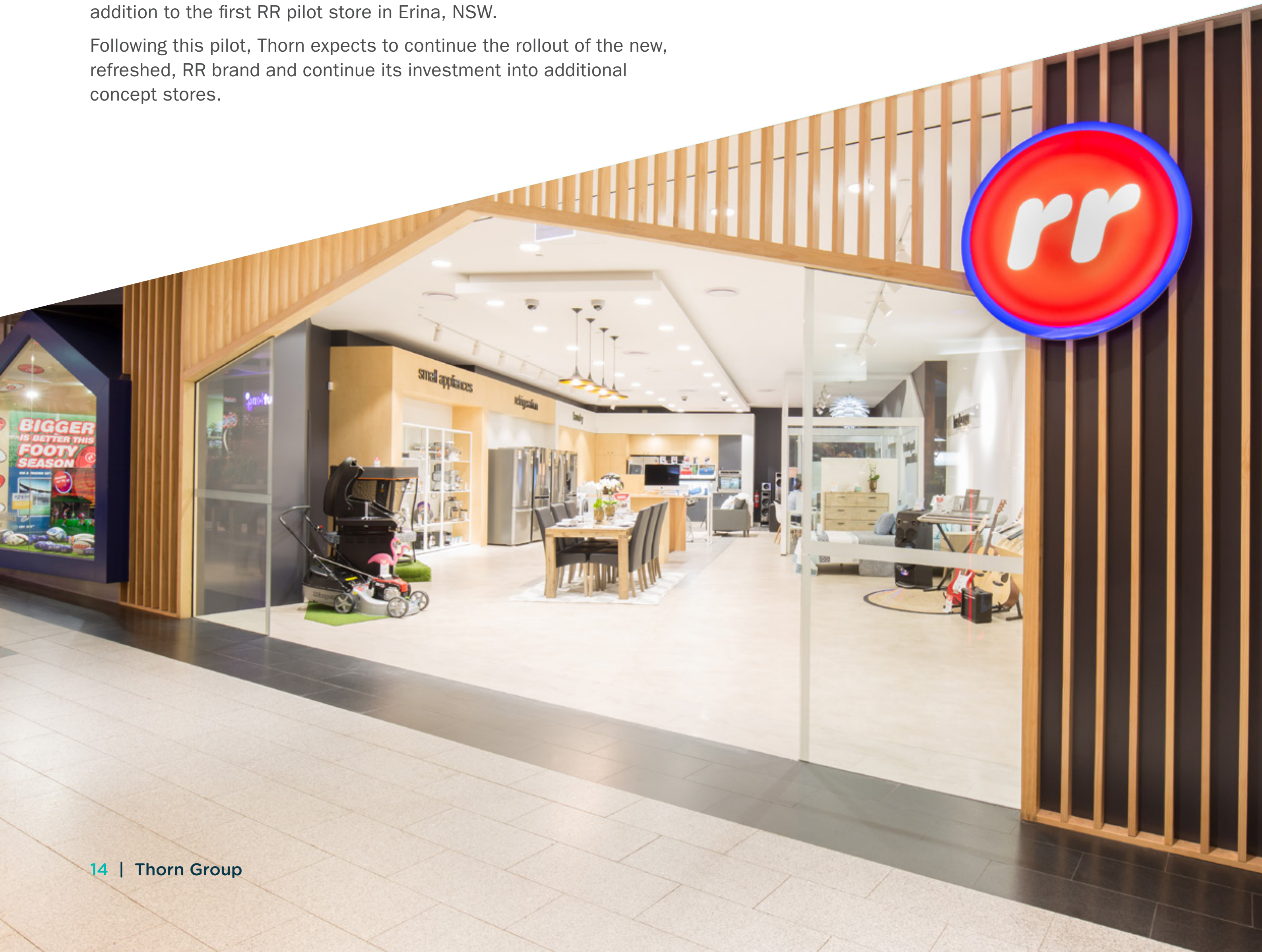
Longer term contracts continue to be very successful, with customers moving away from shorter term leases to four year leases, which allow for more affordable weekly payments. With this having begun three years ago, there will be a flow through impact of temporary deferral of returning customers due to launch of the four year contract. This disparity will decrease over the next couple of years as there will be a larger proportion of four year contract renewals.



A REINVENTED BRAND

Last year, Thorn announced its plan to transition six existing full service branches to the new and modernised "Hub and Spoke" model under the new brand, RR, strategically located in high traffic shopping centres. This strategy has proven successful with a number of stores relocating into high footfall shopping centre locations this year in addition to the first RR pilot store in Erina, NSW.

Following this pilot, Thorn expects to continue the rollout of the new, refreshed, RR brand and continue its investment into additional concept stores.



DEVELOP
Thorn branded product range further and new propositions to reach a wider demographic

MAINTAIN
high levels of customer satisfaction across the store network

ENHANCE
regulatory focus and streamline "enquiry to contract" process for improved customer experience

As it looks to better service customers, Thorn is also progressively establishing a number of warehousing and distribution hubs in metro locations, including in Sydney and Brisbane, to help capture new customer segments.

Thorn branded products remain popular, with volume and range expanding over the past few years and now including televisions, a variety of fridge types, smart phones and tablets. This year has also seen the launch of new product categories, including small appliances and music instruments, as well as a summer catalogue which included a range of barbeques, lawn mowers and outdoor items such as trampolines. These are expected to be a recurring offering.

BRAND STRENGTH AND SUPPORT

Radio Rentals is a resilient business with a network of 80 stores nationally and 100,000 loyal customers. Customer satisfaction and loyalty remain a key focus of the Radio Rentals business. An independent survey conducted last year by Roy Morgan revealed strong support for the brand. The research shows 97 per cent of customers say Radio Rentals treats them with dignity and respect, 92 per cent consider Radio Rentals affordable and 70 per cent say Radio Rentals was the only way for them to access affordable everyday essential goods. More than half of the respondents said that if they had not gone to Radio Rentals, they would have had to go without the goods and 95 per cent said "Rent-Try-$1 Buy" was important to them.

92% OF CUSTOMERS RATED **RADIO RENTALS AFFORDABLE**

THORN BUSINESS FINANCE

THORN BUSINESS FINANCE (TBF) CONSISTS OF THORN EQUIPMENT FINANCE (TEF), THORN TRADE & DEBTOR FINANCE (TDF), AND STRATEGIC PARTNER, CASHFLOW IT (SPECIALIST FUNDER TO THE FRANCHISE SECTOR).

Across its various businesses, Thorn Business Finance provides equipment loans, leases, debtor finance, trade finance and capital funding solutions, through direct customer relationships and Thorn's multi-channel distribution network.

An investment in technology has streamlined processes across the different businesses, with all brands now under the Thorn Business Finance banner. This has enhanced the business finance offering, enabling cross selling of products and solutions to new and existing customers.

STRATEGIC INTENT

THORN BUSINESS FINANCE OPERATES IN NICHE MARKETS UNDERSERVICED BY THE BANKS, OFFERING PRODUCTS AND SOLUTIONS TO SMALL AND MEDIUM ENTERPRISES AND THE FRANCHISE SECTOR.

Growth is driven by a very clear strategy around the market the business serves, the financial products it provides, and the relationships with brokers and white label partners. This combination is intended to support SMEs in their day-to-day operations and growth ambitions.

As Thorn strengthens its relationships with brokers and strategic partners, there is also an opportunity to bring additional financial products to SMEs, such as small business loans, to help them manage cash flow better.

DEVELOP
product offering to create cross-sell opportunities and drive organic growth

EXPAND
complementary acquisitions, partnership opportunities, and strategic alliances

ENHANCE
profitability and scale through synergies and leveraging broader business capabilities

THORN EQUIPMENT FINANCE

THORN'S EQUIPMENT FINANCE DIVISION HAS GROWN SIGNIFICANTLY IN FY17 MAINLY DRIVEN BY A STRONG RELATIONSHIP WITH BROKERS AND STRATEGIC PARTNERS, RESULTING IN RECEIVABLES GROWTH OF 80 PER CENT.

This division is now a significant contributor to earnings diversity within the group, gaining strong momentum and providing a growing proportion of group earnings. Equipment Finance grew revenue and EBIT strongly (up 58 per cent to $26.4 million and 83 per cent to $16.1 million respectively) with the support of brokers and partners and the success of franchise financing.

Equipment Finance provides a unique offering as a specialist source of funds for SMEs, a segment representing 99 per cent of Australian businesses which employ around 70 per cent of the entire Australian workforce. Equipment Finance provides SMEs with access to equipment they need to operate their businesses, from specialised medical equipment to information technology, commercial kitchen equipment, solar products, machinery and vehicles.

In FY17, Thorn has further tailored its offering to introducers and select brokers, driving organic growth and higher deal volume. Thorn has built a strong reputation in the equipment finance market, with brokers increasingly choosing TEF over competitors to assist their SME clients.

Thorn Equipment Finance's diversity of assets and customers mean arrears and losses are well controlled. There is a moderate concentration of catering equipment and motor vehicles, and the average transaction is around $30,000.

CASHFLOW IT

Cashflow IT is an exclusive strategic partnership providing specialised lending solutions to the franchise sector. Working as an integral part of Thorn Business Finance, Cashflow It provides equipment finance to some of Australia's largest and best known franchise groups. Setting itself apart through a deep understanding of the challenges faced by both franchisees and franchisors, Cashflow It shows how expertise and a tailored approach can deliver a service experience beyond that of the banks, a feature highly valued by Australian businesses.

In FY17, the Cashflow It partnership continued to make a positive contribution, as the focus on the franchise segment increased. This translated into significant growth in the franchising model, with Thorn working directly with franchise groups as well as franchisees themselves.

In addition to the usual franchise groups operating in fitness and food, Thorn has seen growth in other industry sectors including health + wellbeing, real estate and newsagencies. The average loan in the franchise sector has increased as operators understand a stronger level of support is needed to succeed in a competitive market.

WHERE TRADITIONAL LENDERS HAVE NARROW REQUIREMENTS, THE TEAM AT THORN UNDERSTAND THE CHALLENGES OF A GROWING BUSINESS AND THE NEED TO FINANCE GROWTH

CUSTOMER STORY

ESTABLISHED IN 1986, OPORTO WAS FOUNDED ON CREATING AN AUTHENTIC PORTUGUESE TASTE. TODAY, OPORTO HAS OVER 140 RESTAURANTS ACROSS AUSTRALIA. OPORTO IS ONE OF THREE FRANCHISE SYSTEMS FROM CRAVEABLE BRANDS (FORMERLY QUICK SERVICE RESTAURANT HOLDINGS).

Cashflow It's accreditation program offers Oporto franchise partners pre-approved funding for all of their asset finance requirements.

Through the use of new dynamic restaurant designs, new uniforms, a loyalty program, marketing engagement and ongoing social media campaigns, Oporto is ensuring it maintains its image as a young, engaged and dynamic brand.

Cashflow It has been able to assist Oporto with the roll out of the new restaurant design by providing finance to franchise partners for the costs associated with the refurbishment.

"Cashflow It has supported our franchise partners by providing an alternative to traditional bank lending. They provide a variety of finance options to our franchise partners from equipment finance, refurbishment and full store fit out. Their application process is simple, efficient and they also provide a great customer service."

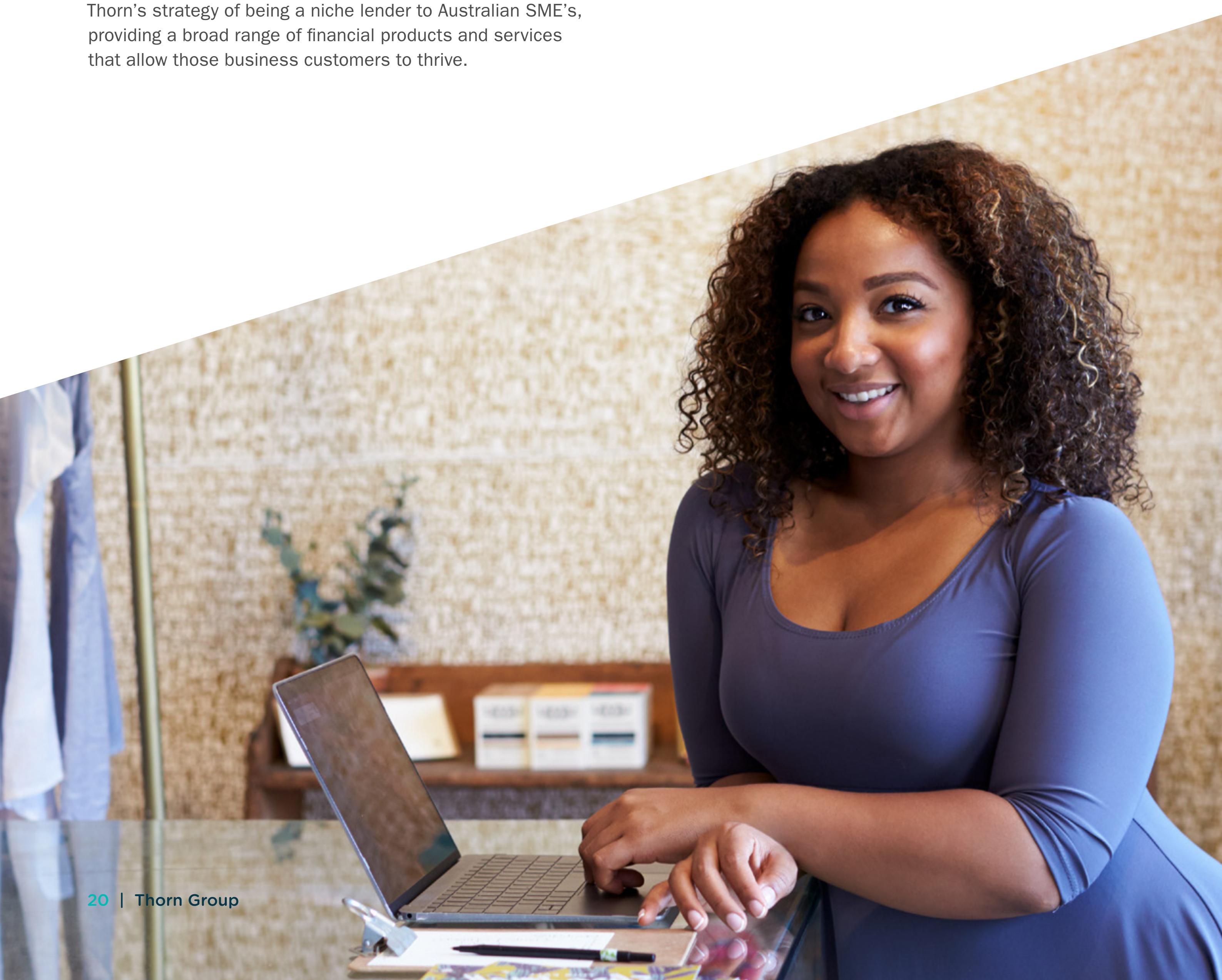
– Carl Tjandra, Franchise Analytical Manager

TRADE & DEBTOR FINANCE

ACCESS TO ADEQUATE CAPITAL IS ONE OF THE GREATEST CHALLENGES FACED BY AUSTRALIAN SMALL AND MEDIUM ENTERPRISES. THORN TRADE & DEBTOR FINANCE ADDRESSES THIS ISSUE BY UNLOCKING THE CASH TIED UP IN BUSINESS-TO-BUSINESS SALES, ALLOWING SME'S TO RAISE FUNDS AGAINST INVOICES, SPECIFIC DEBTORS, OR THEIR ENTIRE DEBTORS LEDGER. THIS FLEXIBLE AND SCALABLE FINANCE PRODUCT PROVIDES OUR CUSTOMERS WITH THE CAPITAL AND CASH-FLOW THEY NEED TO INVEST IN THEIR BUSINESSES AND TO DRIVE GROWTH.

In FY17 TDF completed the transformation of its acquired Debtor Finance business, adding resources in key markets and aligning operations to better leverage the Thorn Group infrastructure. At the end of the FY17 year the business was more closely aligned with the fast growing Thorn Equipment Finance business, all under the Thorn Business Finance banner. This alignment of business streams supports Thorn's strategy of being a niche lender to Australian SME's, providing a broad range of financial products and services that allow those business customers to thrive.

Looking to the future Thorn is setting new benchmarks for flexibility and ease of implementation when it comes to financing invoices and debtors. The future of Debtor Finance for Thorn in Australia is bright, delivering simple and cost effective solutions to Australian SME's, both directly and through our network of partners.



TDF CUSTOMER STORY

RUNNING A SMALL BUSINESS IN THE BUILDING INDUSTRY TODAY

Debtor funding has come a long way in the last 15 to 20 years, from what was historically quite a limited product with a number of negative connotations, to a modern incarnation as a flexible and scalable source of business funding.

This has been a necessary evolution with market factors driving down prices and forcing businesses to operate on ever narrowing margins. Combine this with ever extending trading terms and the resulting slow cash cycle puts considerable restraints on business growth.

Poly-Tech Industrial Services was established in 1984 to provide practical solutions for the repair and protection of assets against the corrosive effects associated with all forms of industry, from mining and automotive engineering to food processing.

Thorn Trade & Debtor Finance (TDF) provides a modern and holistic approach to providing small businesses with a funding solution that is tailored to the individual needs of the business. Unlike banks or other debtor funding facilities, Thorn understands the processes of our business and has created a lending package which provides us with the flexibility to meet our needs. The company has a deep understanding of our business and our client base and so we have a business partner rather than a funding facility.

Client trust is very important in our industry and Thorn provides a very low-key interface with our clients. Poly-Tech clients are comfortable in knowing we have access to such a facility because it demonstrates we have sufficient cash flow to run our business.

– Steve Church, Founding Director, Poly-Tech

COMMUNITY

THORN BELIEVES BUSINESSES SHOULD GIVE BACK TO THE COMMUNITIES IN WHICH THEY OPERATE AND BE A GOOD CORPORATE CITIZEN IN ORDER TO HAVE A SOCIAL LICENSE TO OPERATE. THORN'S ENTIRE TEAM IS COMMITTED TO DEVELOPING AND MAINTAINING LONG TERM PARTNERSHIPS WITH COMMUNITY ORGANISATIONS, NETWORKS, AND LOCAL COMMUNITIES.

As part of Thorn's commitment, staff are encouraged to participate in community activities along with Thorn providing direct financial support, including matching staff donations dollar for dollar for approved activities. Among the initiatives supported by Thorn are White Ribbon, Digger's Rest, Project New Dawn, Mission Australia, and the Children's Tumour Foundation of Australia.

WHITE RIBBON

Thorn Group supports White Ribbon, Australia's only national, male led Campaign to end men's violence against women and promote gender equality and healthy relationships.

Thorn's support of White Ribbon is organisation-wide, involving all employees, brands and businesses under the Thorn Group banner, with all members of the leadership team being White Ribbon ambassadors.

White Ribbon is an organisation that works to prevent violence by changing attitudes and behaviours.

The prevention work is driven through social marketing, the Ambassador Program and initiatives with communities, schools, universities, sporting codes and workplaces.

Statistics show that domestic violence and family violence are the principal causes of homelessness for women and their children.

One woman is killed every week in Australia as a result of domestic violence and one in four children is exposed to domestic violence.

Thorn's brands, in particular Radio Rentals, strongly align with White Ribbon's core promise "We've got your back". Radio Rentals and Rentlo employees interact with some customers who are directly affected by domestic violence.

By showing support for White Ribbon, Thorn aims to play an important role in the community; raising awareness and helping victims of domestic violence with basic needs and support.

THORN'S RENTAL BRANDS, IN PARTICULAR RADIO RENTALS, STRONGLY ALIGN WITH WHITE RIBBON'S CORE PROMISE "WE'VE GOT YOUR BACK"

THORN ACTIVELY SUPPORTS THE WHITE RIBBON CAUSE, THROUGH INTERNAL AND EXTERNAL ACTIVATIONS

Thorn actively supports the White Ribbon cause, through internal and external activations, including:

- employee engagement activities including fundraising lunches
- implementation of the White Ribbon Workplace Accreditation program across the organisation, including workshops and policy development
- a marketing activation plan to raise awareness and additional funds for White Ribbon across stores and websites including the sale of White Ribbon merchandise
- major sponsorship of White Ribbon events:
  - White Ribbon Night (held annually in July), host of "Have a Night In" event in selected stores
  - White Ribbon Day (25 November) - This year, Radio Rentals stores nationally hosted a Wear-A-Pair fundraiser, with Radio Rentals' male employees (store network and head office) wearing a pair of heels for the day to inspire conversation and promote the important social cause.

DIGGER'S REST

Digger's Rest "A Soldiers Retreat" was set up as an eco-friendly bush lodge based on the Sunshine Coast in Queensland. The aim is to bring serving soldiers, younger Veterans and their families to a friendly environment to help them reconnect with family, society and themselves at no financial outlay to them.

Most of the retreat's soldiers and veterans served in Afghanistan, Iraq, East Timor and Somalia. Many of these members now suffer chronic PTSD. Digger's Rest opened its doors with one mission: to stop potential suicides.

Digger's Rest called on Corporate Australia to help out here and Radio Rentals answered. For the period 1 Jan 2016 to 23 December 2016 a total of 363 Soldiers, Veterans and Family members visited with 646 nights slept at the Digger's Rest and a total of 163 Day visitors. Five homeless Veterans were also taken in for various periods of time – offering them a safe place off the streets. This was a direct result from Radio Rentals helping Digger's Rest.

The aim is to grow from one site in Queensland to a second on the Victorian/New South Wales border as well as one in Western Australia.

CHILDREN'S TUMOUR FOUNDATION OF AUSTRALIA (CTF)

The Children's Tumour Foundation is a not-for-profit organisation dedicated to providing information, support services and finding effective treatments for people living with neurofibromatosis (NF), a debilitating condition that doesn't follow any one path. NF affects over 10,000 people in Australia and the varied condition has a wide range of severity that can lead to an array of complications including learning difficulties, blindness, deafness, bone deformities, cancer, and chronic pain. Under recognised and underdiagnosed, there is currently no cure and few treatment options.

CTF is dedicated to:

- Supporting children and adults diagnosed with neurofibromatosis, their families and carers with information, resources and practical support across their NF journey; and
- Funding world-leading research into effective treatments for NF and ultimately finding a cure

Through the close association with Thorn, CTF has been able to:

- Invest in support officers in three states (only one previously)
- Fund a three year fellowship based out of Melbourne with the ultimate aim that this will result in an individual with a career specialising in clinical aspects and research in type I neurofibromatosis
- Contribute to world class research projects

CTF is committed to ensuring those suffering with NF receive adequate, multidisciplinary care throughout their lives. CTF has strong links internationally to NF organisations and researchers in the USA, Great Britain, Ireland, Canada and Europe. CTF also works closely with and provides funding to world-class local researchers and clinicians at The Children's Hospital at Westmead, the Murdoch Children's Research Institute and Royal North Shore Hospital.

**"THE CHILDREN, ADULTS AND FAMILIES LIVING WITH NF INSPIRE OUR WORLD"
– CTF**

NATURAL DISASTER

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

In April 2017, Cyclone Debbie hit the Queensland coast and north coast of New South Wales, triggering heavy rainfall which led to significant flooding in the town of Lismore. Radio Rentals Lismore assisted a number of customers during that time. The focus was on helping Radio Rentals customers to get back on their feet as quickly as possible, which was done by processing claims for damaged items as quickly as possible with a focus on replacing fridges and washing machines as a priority, installing any replacement item at no additional cost to the customer. Other stores also provided assistance by sending stock from Queensland. The main goal was to make sure customers had their essential items during a very difficult time.

LOCAL COMMUNITY SUPPORT

In June 2017, Radio Rentals assisted Morayfield East State School after a fire tore through its classroom, affecting the local community. Radio Rentals donated 110 brand new musical instruments, boosting the school spirit and supporting the school's plan to build up a music program.

THORN FINANCIAL REPORT 2017

CONTENTS

DIRECTORS' REPORT

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

OPERATING AND FINANCIAL REVIEW

Thorn is a diversified financial services group providing financial solutions to consumers and businesses. Business activities are the leasing of household products to consumers and the provision of leasing, invoice discounting, and other financial services to small and medium enterprises. The Group also provided receivables management services and consumer loans during the year.

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

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

Financial performance

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

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

Significant Items

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

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

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

Segment performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial position

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

Summarised financial position ($m)	31 March 2017		31 March 2016	
	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at Bank	14.7	14.7	14.0	14.0
Receivables	305.8	493.0	278.7	381.1
Investment in unrated notes	35.2	–	20.5	–
Rental and other assets	17.6	17.6	22.4	22.4
Intangible assets	24.3	24.3	25.5	25.5
Total Assets	**397.6**	**549.6**	**361.1**	**443.0**
Borrowings	124.5	276.5	116.0	197.9
Other liabilities	62.9	62.9	47.6	47.6
Total Liabilities	**187.4**	**339.4**	**163.6**	**245.5**
Total Equity	**210.2**	**210.2**	**197.5**	**197.5**
Gearing (net debt/equity)	56.1%	128.4%	53.2%	95.1%
Operating cash flow		177.4		127.2
EPS (cents)		16.2		13.1
Return on Equity		12.4%		10.4%

(i) Gearing is calculated as net debt less free cash divided by closing equity
(ii) ROE is calculated as PAT divided by the average of opening and closing equity.

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

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

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

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

Return on Equity
ROE increased from 10.4% to 12.4%.

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

Funding

The group has the following debt facilities:

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

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

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

Dividends paid or recommended

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

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

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

Regulatory provision

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

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

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

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

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

Contingent Liability

Class Action

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

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

Subsequent Events

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

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

DIRECTORS' REPORT

Outlook

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

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

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

DIRECTORS' INFORMATION

Joycelyn Morton

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

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

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

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

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

Former directorships
Crane Group Limited
Count Financial Limited
Noni B Limited

Interests in shares and options
91,994 ordinary shares

Stephen Kulmar

Independent, Non-Executive
Appointed 15 April 2014

Qualifications

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

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

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

Former directorship
Charles Parsons Pty Ltd

Interests in shares and options
68,000 ordinary shares

David Foster

Independent, Non-Executive
Appointed 1 December 2014

Qualifications
Bachelor of Applied Science
MBA, GAICD, SFFIN

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

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

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

Former directorships

Interests in shares and options
26,970 ordinary shares

Andrew Stevens
Independent, Non-Executive
Appointed 1 June 2015

Qualifications
Master of Commerce
FCA, MAICD

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

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

Former directorships
Australian Chamber Orchestra

Interests in shares and options
15,720 ordinary shares

Belinda Gibson
Independent, Non-Executive
Appointed 1 July 2016

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

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

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

Former directorships
Airservices Australia
The Sir Robert Menzies Foundation

Interests in shares and options
Nil

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

Qualifications
FAIM, MAICD

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

Other current directorships
Motorcycle Holdings Limited

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

Interests in shares and options
N/A

James Marshall
Managing Director
Appointed 5 May 2014
Resigned 21 April 2017

Qualifications
Dip. Financial Services
MAICD, MFTA

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

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

Other current directorships

Former directorships

Interests in shares and options
181,543 ordinary shares

DIRECTORS' REPORT

COMPANY SECRETARY

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

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

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

DIRECTORS' MEETINGS

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

	Board Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
Director	A	B	A	B	A	B
Joycelyn Morton	13	13	7	7	5	5
James Marshall	13	13	N/A	N/A	N/A	N/A
Stephen Kulmar	13	13	7	7	5	5
Peter Henley	5	5	2	2	2	2
David Foster	13	13	7	7	5	5
Andrew Stevens	13	13	7	7	4	5
Belinda Gibson	9	9	5	5	3	3

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year (Mr Henley retired as director on 23rd Aug 2016)
N/A – Mr Marshall, as an executive Director, attended all meetings but as an invitee

REMUNERATION REPORT – AUDITED

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

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

The report is structured as follows:

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

1. REMUNERATION GOVERNANCE

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

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

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

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

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

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

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

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

Changes to KMP during the year

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

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

3. NON-EXECUTIVE DIRECTOR REMUNERATION – AUDITED

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

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

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

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

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

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

4. EXECUTIVE KMP REMUNERATION – AUDITED

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

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

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

Business objective

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

▼

Remuneration strategy objectives

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

▼

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

Summary of executive KMP remuneration outcomes on a non-statutory basis – Not Audited

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

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

Please refer to the employment period in the KMP section (page 33) for details of the period during which the executives were employed and hence remunerated.

(a) The STI is stated as paid although it will actually be paid in June 2017. The table records 85% of the awarded STI with the remaining 15% deferred for one year.

(b) Other incentives are sign on bonuses (Mr Ryan).

(c) The vested LTI column relates to the 2012 plan which was tested during the year and failed to reach the required hurdles.

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

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

Please refer to the employment period in the KMP section (page 33) for details of the period during which the executives were employed and hence remunerated.

Notes

(a) The increase year on year is significantly affected by the recording of a full year's remuneration for three of the five KMP who were first employed during the prior year.

(b) Other incentives are sign on bonuses

(c) The LTI represents the accounting charge recognised in the Company's profit and loss account in respect of the long term incentive plan. The charge reflects the fair value of the performance rights calculated at the date of grant using a Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to the expected vesting date. The value disclosed is the portion of the fair value of the performance rights allocated to this reporting period. Where grants lapse due to the failure to achieve non-market condition hurdles then the expense previously recognised can be reversed and result in a negative entry in this column.

Executive remuneration structure – Audited

Remuneration mix

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

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

Fixed remuneration

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

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

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

Short Term Incentive

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

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

STI outcomes for 2017 – Audited

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

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

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

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

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

Long Term Incentive (LTI)

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

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

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

<table>
<tr><th>Features</th><th colspan="2">Description</th></tr>
<tr><td>Instrument</td><td colspan="2">Performance rights being a right to receive a share subject to performance and vesting conditions.</td></tr>
<tr><td>Purpose</td><td colspan="2">To motivate executives to achieve the long term performance targets.</td></tr>
<tr><td rowspan="2">Opportunity</td><td>KMP</td><td>50% of fixed remuneration</td></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Dividends or share issues</td><td colspan="2">No dividends are paid or accrued on unvested awards.</td></tr>
<tr><td rowspan="7">Gateway Hurdle</td><td colspan="2">Gateway hurdles of the grants across relevant measurement periods are as follows:</td></tr>
<tr><td>Plan</td><td>Gateway</td></tr>
<tr><td>2012</td><td>20.0% Return on capital employed</td></tr>
<tr><td>2014</td><td>18.5% Return on equity</td></tr>
<tr><td>2015</td><td>16.0% Return on equity</td></tr>
<tr><td>2016</td><td>No gateway hurdle</td></tr>
<tr><td colspan="2">The hurdle has differed with each LTI grant as the Company has sought to diversify its business segments into new areas with different capital return expectations. The Board reserve the right to amend the hurdle at its discretion but has not done so in the 2017 year.</td></tr>
</table>

<table>
<tr><th>Features</th><th>Description</th></tr>
<tr><td>Performance Hurdles</td><td>
The 2012, 2014 and 2015 plans use a Relative Total Shareholder Return ("RTSR") performance hurdle solely while the 2016 plan has two performance hurdles in equal tranches being the RTSR and an Earnings Per Share ("EPS") hurdle.
The company's Relative Total Shareholder Return performance is measured against a comparator group of ASX listed companies (available on the website at www.thorn.com.au).
RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.
Thorn Group Limited's TSR Ranking
<table>
<tr><th>2012 to 2015 Grants</th><th>2016 Grants</th><th>Percentage of Performance Rights subject to TSR condition that qualify for vesting</th></tr>
<tr><td>< 50th percentile</td><td>< 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile</td><td>50th percentile</td><td>50%</td></tr>
<tr><td>50th to 90th percentile</td><td>50th to 75th percentile</td><td>Assessed on straight line basis</td></tr>
<tr><td>90th percentile or greater</td><td>75th percentile or greater</td><td>100%</td></tr>
</table>
The EPS hurdle applies only to the 2016 grant.
Thorn Group Limited's EPS Hurdle
<table>
<tr><th>2016 Grant</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% 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>

2012: 1/3 of the grant is tested at 3 years (31 March 2015), 1/3 at 4 years (31 March 2016), and 1/3 at 5 years (31 March 2017). Earlier tranches which fail can be re-tested up until December 2017. Vesting dates are 1 June of the respective years.
2014: 3 years (1 April 2014 to 31 March 2017). Vesting date is 1 June 2017.
2015: 3 years (1 April 2015 to 31 March 2018). Vesting date is 1 June 2018.
2016: 3 years (1 July 2016 to 30 June 2019). Vesting date is 1 September 2019.

</td></tr>
<tr><td>Assessment, approval and payment</td><td>
At the end of each performance period, the Remuneration and Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest.
Payment is made by the issuing or transfer of shares.
</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>Clawback 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
7 Dec 2012	1 Jun 2015	31 Dec 2017	$1.40	Nil	$1.91	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2016	31 Dec 2017	$1.28	Nil	$1.91	32.0%	2.7%	6.0%
7 Dec 2012	1 Jun 2017	31 Dec 2017	$1.15	Nil	$1.91	32.0%	2.7%	6.0%
1 Jul 2014	1 Jun 2017	31 Jul 2017	$1.24	Nil	$2.17	28.0%	2.7%	5.0%
31 Oct 2015	1 Jun 2018	31 Jul 2018	$0.81	Nil	$2.12	31.0%	1.8%	6.4%
1 Jul 2016	1 Sep 2019	31 Oct 2019	$0.97	Nil	$1.45	33.0%	1.4%	5.9%

Long term incentive outcomes for 2017

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

Performance rights granted as compensation in the year

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

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

(b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised. However, for the purposes of this disclosure the value of the shares at award grant date has been used along with assumption of full 100% vesting to calculate a theoretical maximum value.

5. ALIGNMENT BETWEEN REMUNERATION AND PERFORMANCE – AUDITED

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

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

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

6. SERVICE CONTRACTS FOR EXECUTIVE KMP – AUDITED

The present contractual arrangements with executive KMPs are:

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

(a) James Marshall resigned with an effective date 21st April 2017. He remains under his employment contract for a six month period following this date.

(b) Different contractual terms apply to the following individuals:
- Peter Ryan received a sign on bonus of $50,000 payable in 4 instalments of $12,500
- Peter Ryan was entitled to 6 weeks annual leave in his first year of service.

7. OTHER STATUTORY DISCLOSURES – AUDITED

LTI Performance rights available for vesting

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

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

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

(b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised. However, for the purposes of this disclosure the value of the shares at award grant date has been used along with assumption of full 100% vesting to calculate a theoretical maximum value.

Performance Rights Over Equity Instruments Granted

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

	Held at 1 April 2016	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2017
James Marshall	320,251	218,410	–	–	–	538,661
Peter Forsberg	72,257	143,346	–	–	–	215,603
Matt Ingram	64,421	130,430	–	–	–	194,851
Wendy Yip	56,692	115,180	–	–	–	171,872
Peter Ryan	61,934	123,639	–	–	(185,573)	–

Shareholdings of the Directors and Executive KMP

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

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

Other transactions with Directors or Executive KMP

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

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

SUBSEQUENT EVENTS

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

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

CONTINGENT LIABILITY

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

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

LIKELY DEVELOPMENTS

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

UNISSUED SHARES UNDER OPTIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

Insurance Premiums

During the financial year the Company has paid insurance premiums of $124,900 in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

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

NON-AUDIT SERVICES

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

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

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

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 22.

ROUNDING OF FINANCIAL AMOUNTS

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

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year and can be referred to on Thorn Group website 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 46 and forms part of the directors' report for financial year ended 31 March 2017.

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

Joycelyn Morton
Chair

Dated at Sydney
25 May 2017

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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

To the Directors of Thorn Group Limited

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

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Travers
Partner

Sydney
25 May 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

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

** Restated to redirect the results of discontinued business, NCML, into one line above Profit after tax. For details see Note 19.*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

CASH AND CASH EQUIVALENTS

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

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

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

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

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

(b) Basis of Preparation

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

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

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

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

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

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

(i) Valuation of goodwill and other intangibles. See Note 8.

(ii) Impairment of goodwill. See Note 8.

(iii) Longer term Consumer Rental asset depreciation. See Note 6.

(iv) Impairment of receivables. See Note 11.

(v) Purchased debt ledgers (PDL, up to 13th Sep 2016). See Note 7.

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

(i) The amount is significant because of its size or nature;

(ii) It is important for understanding the results of the Group or changes in the Group's business; and

(iii) It relates to an aspect of the Group's operations that is important to its future operations.

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

(c) Cost of Sales

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

(d) Finance expenses

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

(e) Impairment

Non-Financial Assets

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

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

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

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

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

Financial Assets

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

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

Reversals of Impairment

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

An impairment loss in respect of goodwill is not reversed.

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

(f) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Changes in Accounting Policy

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

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

(h) New Standards and Interpretations Not Yet Adopted

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

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

2. SEGMENT REPORTING

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

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

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

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

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

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

3. REVENUE

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

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

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

4. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

5. LEASES

Finance leases as lessor

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

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

Operating leases as lessor

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

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

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

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

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

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

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

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

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

6. RENTAL ASSETS

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

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

Recognition and Measurement

Rental assets represent purchased consumer goods held in store or delivered to end customers and earning revenue via operating lease arrangements. These assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided on rental assets and is calculated on a straight line basis so as to write-off the net cost of each asset over its estimated useful life. The estimated useful lives in the current and comparative periods are 2 to 6 years.

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

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

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

7. PURCHASED DEBT LEDGERS

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

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

PDLs are classified as follows:

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

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

The following summarises the assumptions used in these calculations:

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

8. INTANGIBLE ASSETS

$'000 AUD	Goodwill	Customer Relationships	Software	Total
Year ended 31 March 2016				
Opening net carrying amount	27,330	1,758	5,645	34,733
Additions	–	–	1,159	1,159
Amortisation and Impairment charges for the year	(6,672)	(1,758)	(1,938)	(10,368)
Closing net book amount	**20,658**	**–**	**4,866**	**25,524**
At 31 March 2016				
Cost	34,404	8,797	11,569	54,770
Amortisation and Impairment	(13,746)	(8,797)	(6,703)	(29,246)
Net book amount	**20,658**	**–**	**4,866**	**25,524**
Year ended 31 March 2017				
Opening net carrying amount	20,658	–	4,866	25,524
Additions	–	–	839	839
Amortisation and Impairment charges for the year	–	–	(2,041)	(2,041)
Closing net book amount	**20,658**	**–**	**3,664**	**24,322**
At 31 March 2017				
Cost	27,732	–	12,408	40,140
Amortisation and Impairment	(7,074)	–	(8,744)	(15,818)
Net book amount	**20,658**	**–**	**3,664**	**24,322**

Goodwill

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

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

Other Intangibles

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

8. INTANGIBLE ASSETS CONTINUED

Amortisation

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

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

Impairment tests for Cash Generating Units (CGU) containing goodwill

Valuation of goodwill and other intangibles

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

Impairment of goodwill

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

The following units have significant carrying amounts of goodwill:

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

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

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

Key assumptions used for value-in-use calculations

Consumer Leasing

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

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

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

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

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

Trade & Debtor Finance

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

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

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

9. INCOME TAX EXPENSE

Recognised in the Income Statement

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

Numerical reconciliation between tax expense and pre-tax accounting profit

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

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

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

10. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

Income Tax

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

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

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

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

Tax consolidation

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

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

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

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

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

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

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

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

11. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

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

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

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

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

Credit risk

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

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

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

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

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

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

Impairment losses

Trade receivables

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

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

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

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

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

11. FINANCIAL RISK MANAGEMENT CONTINUED

Impairment losses continued

Consumer finance lease receivables

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

The provision for impairment losses as at 31 March 2017 is $21,893,000 (2016: $22,114,000). The provision reflects the risk to the consolidated entity of the expected early return or loss of products throughout the life of the contract.

Collateral is held against the finance lease receivables in the form of the assets attached to the contract. In the event that the asset is returned due to early termination of the contract, the asset is available for rental on other contracts or disposal via cash sale. The book value of this collateral as at 31 March 2017 is $106,581,000 (2016: $91,068,000).

Thorn Equipment Finance lease receivables

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

$'000 AUD	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	234,081	–	132,631	(2,086)
Past due 0 – 30 Days	5,261	(74)	1,535	(153)
Past due 31 – 180 Days	4,962	(4,962)	1,895	(1,895)
	244,304	**(5,036)**	**136,061**	**(4,134)**

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

Other commercial receivables

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

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

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

Loan receivables

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

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

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

Liquidity risk

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

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

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

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

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

31 March 2017

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

31 March 2016

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

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency that will affect the consolidated entity's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. The consolidated entity has foreign currency risk on the purchase of rental assets directly imported that are denominated in USD. The consolidated entity manages its exposure to foreign currency risk by utilising forward exchange contracts where appropriate.

Foreign Currency Risk

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

11. FINANCIAL RISK MANAGEMENT CONTINUED

Interest Rate Risk

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

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

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

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

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

A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's equity and profit or loss by $1,889,000 (2016: $1,314,000).

Financial Instruments

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the consolidated entity defines as net profit after tax divided by the average of opening and closing equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. Refer to Note 14 for quantitative data.

Non-derivative financial instruments

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

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

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

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

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

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

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

Fair Values

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

The Fair Value Hierarchy

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

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

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

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

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

12. PROVISIONS

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

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

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

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

13. BORROWINGS

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

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

Financing Loan Facilities

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

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

The securitised warehouse loan facility is secured by rentals and payments receivable in respect of the underlying lease receivable contracts during the financial year. The amounts due and payable on the warehouse loan facility in the next 12 months are disclosed as current. At maturity no further leases are able to be sold down into the facility and the portfolio will amortise off for as long as the underlying leases are payable.

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

14. CAPITAL AND RESERVES

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

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and performance rights are recognised as a deduction from equity net of any tax effects.

- Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.
- In the event of the winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.
- The Company does not have authorised capital or par value in respect of its issued shares.

Equity Remuneration Reserve

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

Dividends

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

Dividends recognised in the current year by the Company are:

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

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

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

$'000 AUD	Cents per share	Total amount	Franked %	Expected date of payment
Final ordinary	2.5	3,956	100%	18 July 2017

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2017 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by $1,695,000 (2016: $3,972,000).

Dividend franking account

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

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

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

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

14. CAPITAL AND RESERVES CONTINUED

Dividend Reinvestment Plan (DRP)

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

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

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

15. EARNINGS PER SHARE

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

Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

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

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

16. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2017	2016
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia	100%	100%
Rent Try Buy Pty Ltd	Australia	100%	100%
Thorn Personal Finance Pty Ltd	Australia	100%	100%
1st Cash Pty Ltd	Australia	100%	100%
Thorn Equipment Finance Pty Ltd	Australia	100%	100%
Thorn Finance Pty Ltd	Australia	100%	100%
Votraint No 1537 Pty Ltd	Australia	0%	100%
National Credit Management Limited	Australia	0%	100%
A.C.N 119211317 Pty Ltd (Greater Western Asset Management)	Australia	0%	100%
Hudson Legal Pty Ltd	Australia	0%	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%
Cash Resources Australia Pty Ltd	Australia	100%	100%
Cash Resources Australia Unit Trust	Australia	100%	100%

Basis of Consolidation

Subsidiaries

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

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

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

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

17. DEED OF CROSS GUARANTEE

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

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

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

18. PARENT ENTITY DISCLOSURES

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

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

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

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

19. DISPOSAL OF SUBSIDIARY

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

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

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

Result of discontinued operation

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

Cash flow from (used in) discontinued operation

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

Effect of disposal on the financial position of the Group

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

20. EMPLOYMENT BENEFITS EXPENSE

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

21. RELATED PARTIES

Key management personnel remuneration

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

Individual directors and executives compensation disclosures

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

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

No other director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

22. AUDITORS' REMUNERATION

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

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

23. CONTINGENT LIABILITY

Class Action

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

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

24. SUBSEQUENT EVENTS

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

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

DIRECTORS' DECLARATION

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

   (a) the financial statements and notes that are set out on pages 47 to 74 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 16 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the consolidated entities pursuant to ASIC Corporations Instrument 2016/914.

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

Signed in accordance with a resolution of the directors.

Joycelyn Morton
Chair

Dated at Sydney
25 May 2017

Independent Auditor's Report

To the shareholders of Thorn Group Limited,

Report on the audit of the Financial Report

Opinion

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

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

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

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

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

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

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

Finance lease receivables impairment provision ($26,930,000)

Refer to Note 11 to the Financial Report

The key audit matter

The Group estimate impaired finance lease receivables collectively, by categorising lease receivables into portfolios with similar risk profiles, and using historical experience of actual-category impairment losses adjusted for any effects of conditions existing at the balance date. Our audit attention focused on the finance lease receivables impairment provision specifically for the Rent Try Buy 48 month (“RTB 48”) portfolio of finance lease receivables as a Key Audit Matter. This portfolio contains lease contracts which have not yet gone to term, therefore, there is a limited profile of historical impairment losses with which to estimate the impairment provision.

As a result, there are significant asusmptions associated with the Group’s assessment of the RTB 48 impairment provision, which are subjective and created complexity in our audit.

We focused on the following significant assumptions:

- ‘expected loss’ of products in the remaining life of the contract. The expected loss reflects the risk of non-recoverability of the receivable and the risk that the customer has also absconded with an asset after the cancellation of the contract.
- extended length of maturity, compared to other categories, as this increases the risk of non-recoverability; and
- nature of the products leased. Portable products increases the risk of loss of product.

How the matter was addressed in our audit

Our procedures included:

- Evaluation of the Group’s finance leasing accounting process. We tested a sample of controls in this process designed to limit the risk of impairment of finance lease receivables including the approval of new customer applications and authorisation to write off impaired lease receivables;
- We compared the RTB 48 month receivable life curve to prior period life curves, for patterns such as loss of products, length of maturity for expected loss, and nature of products lost, to challenge the profile of the current period RTB 48 month receivables life curve. We checked these considerations in the Group’s impairment provision at balance date. The life curve is a graph showing the average proportion of receivables for a group of RTB 48 month receivables recorded in the same month since they were installed.
- We assessed the total impairment provision by:
  (1) assessing the historical impairment losses, compared to the prior year’s impairment provision; and
  (2) analysing actual impairment losses compared to gross historical finance lease receivable balances, economic conditions, and our experience. Economic conditions include consideration of household debt to assets ratio, unemployment rates and household discretionary income. Deterioration of these reduces capacity for customers to meet their repayments and increases the risk of impairment. We used this to inform our evaluation of the Group’s impairment provision specifically for the RTB 48 month receivable portfolio.

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

KPMG

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

Other Information

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

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

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

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

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

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Report on the Remuneration Report

Opinion

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

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 32 to 44 of the Directors' report for the year ended 31 March 2017.

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

KPMG

KPMG

Anthony Travers

Partner

Sydney

25 May 2017

SHAREHOLDER INFORMATION

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary Shares (Total) as at 30 June 2017		
	Total Holders	Units	% Issued Capital
1 to 1,000	2,019	1,113,749	0.70
1,001 to 5,000	4,092	11,706,247	7.40
5,001 to 10,000	1,964	15,185,315	9.60
10,001 to 100,000	2,031	48,253,296	30.49
100,001 – 9,999,999,999	79	81,988,244	51.81
Rounding			0.00
Total	**10,185**	**158,246,851**	**100.00**

UNMARKETABLE PARCELS

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 1.42 per unit	353	638	93,702

THE NAMES OF THE SUBSTANTIAL SHAREHOLDERS LISTED IN THE COMPANY'S REGISTER AS AT 30 JUNE 2017 ARE:

Rank	Top Investors		% Issued Capital
1	Investors Mutual Limited	15,023,915	9.49%
2	Vinva Investment Management Limited	9,480,417	5.99%
3	IOOF Holdings Ltd	9,471,534	5.99%

VOTING RIGHTS

The Company only has ordinary shares on issue.

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

20 LARGEST SHAREHOLDERS – ORDINARY SHARES

Rank	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1.	HSBC Custody Nominees (Australia) Limited	30,786,016	19.45
2.	J P Morgan Nominees Australia Limited	18,211,189	11.51
3.	Citicorp Nominees Pty Limited	4,635,509	2.93
4.	National Nominees Limited	3,799,295	2.40
5.	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	3,756,108	2.37
6.	BNP Paribas Noms Pty Ltd <Drp>	2,242,190	1.42
7	Louis Pierre Ledger	1,654,202	1.05
8.	Australian Executor Trustees Limited <No 1 Account>	1,592,972	1.01
9.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,026,178	0.65
10.	Bond Street Custodians Limited <Forager Wholesale Value Fd>	659,745	0.42
11.	Bentale Pty Ltd <Allambi Road Family A/C>	653,000	0.41
12.	HSBC Custody Nominees (Australia) Limited - A/C 2	633,591	0.40
13.	Brispot Nominees Pty Ltd <House Head Nominee A/C>	550,306	0.35
14.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	519,149	0.33
15.	Mr Michael John Horn	454,500	0.29
16.	Mr Francis Maxwell Hooper	400,171	0.25
17.	Blue Feather (QLD) Investments Pty Ltd <Blue Feather A/C>	387,132	0.24
18.	Romsup Pty Ltd <Romadak Super Fund A/C>	338,696	0.21
19.	Mr Trevor William Donaldson + Mrs Marie Elizabeth Donaldson <Donaldson Super>	320,000	0.20
20.	Associated World Investments Pty Limited	300,000	0.19

CORPORATE DIRECTORY

DIRECTORS

Joycelyn Morton
Chair, Non-Executive Director

Belinda Gibson
Non-Executive Director

Stephen Kulmar
Non-Executive Director

David Foster
Non-Executive Director

Andrew Stevens
Non-Executive Director

COMPANY SECRETARY

Peter Forsberg

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