Annual Report

31 March 2021

ACN 072 507 147

CONTENTS

The directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as 'Thorn', the 'Group' or the 'consolidated entity') for the financial year ended 31 March 2021 and the auditor's report thereon.

PREFACE

During the year Thorn has taken significant decisions to place the Group in the best position for the future. These include the permanent closure of all Radio Rentals stores, the launch of the new digital Radio Rentals operating model and ceasing equipment finance originations, all of which has resulted in a significant number of the Group's staff becoming redundant and a significant reshaping of the organisation's cost base.

In addition to the actions taken, in May 2020, it was determined that there was a breach of one of the compliance parameters in the securitised warehouse ("the warehouse") which requires no more than 6% of the balances to be in arrears by more than 30 days. This was attributable to the increasing presence of COVID-19 affected customers, many of whom had requested a payment holiday and had stopped repayments. This breach put the warehouse into run-off.

During the year Thorn reached an agreement with its funders to provide variations to certain COVID-19 affected customers. As a result of the amendments made to the funding arrangements which allowed us to undertake variations Thorn cannot originate new deals through the warehouse until further agreement is reached.

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

OPERATING AND FINANCIAL REVIEW

Principal activities

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

Financial performance

A$m	Segment revenue		Segment EBIT to NPAT	
	2021	**2020**	**2021**	**2020**
Consumer Leasing	70.7	162.4	15.6	(8.0)
Business Finance	33.4	41.9	12.7	(19.1)
Corporate	-	-	(8.9)	(8.3)
Significant items	-	-	0.3	(26.7)
Sub-total	**104.1**	**204.3**	**19.7**	**(62.1)**
Net interest expense			(11.3)	(16.3)
Loss before tax			**8.4**	**(78.4)**
Tax expense			-	(2.7)
Net profit / (loss) after tax			**8.4**	**(81.1)**

Revenue fell 49% to $104.1m (2020: $204.3m), and the net profit after tax ('NPAT') increased from a $(81.1)m loss to a $8.4m profit.

Consumer Leasing

The Group's consumer leasing division, Radio Rentals, recorded lower sales units and revenues this year with 5,346 units being installed in the year which was 93% lower than last year's 74,503. Revenue reduced by $91.7m to $70.7m (2020: $162.4m) as a result. Revenue is a combination of sales revenue from installations under new contracts (down $68.8m to $6.0m) and the interest and fee income from past written contracts. Interest income reduced by $21.2m to $58.4m as the receivables book (before provisioning), which generates the interest income, fell 47% to $77.3m (2020: $146.0m).

In the face of reduced revenue, the costs of the division were cut. Costs other than impairment reduced by $90.2m driven by a combination of reductions in the cost of goods sold, staff costs and other expenses.

The credit loss impairment expense on the lease receivables book reduced $25.1m to $13.6m (2020: $38.8m) driven by the reduction in the book. Arrears over 30 days outstanding at the year-end finished at 15.0% compared to 15.7% at 31 March 2020.

EBIT was a $15.6m profit (2020: $8.0m loss).

Business Finance

Equipment finance originations were $5.2m for the year (2020: $152.0m), the majority of which took place in April prior to the warehouse going into run-off. Given the lack of external funding and the impact of COVID-19, originations were kept to a minimum for the remainder of the year with a decision announced to the market in February 2021 that equipment finance originations would cease until further notice.

Arrears over 30 days started the year at 5.1% at the end of March 2020, reached 11.8% by the end of April and peaked at 36.6% in July, the majority of which was driven by COVID-19. At the end of March 2021 this figure was 8.6%. Following renegotiations with our funders' variations were offered and accepted by many of our customers. Arrears have been reset at the date of variation. None of the customers, where contracts have been varied, has had 6 months of post variation payments yet. As such the final 31 March 2021 arrears number should be treated with caution. At 31 March 2021 $73.0m of Business Finance receivables were identified as COVID-19 impacted. Out of these, 14.5% by value were greater than 30 days in arrears at the balance date and $44.9m had received a variation in the second half of the financial year.

The receivables book and the profit or loss statement have been heavily influenced by both the reduction in originations and the impact of COVID-19; receivables (pre provision) reduced from $323.4m to $192.5m; revenue decreased 20% to $33.4m (2020: $41.9m) and impairment expenses fell by $37.5m to $12.4m (2020: $49.9m).

EBIT was a $12.7m profit (2020: $19.1m loss).

Corporate

Corporate expenses were up slightly at $8.9m (2020: $8.3m).

A one-off recovery of $1.3m from a previously impaired loan in our trade debtor finance, which was sold in a prior period, has been included here.

Significant items

In the current financial year the Group incurred the following related to the closure of the store network: redundancy costs of $3.5m and IT-related costs of $0.6m offset by a $1.4m net gain on exiting the majority of the Group's lease obligations. In addition, $2.9m in JobKeeper grants received have been presented as a significant item.

In the prior year $26.0m of costs were incurred in settling the Radio Rentals class action and $0.7m of costs for the strategic review.

Net interest expense

Net interest expense decreased by 31% from $16.3m to $11.3m. These costs include $0.2m of financing charges on lease liabilities. Borrowings in the warehouse declined to $166.3m (2020: $293.5m) as the warehouse was in amortisation with the majority of cash collected used to pay down the outstanding notes.

Tax expense

While there is a taxable profit, there is no current tax payable as a result of the tax losses carried forward. Additionally, the Group has not recognised any deferred tax benefits attributable as directors were not certain that there would be sufficient taxable profits in future years to justify their recognition as an asset on the balance sheet.

Financial position

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

Summarised financial position	31 March 2021		31 March 2020	
$m	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**
Cash at bank	68.3	88.0	28.7	49.6
Receivables	55.0	196.6	128.1	389.8
Investment in unrated notes	-	-	-	-
Inventories and other assets	3.1	3.1	13.9	13.9
Investments	1.0	1.0	-	-
Total Assets	**127.4**	**288.7**	**170.7**	**453.4**
Borrowings	-	166.3	12	305.5
Other liabilities	23.6	27.3	35.8	42.1
Total Liabilities	**23.6**	**193.6**	**47.8**	**347.6**
Total Equity	**103.8**	**95.1**	**122.9**	**105.8**
Gearing (net debt/equity) (i)	n/a	103.0%	nm	261.6%
ROE		8.4%		(59.2)%
EPS		2.6		(33.7)

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

(ii) Nm = not meaningful so not included

Cash at bank

The cash at bank amount includes the free cash available to the Group plus the cash in the warehouse (a mixture of customer receipts collected in the last month of the year and cash reserves). At the year-end, free cash was $68.3m and cash in the warehouse was $19.7m (2020: $28.7m and $20.9m). The increase in free cash was due to the inflow of receipts from previously written contracts exceeding both operating expenses and the origination of new contracts in both divisions.

Receivables

The balance consists of consumer leasing receivables and business finance receivables. All are stated at their gross amount less unearned interest, less a provision for expected credit losses.

The Consumer Leasing receivables gross balance reduced by $68.7m to $77.3m (2020: $146.0m) due to lower originations and the total book reducing accordingly. The provision decreased by $7.0m to $(29.3m) (2020: $(36.3m)). The net receivables balance reduced by $61.7m to $48.0m (2020: $109.7m).

The Business Finance receivables gross balance reduced by $130.9m to $192.5m (2020: $323.4m) due to lower originations. The provision was flat at $(45.0m) (2020: $(45.0m)). The net receivables balance reduced by $130.9m to $147.5m (2020: $278.4m).

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

Investment in unrated notes

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

Investments

The Group made a $1m strategic investment in Quicka Holdings Pty Ltd trading as "QuickaPay" during the year, which has been classified as an equity investment held at fair value through other comprehensive income.

Other liabilities

The other liabilities reduction of $14.8m was driven by the settlement of store lease obligations which reduced lease liabilities by $10.8m, with the balance attributable to reduced payables and employee-related liabilities as the size of the business has reduced.

Funding

The Group has the following debt facility limits:

$m	2021	2020
Secured Corporate Loan Facilities A and B	N/A	17.0
Securitised Warehouse Facility	166.3	368.0

Corporate facilities

The Corporate Loan Facility A was paid down in full during the year and the warehouse borrowings were paid down by $127.2m to $166.3m (March 2020: $293.5m). Both Corporate Loan Facilities A and B were cancelled following the repayment.

Securitised warehouse facility

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

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

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

In addition to the actions taken, in May 2020, it was determined that there was a breach of one of the compliance parameters in the warehouse which requires no more than 6% of the balances to be in arrears by more than 30 days. This was attributable to the increasing presence of COVID-19 affected customers, many of whom had requested a payment holiday and had stopped repayments under their contracts.

This breach put the warehouse into run-off under its amortisation rules. As a result Thorn was unable to sell originations into the warehouse and the distributions it normally receives via the waterfall distribution mechanism were redirected to pay down the noteholders in order of seniority while the breach persisted. In the second half of the year Thorn reached an agreement with its funders to allow Thorn to vary contracts with certain COVID-19 affected customers. These variations were implemented and completed by year end.

At 31 March 2021 the relevant arrears number was 3.9% (this number does not take into account receivables which have been written off) and was no longer in breach of this parameter. As a result of the amendments made to the funding arrangements, which allowed us to undertake variations, Thorn cannot fund new originations through the warehouse until further agreement is reached. The warehouse facility was reviewed by the noteholders in the normal course of business during the year and the availability period was not extended.

DIVIDENDS PAID OR RECOMMENDED

On 12 October 2020, the Thorn Board declared a fully franked special dividend of $0.075 cash per share ("Special Dividend"). The Special Dividend was paid to shareholders on Tuesday, 3 November 2020. The special dividend totalled $24.2m. A number of Thorn's shareholders participated in the dividend reinvestment plan resulting in $2.6m of the total being reinvested in Thorn shares, resulting in a net cash outflow of $21.6m.

The Directors have proposed a final dividend of 1.0 cent per share for an expected payment of $3.4m to be paid on the 21 July 2021. The dividends are fully franked.

REGULATORY MATTERS

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

The Group is subject to extensive regulation in each of the jurisdictions in which it conducts its consumer finance leasing business. The Group is regulated by the Australian Securities & Investments Commission and is a member of the Australian Financial Complaints Authority. Changes in laws or regulations in a market in which the Group operates could impact the business. The Group continually monitors the regulatory and compliance space to ensure that the business is abreast of all potential changes.

SUBSEQUENT EVENTS

Refer to note 17 for the final dividend recommended by the directors, to be paid on 21 July 2021.

FINANCING AND GOING CONCERN

The directors have prepared the Financial Report on the going concern basis, which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The Group achieved a net profit after tax of $8.4m (2020: $81.1m loss) for the year ended 31 March 2021 and net cash generated in operating activities during the same period amounted to a $209.9m inflow (2020: $9.2m outflow). A significant proportion of the cash inflow was a result of abnormal business conditions during the period, including Covid-19 and Government incentives such as JobKeeper, JobSeeker and other Covid-19 stimulus payments. These abnormal business conditions and the reversal of non-cash ECL provisions contributed to the net profit.

The Group provides financing to both consumers and small and medium size enterprises across a range of industries, many of which have been impacted by COVID-19.

Thorn's Consumer leasing division was significantly affected by COVID-19. The Group announced the permanent closure of the Radio Rentals stores and warehouses and the core of the consumer leasing business was moved completely online with the launch of a new digital business model. The digital business model is not fully operational and is still in Beta testing mode. The consumer leasing division recorded lower sales units and revenues this year with 5,346 units being installed in the year, which was 93% lower than the last financial year's 74,503. The consumer finance originations have been behind expectations due to limited marketing activity during the launch of the new business model, the slower than expected on-boarding of new dropship suppliers and the macro economic factors that have made assessing credit more difficult.

The Business Finance division also faced challenges. On 5 May 2020, the equipment finance warehouse was determined to have breached one of its warehouse parameters as a result of customers affected by COVID-19 progressively going into arrears. In September 2020 Thorn reached agreement with its funders to provide relief to some of its COVID-19 affected customers in the form of contract variations which were finalised in early 2021. As at 31 March 2021, $73.0m of receivables were identified as COVID-19 impacted. Of these, 14.5% by value were greater than 30 days in arrears. Thorn also ceased equipment finance originations in the Business Finance division but continues to discuss future options with funders in the securitised warehouse facility. Thorn is revitalising the Business Finance division, including launching the new debtor finance product.

These events resulted in redundancies for approximately 300 casual and full time staff across the Group and a significant reshaping of the organisation's cost base.

The collections on the two receivables books and the continued cost reductions have been cash positive for the Group. The Radio Rentals receivables balance (net of unearned interest and credit provisioning) reduced by $61.7m to $48.0m (2020: $109.7m). The Business Finance net receivables balance reduced by $130.9m to $147.5m (2020: $278.4m). The current performance of the consumer leasing collections is not meeting forecasted targets and the impact of the withdrawal of the Government Covid-19 stimulus payments is uncertain.

The Group is now effectively in a "start-up" phase. This involves a significant investment in technology and navigating through an increasingly competitive market with slow, continuing re-engineering of outdated business practices and processes. Further, the Group is operating in a challenging compliance and regulatory environment. These factors could significantly impact the Group's ability to generate profits and net cash inflows and therefore, there is a significant risk of the Group making an operating loss in the 12 month period from the date of this report.

Considering all the above, and acknowledging that corporate actions always contain some risk and uncertainty, the directors have reviewed the Group's cash flow forecast through to 30 June 2022.

The directors are of the opinion that there are reasonable grounds to believe that the collection from the two receivables books will provide sufficient incoming cash flows and remain confident that the business will, longer term, be successful in achieving its strategic objectives. However, the success of the recently launched Radio Rentals online business and revitalisation of the Business Finance division are not guaranteed and along with the continuing Covid-19 uncertainty, and the challenging compliance and regulatory environment, multiple material uncertainties exist that cast significant doubt as to the Group's ability to continue as a going concern and therefore whether Thorn will be able to realise its assets and discharge its liabilities in the normal course of business and for the amounts recorded in this report.

OUTLOOK

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

Thorn will progress its announced actions on Debtor Finance and will continue to invest in the new digital Radio Rentals business.

Thorn's policy is to not provide profit guidance and nothing in this annual report should be construed as profit guidance.

DIRECTORS' INFORMATION

Warren McLeland
Non-Executive
Appointed 30 August 2019
Appointed Board Chairman 23 October 2019
Appointed Chair of Risk and Compliance Committee 4 December 2019

Qualifications
Bachelor of Science
MBA

Experience
Warren has over 40 years of experience in financial services in wholesale and retail sectors at top business management and CEO levels. Warren's experience has been gained in organisations such as Bain and Co and Chase Manhattan (now JP Morgan Chase). Warren is the Non-Executive Chairman of ASX listed Resimac Group Limited and was formerly the CEO. Warren is a former non-executive director of UIL Limited.

Other current ASX directorships
Resimac Group Ltd

Former ASX directorships in the last three years
UIL Limited

Interests in shares and options
Nil

Paul Oneile
Independent, Non-Executive
Appointed 14 October 2019
Appointed Chair of Audit Committee 4 December 2019
Appointed Deputy Chair of the Board 20 October 2020
Appointed Chair of Remuneration and Nomination Committee 20 October 2020

Qualifications
Bachelor of Economics

Experience
Paul is the current Chair of ASX listed company, A2B Australia Limited (formerly Cabcharge Australia Limited).

Previously Paul was the non-executive Chairman of Intecq Limited (formerly eBet Limited), from 2012 until its acquisition by Tabcorp Holdings Limited in December 2016.

From 2003 to 2008, Paul was CEO of Aristocrat Leisure Limited where he oversaw significant business and cultural change, refocused R&D spending, streamlined the supply chain operation, and successfully oversaw the growth of the company's international operations.

Other current ASX directorships
A2B Australia Ltd A2B Limited (formerly Cabcharge Australia Limited)

Former ASX directorships in the last three years
None

Interests in shares and options
235,000 ordinary shares

Allan Sullivan
Non-Executive
Appointed 30 August 2019

Qualifications
Bachelor of Science, Bachelor of Engineering, Doctor of Engineering

Experience
Allan has had a professional career spanning over 30 years involving senior management roles in Switzerland, Holland, Korea, Hong Kong and Australia. Allan has a Bachelor of Science, a Bachelor of Engineering and a Doctor of Engineering from the University of Sydney.

Allan was the Chief Executive Officer and Director of the listed ASX-ERG Group of Companies based in Perth (now Vix Technology) from 2004 to 2007. Since 2007, Allan has acted as a consultant to the VIX Verify Group and the Allectus Capital Group in relation to their technology businesses. More recently, Allan has served as Executive Chairman of the VIX Verify Group, managing the successful sale of VIX Verify Global Identification business to the UK listed GB Group.

Other current ASX directorships
None

Former ASX directorships in the last three years
None

Interests in shares and options
247,540 ordinary shares

Kent Bird
Independent, Non-Executive
Appointed 30 August 2019, resigned 2 October 2020
Appointed Deputy Chair of the Board 11 October 2019, until his resignation on 2 October 2020
Appointed Chair of Thorn's Remuneration and Nomination Committee 30 August 2019, until his resignation on 2 October 2020

Qualifications
Bachelor of Business
Graduate Diploma in Applied Finance

Experience
Kent is a banking and finance professional with 25 years' experience in commercial and investment banking.

Kent was with Credit Agricole CIB Australia Limited for 12 years and was the Managing Director – Head of Loan Syndications Australia and Head of DCM Origination Australia for the last three years, ending in December 2018. Prior to this, Kent worked at various financial institutions such as Suncorp Limited, Heritage Bank Limited and the Queensland Office of Financial Supervision (now the Australian Prudential Regulation Authority).

Other current ASX directorships
None

Former ASX directorships in the last three years
None

Interests in shares and options
None

Company Secretary

Alexandra Rose (BLaws, MBA, FAID, FGIA, FCIS) is the Group's General Counsel and General Manager of Risk & Compliance. Alexandra is an experienced corporate lawyer with over 20 years of legal, risk and regulatory expertise. She has held senior executive roles at a number of leading Australian financial services companies.

Directors' Meetings

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

Director	Board Meetings		Audit Committee Meetings		Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Warren McLeland	33	34	8	8	1	1	1	1
Kent Bird*	24	24	4	5	1	1	1	1
Paul Oneile	32	34	8	8	1	1	1	1
Allan Sullivan	34	34	8	8	1	1	1	1

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year
*Kent Bird resigned as a director of the Company effective 2 October 2020

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Insurance

During the financial year, the Company has paid insurance premiums of $991,944 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.

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 agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

REMUNERATION REPORT

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

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

The report is structured as follows:

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

1. REMUNERATION GOVERNANCE

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

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

The Committee is made up of independent non-executive directors and its charter is available on the Company website. The Committee makes recommendations to the Board for its consideration and approval. The Committee Chairman will be available at the Annual General Meeting to answer any questions from shareholders on this report. At the 2019 AGM, the Remuneration Report received a vote of approval of 12% of the votes received and hence was rejected by shareholders.

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

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

For the year ended 31 March 2021, the NEDs and KMP were:

Non-Executive Directors	Position	Director/Committee Chair Term or Date
Warren McLeland	Director Board Chairman Chairman of Risk & Compliance Committee	Full Year Full Year Full Year
Allan Sullivan	Director	Full Year
Kent Bird	Director Chairman of the Remuneration & Nomination Committee	Until 2 October 2020 Until 2 October 2020
Paul Oneile	Director Chairman of Audit Committee Chairman of Remuneration & Nomination Committee	Full Year Full Year Appointed 20 October 2020
David Foster	Director and Board Chairman	Until 23 October 2019
Stephen Kulmar	Director and Chairman of the Remuneration & Nomination Committee	Until 30 August 2019
Andrew Stevens	Director and Chairman of Audit Committee	Until 4 December 2019
Belinda Gibson	Director and Chairman of Risk & Compliance Committee	Until 4 December 2019

Executive KMP	Position	Term or Date
Pete Lirantzis	CEO	Full Year
Luis Orp	Chief Financial Officer	Appointed 14 October 2020
Alexandra Rose*	General Counsel, General Manager Risk & Compliance and Company Secretary	Full Year
Peter Forsberg	Chief Financial Officer	Until 14 October 2020
Tim Luce	CEO and Managing Director	Until 12 February 2020
Wendy Yip	Chief Risk Officer	Until 22 November 2019
David Lines	General Counsel and Company Secretary	Until 16 August 2019

*Alexandra Rose, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2021 financial year, she remains employed at Thorn for the full year .

3. NON-EXECUTIVE DIRECTOR REMUNERATION - AUDITED

Non-executive directors' fees are determined within an aggregate directors' fee pool as approved by shareholders from time to time. Independent remuneration consultants are employed periodically to provide advice and, where an increase is recommended, this is put to shareholders at the subsequent AGM. The current maximum aggregate fee pool is $650,000 inclusive of superannuation per annum and was last voted upon by shareholders at the 2013 AGM. The Board does not intend to seek an increase to the fee pool at the 2021 AGM.

The base annual fee for the Chairman is $82,125 per annum including superannuation. Base fees for other non-executive directors are $82,125 per annum including superannuation. The Chairs of each of the committees receive an additional annual fee of $10,950 inclusive of superannuation.

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

Name	Year	Salary and fees	Superannuation	Total
Warren McLeland	2021	90,769	8,623	99,392
	2020	45,115	4,286	49,401
Kent Bird	2021	45,769	4,348	50,117
	2020	47,731	4,534	52,265
Paul Oneile	2021	89,500	8,503	98,003
	2020	36,173	3,436	39,609
Allan Sullivan	2021	75,000	7,125	82,125
	2020	42,115	4,001	46,116
David Foster	2021	-	-	-
	2020	100,615	9,558	110,173
Stephen Kulmar	2021	-	-	-
	2020	42,236	4,187	46,423
Andrew Stevens	2021	-	-	-
	2020	67,210	6,385	73,595
Belinda Gibson	2021	-	-	-
	2020	67,210	6,385	73,595
Total Non-Executive Director Remuneration	**2021**	**301,038**	**28,599**	**329,637**
	2020	**448,405**	**42,772**	**491,177**

4. KEY MANAGEMENT PERSONNEL REMUNERATION - AUDITED

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

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

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

Business objective
The company is committed to providing real funding alternatives for everyday Australians to access all-encompassing household essentials and enabling small to medium businesses to thrive.

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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 various cash based targets and delivering on strategic objectives.	2. Attract, motivate and retain executive talent in a competitive market through a competitive rewards program that 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	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	**At-risk** wholly dependent upon achieving agreed performance (only paid if targets achieved)	**At-risk** wholly dependent upon achieving agreed performance
Set with reference to comparable companies (in terms of industry and size), the scope and nature of the role, and the executive's qualifications, skills, and experience	Payment is determined by performance against certain financial targets	Vesting is determined by performance against targets that align to the Company's long term shareholder return objectives

CEO sign on allocation of share rights

As part of his remuneration package on appointment as CEO, Peter Lirantzis was provided with an upfront allocation of 464,253 units of share rights. These rights require a 2 year service period to be completed, starting from 10 February 2020. Once the service period is completed they will automatically vest and convert to shares with a two year hold period on the resulting shares. If Mr Lirantzis's employment is terminated by the Company for cause, all outstanding share rights, and shares subject to a holding lock, at the time of termination will be forfeited.

	Share Rights Granted		Financial Year in which Grants Vest (ended 31 March)	Values Yet to Vest $	
	Number	Date		Min (a)	Max (b)
Pete Lirantzis	464,253	22 May 2020*	2022	Nil	-

*The grant of the rights was finalised during the current financial year with the service period being backdated to 10 Feb 2020, Pete's start date.

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

b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised. The share price as at 31 March 2021 was 18 cents per share.

These share rights are not part of any of the LTI plans disclosed below.

Future remuneration intentions

The above-described remuneration framework for both short and long term incentives is presently under review.

Remuneration expenses for Executive KMP

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Name	Year	Salary	Termination	STI	Other remuneration (a)	Superannuation	Long Service Leave	LTI (b)	Total
Executive KMP									
Pete Lirantzis	2021	499,481	-	234,451	-	21,521	-	36,756	792,209
	2020	111,588	-	-	-	6,717	-	-	118,305
Luis Orp	2021	151,526	-	98,623	-	11,202	-	-	261,351
	2020	-	-	-	-	-	-	-	-
Former KMP's									
Peter Forsberg	2021	247,102	293,325	-	-	21,521	-	(127,378)	434,570
	2020	424,958	-	-	215,000	20,885	-	136,657	797,500
Tim Luce	2021	-	-	-	-	-	-	-	-
	2020	680,973	-	-	-	20,885	-	(332,184)	369,674
Wendy Yip	2021	-	-	-	-	-	-	-	-
	2020	249,727	-	-	46,376	15,634	-	(53,157)	258,580
David Lines	2021	-	-	-	-	-	-	-	-
	2020	149,239	-	-	2,612	10,384	-	(58,737)	103,498
Alexandra Rose*	2021	-	-	-	-	-	-	-	-
	2020	130,731	-	-	-	10,435	-	-	141,166
Total	**2021**	**898,109**	**293,325**	**333,074**	**-**	**54,244**	**-**	**(90,622)**	**1,488,130**
Remuneration	**2020**	**1,747,216**	**-**	**-**	**263,988**	**84,940**	**-**	**(307,421)**	**1,788,723**

*Alexandra Rose, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2021 financial year, she remains employed at Thorn for the full year .

a) Other remuneration represents retention and capital raising incentive payments

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

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	67%	33%	0%

Pete Lirantzis received performance rights, which can be considered to be long term incentives, as part of his sign on. There are no performance hurdles and therefore they have not been included in the above table.

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. 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.

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. The Board has discretion in all matters. The below described remuneration framework is presently under review.

<table>
<tr><th>Features</th><th>Description</th></tr>
<tr><td>Purpose</td><td>To motivate executives to achieve 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 (2021)</td><td>The current year's STI's were set against the backdrop of COVID-19 and its impact on the business. The primary objective was to preserve and increase the Group's cash balance while also executing a number of strategic initiatives.
Goals were specific to the Group achieving a target closing cash balance, collection targets in both the Consumer Leasing and Business Finance divisions, cost targets relating to the Group's store network as well as the development and launch of the new digital platform in Radio Rentals.
100% of the STI that can be earned (detailed in the table above) is eligible for payment as it is based upon achieving the strategic goals outlined above</td></tr>
<tr><td>Gateway and performance metrics (2020)</td><td>The STI is subject to a Net Profit After Tax '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>60% of the STI that can be earned (detailed in the table above) is eligible for payment as it is based upon the financial performance against budgeted PAT with the remaining 40% dependent upon the individual's performance against their personal KPIs.
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 & Nomination Committee assesses actual financial performance based on the Company's audited financial statements and each executive's performance against the Group 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 expected to be paid in the month following the release of the Company's results to the ASX.</td></tr>
</table>

Features	Description
Deferral (2020, no deferral mechanism was in place for 2021)	A deferral mechanism is in place whereby 30% of the awarded STI is deferred for one year and subject to forfeiture under two conditions only, first should a material misstatement or omission in the financial statements become apparent, or second the executive acts in a manner unbecoming of the office held. The deferred portion is subject to an election by the KMP as to its method of payment. It can be paid in cash one year later, subject to the restrictions stated, and will earn interest at a suitable deposit rate for that period, or it can be converted into performance share rights at a VWAP for the 5 days prior to the payment date of the initial tranche and receive an uplift by a dividend equivalent for any dividends declared during the deferral period. The performance rights will then be converted to shares on the due date and awarded to the KMP.

STI OUTCOMES FOR 2021 - AUDITED

STI for 2020-21	Target $	Earned %	Earned $	Forfeited %	Forfeited $
Pete Lirantzis	260,501	90%	234,451	10%	26,050
Luis Orp	116,027	85%	98,623	15%	17,404
Peter Forsberg	222,694	0%	-	100%	222,694
Total	**599,222**		**333,074**		**266,148**

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 below described remuneration framework is presently under review.

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

The following table sets out the key features of the plans with specific references to each of the 2018 and 2019 plans where they differ.

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

Features	Description
Performance criteria	The plans use a Relative Total Shareholder Return ("RTSR") performance hurdle and an Earnings Per Share ("EPS") hurdle in equal measure. The company's Relative Total Shareholder Return performance is measured against a comparator group of ASX listed companies (available on the website at www.thorn.com.au). RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.

Thorn Group Limited's TSR Ranking July 2018 and July 2019 Grants	Percentage of Performance Rights subject to TSR condition that qualify for vesting
< 50th percentile	0%
50th percentile	50%
50th to 75th percentile	Assessed on a straight-line basis
75th percentile or greater	100%

Thorn Group Limited's EPS Hurdle July 2018 and July 2019 Grants	Percentage of Performance Rights subject to EPS condition that qualify for vesting
< 5% compound annual growth rate	0%
5%	50%
>5% to <10%	Assessed on straight line basis
= or > 10% CAGR	100%

Features	Description
Performance period and vesting dates	• July 2018: 3 years (1 July 2018 to 30 June 2021). Vesting date is 1 September 2021. • July 2019: 3 years (1 July 2019 to 30 June 2022). Vesting date is 1 September 2022.
Assessment, approval and payment	At the end of each performance period, the Remuneration & Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest. Payment is made by the issuing or transfer of shares.
Change of control	If a change of control occurs prior to the vesting of an award, then the Board may determine in its absolute discretion whether all or some of a participant's unvested award vest, lapse, is forfeited, or continues.
Termination	Unvested performance rights will lapse if performance conditions are not met. Performance rights will be forfeited on cessation of employment unless the Board determines at its absolute discretion otherwise.
Claw back provisions	There are no specific provisions providing the capacity to claw back a component of remuneration in the event of a matter of significant concern.

Calculation of the value of performance rights in the remuneration tables

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

The number of performance rights to be issued is derived from the relevant percentage of the executive's fixed remuneration at the time of the grant divided by the share price at that time. This number of performance rights is then inputted 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 the 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 the grant date to the vesting date.

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

Grant date	Initial Test date	Expiry Date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
1 July 2017	1 September 2020	31 October 2020	$1.00	Nil	$1.42	37.0%	1.9%	5.3%
1 July 2018	1 September 2021	31 October 2021	$0.46	Nil	$0.60	44.0%	2.1%	2.8%
1 July 2019	1 September 2022	31 October 2022	$0.26	Nil	$0.31	46.0%	1.0%	0.0%

Long term incentive outcomes for FY21

The 2017 plan was tested at 1 September 2020, failed the performance criteria, and all performance rights attaching to it lapsed.

Performance rights granted as compensation in the year

No performance rights have been granted as compensation during the period under any of these existing long term incentive plans.

5. ALIGNMENT BETWEEN REMUNERATION AND PERFORMANCE – AUDITED

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

Year ending 31 March	2021	2020	2019	2018	2017
Profit After Tax (AUD millions)	8.4	(81.1)	(14.9)	(2.2)	25.3
Earnings per share (cents)	2.6	(33.7)	(9.3)	(1.4)	16.2
Dividends per share (cents)	8.5	0.0	0.0	1.0	8.0
Share price at year end ($)	0.18	0.05	0.46	0.62	1.31
Return on equity %	8.4	n/a	n/a	n/a	12.4

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	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 unexercised LTI can be exercised within a period of 30 days from termination	

7. OTHER STATUTORY DISCLOSURES - AUDITED

LTI and Other performance rights available for vesting

There are no other performance rights available for vesting.

Performance and share 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 2020	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2021
Pete Lirantzis	-	464,253	-	-	-	464,253
Peter Forsberg	1,360,939	-	-	(233,476)	(1,127,463)	-

Shareholdings of the directors and executive KMP

2021 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
Warren McLeland	-	-	-	-
Kent Bird	133,186	-	(133,186)	-
Paul Oneile	-	-	235,000	235,000
Allan Sullivan	205,999	-	41,541	247,540
Pete Lirantzis	-	-	-	-
Luis Orp	-	-	250,000	250,000

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.

UNISSUED SHARES UNDER OPTIONS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

AUDIT AND NON-AUDIT SERVICES

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

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

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

The Company has agreed to indemnify their auditors, UHY Haines Norton, to the extent permitted by law.

ROUNDING OF FINANCIAL AMOUNTS

The Company is of a kind referred to in ASIC Instrument 2016/191 issued by the Australian Securities & 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 https://www.thorn.com.au/site/PDF/7498ee48-a6d5-4171-9b52-ce92b4e1f881/CorporateGovernanceStatement2021.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 20 and forms part of the directors' report for the financial year ended 31 March 2021.

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

Warren McLeland
Chairman

Dated at Sydney
30 June 2021

UHY Haines Norton
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Directors of Thorn Group Limited

As lead auditor for the audit of Thorn Group Limited for the financial year ended 31 March 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
30 June 2021

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

$'000 AUD	Notes	2021	2020
Continuing operations			
Sales revenue		6,037	74,873
Interest revenue		91,001	121,061
Other revenue		7,096	8,365
Revenue		**104,134**	**204,299**
Finance lease cost of sales		(8,414)	(59,993)
Employee benefit expense	25	(29,295)	(48,194)
Impairment losses on loans and receivables	14	(26,136)	(88,893)
Marketing expenses		(1,223)	(8,499)
Property expenses		(1,408)	(5,266)
Transport expenses		(1,239)	(3,252)
Communication & IT expenses		(6,753)	(6,240)
Printing, stationary and postage		(1,229)	(1,429)
Insurance expenses		(1,628)	(1,897)
Impairment of inventory		(2,527)	(2,297)
Legal expenses		(3,120)	(1,242)
Other expenses		(3,969)	(11,300)
Impairment of intangibles & property, plant and equipment	9,10	(216)	(1,925)
Net gain on modification of lease liability		1,433	-
Recovery of impaired loan		1,330	-
Class action settlement and related expenses		-	(25,944)
Total operating expenses		**(84,394)**	**(266,371)**
Earnings before interest and tax ("EBIT")		19,740	(62,072)
Finance expenses		(11,344)	(16,253)
Profit/(Loss) before income tax		**8,396**	**(78,324)**
Income tax	11	-	(2,744)
Profit/(Loss) after tax for the year		**8,396**	**(81,068)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Other comprehensive income		2,601	(2,996)
Income tax		-	(998)
Other comprehensive income for the year		2,601	**(3,994)**
Total comprehensive profit/(loss)		**10,997**	**(85,062)**
Earnings per share			
Basic earnings per share (cents)	18	2.6	(33.7)
Diluted earnings per share (cents)	18	2.5	(33.7)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

$'000 AUD	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4	88,045	49,619
Trade and other receivables	5	67,093	129,297
Prepayments and other assets		2,935	2,895
Inventories	3	128	7,975
Income tax receivable		-	3,051
Total current assets		**158,201**	**192,838**
Non-current assets			
Trade and other receivables	5	129,549	260,546
Deferred tax assets	12	-	-
Property, plant and equipment	10	-	-
Financial assets at fair value through other comprehensive income	8	1,000	-
Right of use asset	9	-	-
Total non-current assets		**130,549**	**260,546**
Total assets		**288,750**	**453,383**
Liabilities			
Current liabilities			
Trade and other payables	6	15,723	14,576
Lease liability	7	507	6,142
Loans and borrowings	16	78,203	117,918
Employee benefits		3,951	5,053
Provisions	15	1,944	3,929
Total current liabilities		**100,328**	**147,619**
Non-current liabilities			
Loans and borrowings	16	88,100	187,627
Lease liability	7	427	5,578
Employee benefits		170	462
Derivative financial instruments	13	3,721	6,322
Provisions	15	870	-
Total non-current liabilities		**93,288**	**199,989**
Total liabilities		**193,616**	**347,609**
Net assets		**95,134**	**105,775**
Equity			
Issued capital	17	157,843	155,255
Reserves	17	(3,492)	(5,912)
Retained earnings		(59,217)	(43,569)
Total equity		**95,134**	**105,775**

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 2021

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2019	120,932	(1,424)	48,811	168,319
Changes on initial application of AASB 16 (see note 1(h))	-	-	(11,460)	(11,460)
Restated total equity at 1 April 2019	120,932	(1,424)	37,351	156,859
Total comprehensive income				
Net loss for the period	-	-	(81,068)	(81,068)
Other comprehensive income	-	(3,994)	-	(3,994)
Total comprehensive income	**-**	**(3,994)**	**(81,068)**	**(85,062)**
Transactions with owners of the company				
Issue of shares under capital raising	34,323	-	-	34,323
Issue of shares under dividend reinvestment plan	-	-	-	-
Share-based payments transactions	-	(494)	148	(347)
Dividends to shareholders	-	-	-	-
Total transactions with owners of the company	**34,323**	**(494)**	**148**	**33,977**
Balance at 31 March 2020	**155,255**	**(5,912)**	**(43,569)**	**105,775**

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2020	155,255	(5,912)	(43,569)	105,775
Total comprehensive income				
Net profit for the period	-	-	8,396	8,396
Other comprehensive income	-	2,601	-	2,601
Total comprehensive income	**-**	**2,601**	**8,396**	**10,997**
Transactions with owners of the company				
Issue of shares under capital raising	-	-	-	-
Issue of shares under dividend reinvestment plan	2,588	-	-	2,588
Share-based payments transactions	-	(181)	132	(49)
Dividends to shareholders	-	-	(24,176)	(24,176)
Total transactions with owners of the company	**2,588**	**(181)**	**(24,044)**	**(21,637)**
Balance at 31 March 2021	**157,843**	**(3,492)**	**(59,217)**	**95,134**

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 2021

$'000 AUD	2021	2020
Cash flows from operating activities		
Cash receipts from customers (excluding interest)	204,312	243,947
Interest revenue received	90,342	117,525
Cash received from liquidation of inventory	5,691	-
Cash paid to suppliers and employees*	(71,120)	(138,598)
Acquisition of inventories	(5,117)	(61,273)
Equipment finance originations	(5,452)	(155,784)
Cash generated from operations	**218,656**	**5,816**
Net borrowing costs	(11,803)	(16,117)
Income tax refund	3,051	1,145
Net cash from operating activities	**209,904**	**(9,156)**
Cash flows from investing activities		
Acquisition of property, plant and equipment and software	(107)	(809)
Acquisition of financial asset	(1,000)	-
Net cash from investing activities	**(1,107)**	**(809)**
Cash flows from financing activities		
Proceeds from borrowings	11,339	154,458
Repayment of borrowings	(150,582)	(152,557)
Repayment of lease liabilities	(9,540)	(7,267)
Proceeds from issues of shares	2,588	34,323
Dividends paid	(24,176)	-
Net cash from financing activities	**(170,371)**	**28,958**
Net increase in cash and cash equivalents	38,426	18,992
Cash and cash equivalents at April 1	49,619	30,627
Cash and cash equivalents at 31 March	**88,045**	**49,619**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.
**Includes $25m class action settlement and associated legal costs settled during the 2020 financial year.*

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

Reconciliation of cash flows from operating activities

$'000 AUD	**2021**	**2020**
Profit/(Loss) after tax	8,396	(81,068)
Adjustments for:		
Impairment and net gain on modification of lease liability	(1,217)	1,905
Equity settled transactions	(49)	(346)
Other adjustments	78	5,435
Operating loss before changes in working capital and provisions	**7,208**	**(74,074)**
Changes in working capital and provisions, net of the effects of the sale of subsidiaries		
Decrease in trade and other receivables	193,201	67,551
(Increase)/decrease in prepayments and other assets	(40)	1,457
Decrease in inventories	7,847	5,663
(Decrease)/increase in deferred tax liability	-	(1,100)
Decrease in income tax receivables	3,051	1,163
Increase/(Decrease) in trade and other payables	1,147	(9,750)
Decrease in provisions and employee benefits	(2,510)	(64)
Net cash from operating activities	**209,904**	**(9,156)**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

Thorn Group Limited (the 'Company') is a for-profit company domiciled in Australia. The address of the Company's registered office is Level 1, 62 Hume Highway, Chullora, NSW, 2190. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'consolidated entity'). Thorn is a diversified financial services group providing the leasing of household products to consumers, and commercial finance to small and medium-size enterprises.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 31 May 2021.

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

The Company is of a kind referred to in ASIC Instrument 2016/191 issued by the Australian Securities & 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 and impairment of goodwill and other intangibles. See note 9; and
(ii) Determination of expected credit losses of receivables. See note 14.
(iii) Net realisable value of inventory. See note 3.

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.

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Consolidated Financial Statements.

The estimation uncertainty is associated with:
(i) the extent and duration of the disruption to businesses arising from the actions by governments, businesses and consumers to contain the spread of the virus;
(ii) the extent and duration of the expected economic downturn. This includes the disruption to capital markets, deteriorating availability of credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
(iii) the effectiveness of government and central bank measures that have and may continue to be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed expected credit loss estimates in these Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The impact of the COVID-19 pandemic on the Group's expected credit loss estimates is disclosed and further explained in note 14 to the financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Financing and going concern basis for the financial report

The directors have prepared the Financial Report on the going concern basis, which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The Group achieved a net profit after tax of $8.4m (2020: $81.1m loss) for the year ended 31 March 2021 and net cash generated in operating activities during the same period amounted to a $209.9m inflow (2020: $9.2m outflow). A significant proportion of the cash inflow was a result of abnormal business conditions during the period, including Covid-19 and Government incentives such as JobKeeper, JobSeeker and other Covid-19 stimulus payments. These abnormal business conditions and the reversal of non-cash ECL provisions contributed to the net profit.

The Group provides financing to both consumers and small and medium size enterprises across a range of industries, many of which have been impacted by COVID-19.

Thorn's Consumer leasing division was significantly affected by COVID-19. The Group announced the permanent closure of the Radio Rentals stores and warehouses and the core of the consumer leasing business was moved completely online with the launch of a new digital business model. The digital business model is not fully operational and is still in Beta testing mode. The consumer leasing division recorded lower sales units and revenues this year with 5,346 units being installed in the year, which was 93% lower than the last financial year's 74,503. The consumer finance originations have been behind expectations due to limited marketing activity during the launch of the new business model, the slower than expected on-boarding of new dropship suppliers and the macro economic factors that have made assessing credit more difficult.

The Business Finance division also faced challenges. On 5 May 2020, the equipment finance warehouse was determined to have breached one of its warehouse parameters as a result of customers affected by COVID-19 progressively going into arrears. In September 2020 Thorn reached agreement with its funders to provide relief to some of its COVID-19 affected customers in the form of contract variations which were finalised in early 2021. As at 31 March 2021, $73.0m of receivables were identified as COVID-19 impacted. Of these, 14.5% by value were greater than 30 days in arrears. Thorn also ceased equipment finance originations in the Business Finance division but continues to discuss future options with funders in the securitised warehouse facility. Thorn is revitalising the Business Finance division, including launching the new debtor finance product.

These events resulted in redundancies for approximately 300 casual and full time staff across the Group and a significant reshaping of the organisation's cost base.

The collections on the two receivables books and the continued cost reductions have been cash positive for the Group. The Radio Rentals receivables balance (net of unearned interest and credit provisioning) reduced by $61.7m to $48.0m (2020: $109.7m). The Business Finance net receivables balance reduced by $130.9m to $147.5m (2020: $278.4m). The current performance of the consumer leasing collections is not meeting forecasted targets and the impact of the withdrawal of the Government Covid-19 stimulus payments is uncertain.

The Group is now effectively in a "start-up" phase. This involves a significant investment in technology and navigating through an increasingly competitive market with slow, continuing re-engineering of outdated business practices and processes. Further, the Group is operating in a challenging compliance and regulatory environment. These factors could significantly impact the Group's ability to generate profits and net cash inflows and therefore, there is a significant risk of the Group making an operating loss in the 12 month period from the date of this report.

Considering all the above, and acknowledging that corporate actions always contain some risk and uncertainty, the directors have reviewed the Group's cash flow forecast through to 30 June 2022.

The directors are of the opinion that there are reasonable grounds to believe that the collection from the two receivables books will provide sufficient incoming cash flows and remain confident that the business will, longer term, be successful in achieving its strategic objectives. However, the success of the recently launched Radio Rentals online business and revitalisation of the Business Finance division are not guaranteed and along with the continuing Covid-19 uncertainty, and the challenging compliance and regulatory environment, multiple material uncertainties exist that cast significant doubt as to the Group's ability to continue as a going concern and therefore whether Thorn will be able to realise its assets and discharge its liabilities in the normal course of business and for the amounts recorded in this report.

(c) Accounting Policies

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

(d) Inventories

The costs of individual items of inventory are determined using weighted average costs less volume rebates received. Inventory is valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(e) Revenue

The major components of revenue are recognised as follows:

(i) Finance lease sales revenue is recognised at the time the rental contract is entered into based on the fair value of the leased item, or if lower, the present value of the lease payments discounted using a market rate of interest.

(ii) Interest revenue is calculated and charged on the outstanding loan or lease balance and recognised on an accrual basis using the effective and implicit interest rate method respectively.

(iii) Other revenue includes late fees, establishment fees, termination fees and other non-lease related income.

(f) Cost of Sales

Finance lease costs of sales comprise the cost of the item sold as well as other costs associated with the transaction such as incentives offered to customers.

(g) Finance expenses

Finance expenses comprise interest expense on lease liabilities, 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.

(h) Impairment

Non-Financial Assets

In accordance with AASB 136 the carrying amounts of the consolidated entity's assets within the scope of the standard, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating units"). The assets acquired in a business Thorn has chosen to present within employee benefit expense.

combination, for the purpose of impairment testing, are 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 statement, 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.

(i) 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.

(j) Changes in Accounting Policy

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

(k) New Standards and Interpretations Adopted

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

(l) Reclassification of comparative financial information

During the period, the classification of transactions were reviewed and certain reclassifications were made to financial statement line items to enhance presentation. The comparative information in the statement of profit or loss and other comprehensive income, statement of financial position, segment note and statement of cash flow have been reclassified consistent with the presentation adopted in the 31 March 2021 financial statements.

- Trade and other payables have been consolidated and presented as a single item on the statement of financial position with further information provided in note 6.
- Chattel mortgages have historically been presented as finance leases in notes 5, 7 and 14. This has now been adjusted to loan receivables, which resulted in a net movement between lease receivables and loans receivables of $135,886,000.
- A number of business finance receivables have credit balances. Previously they were presented as part of trade receivables. They have now been presented as part of lease and loan receivables. This change resulted in trade receivables increasing by $3,110,000 and lease and loan receivables decreasing by $642,000 and $2,467,000 respectively.
- Impairment of inventory and insurance expenses were previously presented as part of other expenses. They have now been presented separately on the face of the statement of profit or loss and other comprehensive income
- Certain segment liabilities have been reclassified between divisions, resulting in the consumer leasing segment liabilities decreasing by $6,322,000 and business finance segment liabilities increasing by $6,322,000.
- In note 22 SPE, the net receivables has reduced by $20,225,000 as our allocation methodology for our portfolio level credit provisions has changed.

2. SEGMENT REPORTING

The Board and CEO (the chief operating decision maker) monitor the operating results of the two reportable segments which are the Consumer Leasing division and the Business Finance division.

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

2021 **$'000 AUD**	**Consumer Leasing**	**Business Finance**	**Corporate**	**Consolidated**
Sales Revenue	6,037	-	-	6,037
Interest Revenue	58,375	32,626	-	91,001
Other	6,280	816	-	7,096
Total Segment revenue	**70,692**	**33,442**	**-**	**104,134**
Recovery of impaired loan	-	-	1,330	1,330
Operating expenses	(58,554)	(20,897)	(7,490)	(86,941)
EBITDA	**12,138**	**12,545**	**(6,160)**	**18,523**
Net gain on modification of lease liability	1,433	-	-	1,433
Depreciation and amortisation	-	-	-	-
Impairment	-	-	(216)	(216)
EBIT	**13,571**	**12,545**	**(6,376)**	**19,740**
Finance expense	(727)	(10,617)	-	(11,344)
Profit before tax	**12,844**	**1,928**	**(6,376)**	**8,396**
Segment assets	52,146	167,304	69,300	288,750
Segment liabilities	(20,946)	(172,670)	-	(193,616)

2020 $'000 AUD	Consumer Leasing	Business Finance	Corporate	Consolidated
Sales Revenue	74,873	-	-	74,873
Interest Revenue	79,626	41,434	-	121,060
Other	7,937	429	-	8,366
Total Segment revenue	162,436	41,863	-	204,299
Operating expenses	(168,738)	(60,900)	(34,808)	(264,446)
EBITDA	**(6,302)**	**(19,037)**	**(34,808)**	**(60,147)**
Depreciation and amortisation	-	-	-	-
Impairment	(1,665)	(62)	(198)	(1,925)
EBIT	(7,967)	(19,099)	(35,006)	(62,071)
Finance expense	(1,744)	(14,509)	-	(16,253)
Profit before tax	**(9,710)**	**(33,608)**	**(35,006)**	**(78,324)**
Segment assets	122,231	299,378	31,774	453,383
Segment liabilities	(47,741)	(299,867)	-	(347,609)

3. INVENTORIES

$'000 AUD	2021	2020
Inventories	128	7,975

At 31 March 2020 an additional provision of $3.7m was recognised to write-down inventories to net realisable value as a result of the decision to close the store network. This was recognised as an expense in 2020 and included in cost of sales in the profit or loss statement. Subsequent to 31 March 2020 much of the remaining inventory was sold during the ordinary course of business during April and May with the actual cost recognised in cost of sales. The balance remaining was liquidated through a number of channels with a loss recognised in operating expenses.

The remaining inventory is held to meet servicing obligations in the Consumer Leasing division.

4. CASH AND CASH EQUIVALENTS

$'000 AUD	2021	2020
Bank balances	88,045	49,619
Call deposits	-	-
Cash and cash equivalents	**88,045**	**49,619**

Included in cash is an amount of $19,745,000 (2020: $20,896,000) held as part of the consolidated entity's funding arrangements that are not available to the consolidated entity. This cash is held within the warehouse and as such is under the control of the Trustee. Free cash is therefore $68,300,000 (2020: $28,723,000).

5. TRADE AND OTHER RECEIVABLES

$'000 AUD	2021	2020
Current		
Trade receivables	6,932	10,214
Finance lease receivables	30,719	64,696
Loan receivables	29,442	54,387
	67,093	**129,297**
Non-current		
Finance lease receivables	57,860	122,292
Loan receivables	71,689	138,254
	129,549	**260,546**

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. At the balance date there was approximately $41,000 (2020: $246,000) of unguaranteed residual value in the finance lease receivables balance.

Trade receivables and loan receivables are stated at their amortised cost less impairment losses. The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 14.

6. TRADE AND OTHER PAYABLES

$'000 AUD	2021	2020
Trade payables	425	1,133
Other payables	15,298	13,443
	15,723	**14,576**

Trade payables are unsecured and are usually paid within 30 days of recognition. Other payables consists of marketing accruals, refundable deposits for the business finance division and other general accruals. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

7. LEASES

Finance leases as lessor

The Consumer Leasing division leases household goods to consumers. Contracts range from 1 - 60 months. The Business Finance division finances business assets to small and medium enterprises. Finance is provided in the form of a lease, a hire purchase agreement or a chattel mortgage contract. The majority of contracts in both divisions are for 24 months or more.

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases. The majority of the Group's leased assets meet the definition of finance leases.

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of any unguaranteed residual value is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the effective interest rate method, which reflects a constant rate of return. Finance lease income is presented within interest revenue.

Contracts are secured against the assets leased. In the Business Finance division further security may be obtained including the taking of personal and director guarantees.

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

$'000 AUD	2021	2020
Lease receivables - less than one year	100,778	162,525
Lease receivables - between one and five years	81,861	203,647
Total Lease receivables	**182,639**	**366,172**
Unearned interest income on finance leases - less than one year	(29,773)	(58,697)
Unearned interest income on finance leases - between one and five years	(22,649)	(69,983)
Total unearned interest income on finance leases	**(52,422)**	**(128,680)**
Impairment provisioning	(41,638)	(50,504)
Net Lease receivables	**88,579**	**186,988**

Gross cash flows are expected to be collected as follows: $100,778,000 less than one year, $55,313,000 between one and two years, $22,721,000 between years two and three, $3,575,000 between years three and four, and $252,000 between years four and five.

No operating lease revenue (2020: $243,000) has been recognised in other revenue in the Consumer Leasing division. Finance lease revenue of $32,626,000 (2020: $41,434,000) has been recognised in interest revenue in the Business Finance division.

Finance leases as lessee

Net gain on modification of lease liabilities

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

At 31 March 2020 the lease liability was $11.7m, of which $8.3m related to property leases, $3.2m were vehicle lease commitments and $0.2m were printer lease commitments.

During the year, following the decision to permanently close the Radio Rentals store network, negotiations were undertaken with landlords across our property and vehicle lease portfolio in the hope of minimising the costs of exiting these leases. These negotiations resulted in net payments for amounts that were $1.4m below the recognised liabilities for these leases. As there was no remaining right of use asset to offset this gain against the full amount has been recognised as a net gain on modification of lease liability.

At 31 March 2021 the lease liability was $0.9m, of which $0.6m related to property leases and $0.3m were vehicle lease commitments.

Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases.

$'000 AUD	2021	2020
Impairment charge - right-of-use assets		
Properties	109	1,095
Vehicles	-	-
Printers	-	-
Total impairment	**109**	**1,095**
Interest expense (included in finance expenses)	176	715
Expense relating to short-term and low-value leases	439	2,586
Expense relating to variable lease payments not included in lease liabilities	526	559
Total expenses relating to leases	**1,141**	**3,860**
Net gain on modification of lease liability	(1,433)	-
Total	**(292)**	**3,860**

The total cash outflow for leases in the year ending 31 March 2021 was $9,540,000.

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities that are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

$'000 AUD	2021	2020
Quicka Holdings Pty Ltd	1,000	-

During the year Thorn completed a strategic investment in Quicka Holdings Pty Ltd trading as "QuickaPay." As a result of this investment, Thorn Group's CEO Peter Lirantzis was appointed as a director of Quicka Holdings Pty Ltd on 24 March 2021. Information about the methods and assumptions used in determining fair value is provided in note 14.

9. INTANGIBLE ASSETS

$'000 AUD	Right of use asset	Software	Total
Year ended 31 March 2021			
Opening net carrying amount	-	-	-
Additions	109	-	109
Amortisation charges for the year	-	-	-
Impairment charges for the year	(109)	-	(109)
Closing net book amount	-	-	-
At 31 March 2021			
Cost	17,559	17,109	34,668
Amortisation and impairment	(17,559)	(17,109)	(34,668)
Net book amount	-	-	-

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

Amortisation

When not impaired, amortisation is provided on all intangible assets excluding other intangibles. 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)

Consumer Leasing

In 2019 and 2020 testing has been performed to identify if any of the Group's intangibles were impaired as required under AASB 116. All were considered to be impaired and an impairment expense was recognised as a result. Given the early stage the Group is at regarding its strategy there is no indication that any historical impairment losses should be reversed.

The Group's existing revenue streams are running off while the transformation required to build a new revenue stream sufficient to generate excess profits to support the carrying value of any other intangibles has not yet taken place. Therefore definite life intangible assets as well as PP&E continue to be immediately impaired on acquisition.

10. PROPERTY, PLANT AND EQUIPMENT

$'000 AUD	**Total**
Year ended 31 March 2021	
Opening net carrying amount	-
Additions	107
Depreciation charges for the year	-
Impairment charges for the year	(107)
Closing net book amount	**-**
At 31 March 2021	
Cost	34,910
Accumulated depreciation	(29,421)
Impairment	(5,489)
Net book amount	**-**

$'000 AUD	**Total**
Year ended 31 March 2020	
Opening net carrying amount	-
Additions	615
Depreciation charges for the year	-
Impairment charges for the year	(615)
Closing net book amount	**-**
At 31 March 2020	
Cost	34,803
Accumulated depreciation	(29,421)
Impairment	(5,382)
Net book amount	**-**

Property plant and equipment

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

Impairment

Refer to note 9 for details.

11. INCOME TAX EXPENSE

Recognised in the profit or loss statement

$'000 AUD	2021	2020
Current tax expense		
Current year	-	-
Adjustment for prior year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	2,744
Total income tax (benefit)/ expense in the profit or loss statement	**-**	**2,744**

Numerical reconciliation between tax expense and pre-tax accounting profit

$'000 AUD	2021	2020
Profit before tax	**8,396**	**(78,324)**
Prima facie income tax using the domestic corporation tax rate of 30% (2020: 30%)	2,519	(23,497)
Change in income tax expense due to:		
Non-deductible expense and unrecognised timing differences	(6)	(67)
Utilisation of tax losses	(1,657)	-
Recognised and unrecognised timing differences	(856)	26,308
(Over) / Under provided in prior years	-	-
Income tax (benefit)/ expense on pre-tax accounting profit	**-**	**2,744**

12. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
$'000 AUD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Inventories	13,381	42,656	-	-	13,381	42,656
Property, plant and equipment	408	3,779	-	-	408	3,779
Trade, loan and other receivables	488	-	-	(199)	488	(199)
Finance lease receivables	-	-	(16,970)	(49,262)	(16,970)	(49,262)
Accruals	1,971	1,752	-	-	1,971	1,752
Provisions	722	1,274	-	-	722	1,274
Tax losses	-	-	-	-	-	-
Financial derivative	-	-	-	-	-	-
Tax assets / (liabilities)	**16,970**	**49,461**	**(16,970)**	**(49,461)**	**-**	**-**

The Group has unrecognised current tax losses of $48.4m ($14.5m tax effected) and $42.6m ($12.8m tax effected) of unrecognised deferred tax future deductions.

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.

13. DERIVATIVE AND HEDGING ACTIVITIES

The Group enters into interest rate swaps to fix the interest rate on the warehouse funding balance and therefore remove the fixed/floating interest rate mismatch between the Group's receivables and the Group's funding balance. These arrangements are designated as cash flow hedges under AASB 139 (which the Group has opted to retain as is currently permitted). This instrument is an amortising swap whose cash flow profile is modelled on the expected repayment profile of the receivables (which mirrors the funding balance) and is regularly reset. As such the swap is expected to be effective and continues to be effective under the requirements of AASB 139.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The full fair value of a hedging derivative is classified as a non-current liability as the remaining maturity of the hedged item is more than 12 months from 31 March 2021.

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

$'000 AUD	2021	2020
Interest rate swap liability	3,721	6,322

14. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

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

Due to the onset of COVID 19 and the restructuring of its consumer and commercial businesses, the Board of Directors adopted a crisis management approach with an increased number of meetings (usually weekly) to provide strategic direction and overall governance of business activities. The step was to allow the newly appointed CEO and CFO sufficient time to acclimatise and establish new strategic priorities for the organisation going forward.

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

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.

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 of receivables and loans. The Group leases products to consumers and provides business finance to SME's pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity. The Group is subject to a higher level of credit risk due to the credit-constrained nature of many of the Company's customers.

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

Credit risk typically grows in line with the growth of the loan and lease receivables in all segments.

Expected credit loss measurement

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

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

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

The Group has two separate receivables books; Business Finance receivables and the Radio Rentals consumer leasing receivables. Consumer Leasing receivables are included in one group and Business Finance receivables in another group for the purpose of calculating the expected credit loss.

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk based on quantitative information to identify this on an asset level. Each financial asset will be assessed at the reporting date for significant deterioration where the financial asset is more than 30 days past due. When an account is cured it retains an adjusted and higher probability of default within the impairment model for 6 months. Default is defined as 60 days past due for Consumer Leasing and 90 days past due for Business Finance. In light of COVID-19, the Group has made an additional assessment of those assets which are not 30 days past due but have likely experienced a SICR as part of the management overlay set out in further detail below.

Macroeconomic Scenarios

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

Impact of COVID-19 pandemic

The COVID-19 pandemic and its effect on the local economy has impacted our customers and our performance, and the future effects of the pandemic and ultimate impact on the recoverability of our receivables are uncertain. The outbreak necessitated governments to respond at unprecedented levels to protect public health, local economies and livelihoods. It has affected regions at different times and varying degrees. The varying government measures in response have added challenges, given the rapid pace of change and significant operational demands.

The speed at which territories and states will be able to unwind their lockdown measures and return to pre-COVID-19 economic levels will vary based on the levels of infection and local political decisions and access and ability to roll out vaccines. There remains a risk of subsequent waves of infection.

Governments and central banks in major economies have deployed extensive measures to support their local populations. Measures implemented by governments have included income support to households and funding support to businesses.

RBA measures have included cuts to policy rates, support to funding markets and asset purchases. Central banks globally as well as in Australia are maintaining record low interest rates for a considerable period of time and the debt burden of governments is expected to rise significantly.

The Australian government's economic response helped business stability and kept Australians in jobs through the Job Keeper Payment and Boosting Cash Flow for Employers, and supported Australians in need with the Coronavirus Supplement and Early Release of Superannuation.

The Government's response is now transitioning to ensure the Australian economy recovers strongly by targeting additional temporary support measures to boost household incomes, bring forward business and infrastructure investment activity, and drive the unemployment rate back down. The Government is continuing to support those sectors, regions and communities that face significant challenges.

The significant changes in economic and market drivers, customer behaviours and government actions caused by COVID-19 have also impacted the performance of financial models. These include our consumer and business finance AASB 9 credit models. This has required ongoing monitoring and frequent review and analysis. It also has resulted in the use of compensating controls, specifically as overlays on top of model outputs to provide a more appropriate assessment.

By their nature, such compensating controls require a significant degree of management judgement and assumptions to be applied, and there is a risk that future performance may differ from such judgements and assumptions. The performance and usage of models over the near term will continue to be impacted by the consequences of the COVID-19 outbreak.

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

Management overlay

The full impact of both the COVID-19 pandemic and the closure of the store network is uncertain at the balance date for the Consumer Leasing division as the Group has yet to see the anticipated increase in delinquencies which would flow through to the modelled expected loss provision. We are of the view that the expected impact has not yet materialised over the past 12 months primarily as a result of the national and local government stimulus and measures taken to support the economy. We expect the withdrawal of the stimulus to have a significant impact on our receivables book and that the expected deterioration may occur. This is consistent with what we have seen in April across our Consumer portfolio and we believe this could become more pronounced in the coming months with the removal of the stimulus and uncertain path to a fully vaccinated population and further potential lockdowns and restrictions. Therefore the Group continues to specifically consider the likely industry-specific and retail customer impacts through an overlay. This overlay also incorporates the early data we have gathered in April 2021.

At 31 March 2021 $73.0m of Business Finance receivables were identified as COVID-19 impacted. Out of these, 14.5% by value were greater than 30 days in arrears at the balance date. $44.9m received a variation in the second half of the year and were all in either stage 2 or stage 3 when the variation occurred. While the arrears of the $73.0m have improved significantly in the 6 months to 31 March 2021 and varied contracts have had positive payment patterns post variation the varied contracts have not had a sufficient period of repayments post variation for management to consider them completely rehabilitated. As a result, their arrears status has not been considered appropriate to use in the current arrears based modelled provision. At 31 March 2021 $9.0m was in stage 1, $32.5m in stage 2 and $3.5m in stage 3. This overlay is therefore a standalone provision estimate for the impact of COVID-19 on the Business Finance division.

Business Finance

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

Consumer Leasing

Many of the Radio Rentals customers work in currently affected and potentially further affected industries and particularly in the higher affected employment statuses such as part-time and casual work. As such, the COVID-19 pandemic and the removal of government stimulus continues to be expected to have a material impact upon those customers financial situation and the related receivable credit losses. In addition to that factor, the decision to close the entire Radio Rentals store network is expected to present challenges to collection rates. Our view is that much of this deterioration has not occurred due to the extraordinary measures taken by both state and local government bodies as well as other regulatory bodies to support the economy.

To assess the ECL, a rating matrix has been applied by rating customers across three criteria; monthly billing amount, occupation status and employment type. This resulted in a rating scale from 3 to 9. Ratings 3 to 5 are considered to be low risk, 6 to 7 medium and 8 to 9 high risk. Receivables have then been attributed to groups across that rating scale with the AASB 9 staging buckets and their probability of default (“PD”) adjusted upwards progressively as they move through the scale. The adjusted PD has been applied at a portfolio level using the current loss given default (“LGD”) to estimate the expected loss. In addition, the Group has overlaid this with prior experience of collection performance deterioration from situations where stores have been closed in the past. This has been used to estimate the increased risk to collections in the portfolio.

Overall

The Group has looked at three potential scenarios, outlined below, and how these will impact the two divisions. The Group has then weighted the three scenarios with the highest weighting being applied to the baseline case. The outcome of this is a $29.3m million provision for the Business Finance Division and a $14.7m provision for the Consumer Leasing Division.

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

Scenario	Expectation
Baseline A 100% weighting to this scenario would reduce the expected credit loss provision by circa $10.5m	The baseline scenario assumes that no further large outbreaks of COVID-19 and accompanying hard lockdowns occur within Australia and that restrictions, when imposed, are brief. The domestic vaccination program is assumed to proceed in line with government guidance, and the international border is assumed to remain closed until the end of 2021. Unemployment is likely to have already peaked and is now expected to decline steadily to around 5¼ per cent by mid-2023. GDP is expected to have contracted by around 2 per cent over the year to December 2020, but then grow by around 3½ per cent over both 2021 and 2022. Inflation is expected to pick up a little alongside the gradual decline in the unemployment rate, to be 1¾ per cent by mid-2023.
Faster recovery A 100% weighting to this scenario would reduce the expected credit loss provision by circa $20.7m	A stronger economic recovery than the one outlined in the baseline scenario is possible if ongoing low case numbers in Australia and a sustained run of positive health outcomes enable a faster easing of domestic restrictions. These outcomes would boost consumer and business confidence and reduce uncertainty, leading to a stronger recovery in private consumption and investment. In this scenario, a stronger rebound in activity would see the unemployment rate decline at a faster pace, falling to around 4¾ per cent by the end of 2022.
Slower recovery A 100% weighting to this scenario would increase the expected credit loss provision by circa $6.4m	A plausible downside scenario is that Australia experiences further large outbreaks of the virus. It is assumed that this would require broad activity restrictions to be reimposed. In this scenario, consumer and business confidence would be weaker and the recovery in household consumption and business investment would be slower than in the baseline scenario. As a result the unemployment rate would peak in this scenario at around 6¾ per cent in mid-2021 and decline only slowly in 2022.

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

Loss allowance

The impairment expense on the statement of profit or loss includes both net write-offs and provision movements.

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

Consumer Leasing lease receivables

Impairment provision	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Total $'000 AUD
Loss allowance as at 1 April 2020	16,095	15,745	4,843	36,683
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(404)	985	-	581
Transfer from Stage 1 to Stage 3	(1442)	-	2,441	999
Transfer from Stage 2 to Stage 1	152	(1,336)	-	(1,184)
Transfer from Stage 2 to Stage 3	-	(1,728)	1,710	(18)
Transfer from Stage 3 to Stage 1	52	-	(531)	(479)
Transfer from Stage 3 to Stage 2	-	57	(204)	(147)
New financial assets originated or purchased	1,606			1,606
Changes in the balances of non-transferred financial assets	(5,135)	(12,535)	4,094	(13,576)
Change in estimates	12,071	4,233	13,213	29,517
Changes to model assumptions and methodologies	(1,487)	(627)	(707)	(2,821)
Write-offs			(21,824)	(21,824)
Total net P&L charge during the period	5,413	(10,951)	(1,808)	(7,346)
Loss allowance as at 31 March 2021	**21,508**	**4,794**	**3,035**	**29,337**

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

Lease receivables	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Total $'000 AUD
Gross carrying amount as at 1 April 2020	107,013	34,362	4,970	146,345
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(4,157)	4,157	-	-
Transfer from Stage 1 to Stage 3	(13,650)	-	13,650	-
Transfer from Stage 2 to Stage 1	3,011	(3,011)	-	-
Transfer from Stage 2 to Stage 3	-	(3,646)	3,646	-
Transfer from Stage 3 to Stage 1	748	-	(748)	-
Transfer from Stage 3 to Stage 2	-	287	(287)	-
New financial assets originated or purchased	10,680			10,680
Changes in the balances of non-transferred financial assets	(34,140)	(27,356)	4,202	(57,294)
Write-offs			(22,399)	(22,399)
Total net change during the period	**(37,508)**	**(29,569)**	**(1,936)**	**(69,013)**
Gross closing amount as at 31 March 2021	**69,505**	**4,793**	**3,034**	**77,332**

Business finance loan and lease receivables

Impairment provision	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Total $'000 AUD
Loss allowance as at 1 April 2020	12,827	24,622	7,851	45,300
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(193)	952	-	759
Transfer from Stage 1 to Stage 3	(454)	-	1,595	1,141
Transfer from Stage 2 to Stage 1	152	(784)	-	(632)
Transfer from Stage 2 to Stage 3	-	(1,435)	1,590	155
Transfer from Stage 3 to Stage 1	57	-	(434)	(377)
Transfer from Stage 3 to Stage 2	-	118	(200)	(82)
New financial assets originated or purchased	321			321
Changes in the balances of non-transferred financial assets	(6,191)	(2,629)	6,375	(2,445)
Change in estimates	2,532	3,874	8,864	15,270
Changes to model assumptions and methodologies				
Write-offs			(14,363)	(14,363)
Total net P&L charge during the period	**(3,776)**	**96**	**3,427**	**(253)**
Loss allowance as at 31 March 2021	**9,051**	**24,718**	**11,278**	**45,047**

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

Loan and lease receivables	Stage 1 12-month ECL $'000 AUD	Stage 2 Lifetime ECL $'000 AUD	Stage 3 Lifetime ECL $'000 AUD	Total $'000 AUD
Gross carrying amount as at 1 April 2020	256,021	62,153	7,314	325,488
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(3,452)	3,452	-	-
Transfer from Stage 1 to Stage 3	(8,430)	-	8,430	-
Transfer from Stage 2 to Stage 1	2,247	(2,247)	-	-
Transfer from Stage 2 to Stage 3	-	(3,926)	3,926	-
Transfer from Stage 3 to Stage 1	775	-	(775)	-
Transfer from Stage 3 to Stage 2	-	357	(357)	-
New financial assets originated or purchased	6,401			6,401
Changes in the balances of non-transferred financial assets	(123,570)	(6,637)	6,377	(123,830)
Write-offs			(14,363)	(14,363)
Total net change during the period	**(126,029)**	**(9,001)**	**3,238**	**(131,792)**
Gross closing amount as at 31 March 2021	**129,992**	**53,152**	**10,552**	**193,696**

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	2021	2020*
Trade receivables	6,970	10,568
Consumer Leasing lease receivables	74,154	139,852
Business Finance lease receivables	56,062	97,640
Loan receivables	133,840	223,766
Total gross amount	**271,026**	**471,826**
Allowance for impairment	(74,384)	(81,983)
	196,642	**389,843**

Chattel mortgages are classified as loan receivables in accordance with AASB 9. The Group classifies its chattel mortgages as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Write-off policy

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

Modification of financial assets

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

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

Contracts which have been modified are all considered to have a significant increase in credit risk and are measured using a lifetime expected credit loss model, unless other creditworthiness indicators provide information which would rebut this presumption.

Model risk reserve

A model risk reserve is in place for both the consumer finance receivables and the equipment finance receivables books. Each of these reserves was calculated as 30% of the modelled provision on the adoption of AASB 9 and was intended to take into account any potential issues with data or the model that, if we had known at implementation, would have resulted in an increased provision. These reserves have been maintained at 30% of the modelled provision and have declined during the year in line with the decline in both the receivables book and the modelled provision.

LGD overlay (consumer)

A loss given default rate of 89% has been maintained in the consumer finance division through the use of an overlay. This is our best estimate of loss given default for consumer finance receivables. We have had to maintain the appropriate loss given default rate in the current year through an overlay due to the effect of both the rundown of the existing receivables book and the impact of the coronavirus on the modelled loss given default rate.

Impairment losses

Consumer Leasing lease receivables

$'000 AUD	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Stage 1	69,504	(21,509)	107,013	(16,095)
Stage 2	4,795	(4,795)	34,362	(15,745)
Stage 3	3,033	(3,033)	4,970	(4,843)
	77,332	**(29,337)**	**146,345**	**(36,683)**

The Group applies the AASB 9 three-stage approach to measuring expected credit losses which uses a 12-month loss for lease receivables in stage one and lifetime expected loss for lease receivables in stages 2 and 3. To measure the expected credit losses, lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of lease receivables over a period of 36 months respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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. There has been no changes from prior periods and there are no unrecognised losses because of collateral.

Business Finance lease receivables

$'000 AUD	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Stage 1	39,111	(2,515)	77,145	(3,828)
Stage 2	15,489	(7,142)	19,070	(7,636)
Stage 3	2,680	(2,680)	2,711	(2,711)
	57,280	**(12,337)**	**98,926**	**(14,175)**

Loan receivables (Business Finance and remaining consumer solar loans)

$'000 AUD	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Stage 1	90,881	(6,536)	178,868	(8,999)
Stage 2	37,663	(18,302)	43,084	(17,041)
Stage 3	7,872	(7,872)	4,603	(5,085)
	136,416	**(32,710)**	**226,555**	**(31,125)**

The contractual amount outstanding on receivables that were written off during the year and that are still subject to enforcement activity is $9.0m.

Liquidity risk

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

The capital structure of the Group consists of external debt and shareholders' equity. The Group manages its capital structure and makes adjustments to it in light of economic conditions and the Group's individual situation. The Group's debt facilities contain restrictions on the Group's ability to, among other things, 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.

See note 16, loans and borrowings, for more information on a breach of warehouse parameters early in the year and the impact of this and COVID-19 on the Group's existing funding arrangements.

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

The following are the contractual maturities of the consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2021.

31 March 2021 ($'000 AUD)	Carrying amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Securitised warehouse facility	166,303	170,726	107,254	63,471	-
Lease liability	934	981	751	230	-
Trade and other payables	15,723	15,723	15,723	-	-
Total non-derivatives	**182,960**	**187,430**	**123,728**	**63,701**	**-**
Interest rate swap					
(Inflow)		(429)	(103)	(326)	-
Outflow	3,721	4,178	2,496	1,682	-
Total derivatives	**3,721**	**3,749**	**2,393**	**1,356**	**-**

31 March 2020 ($'000 AUD)	Carrying Amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Securitised warehouse facility	305,545	332,507	127,066	205,441	-
Lease liability	11,721	12,346	6,391	5,955	-
Trade and other payables	14,988	14,988	14,988	-	-
Total non-derivatives	**332,254**	**359,841**	**148,445**	**211,396**	**-**
Interest rate swap					
(Inflow)		(1,902)	(914)	(988)	-
Outflow	6,322	8,497	4,199	4,298	-
Total derivatives	**6,322**	**6,595**	**3,285**	**3,310**	**-**

The securitised warehouse facility is secured by rentals and payments receivable from the underlying receivable contracts. The amounts collected from these receivables are used to repay the securitised warehouse facility. As such the timing of repayment is dependent upon the timing of the receivable collections. For the purpose of this note, which requires contractual maturities, we have used the future contractual receivable repayment amounts to estimate the timing of repayment of the funding facility principal and interest. This is different from the current and non-current split in note 16 which is based on expected cash flows.

The consolidated entity's access to financing arrangements is disclosed in note 16.

Market risk

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

Foreign currency risk

The Group is not currently exposed to any significant foreign currency risks. In prior years the direct acquisition of inventories from overseas suppliers resulted in significant foreign currency risks. To mitigate this risk the Group operates a foreign exchange risk policy. The 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 Group may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Group's financial performance. The Group currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

Interest rate risk

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

The consolidated entity enters into interest rate swaps to fix the interest payments on its warehouse borrowings and therefore remove the interest rate mismatch between the receivables and the borrowings.

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

$'000 AUD	2021	2020
Free cash	68,300	28,723
Borrowings, net of hedging	20,016	(27,632)

At 31 March 2021, Thorn was hedged at 112% of its warehouse borrowing balance of $166.3m. A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's equity and other comprehensive income by $618,000 (2020: $8,000), net of tax.

Financial instruments

Capital management

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

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 or loss are recognised initially at fair value plus transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost less impairment losses.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously. Thorn does not apply netting.

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

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

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

Fair values

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

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

Derivatives are measured at fair value. These are level 2 instruments. For all other financial instruments, amortised cost approximates fair value.

Investments at fair value through other comprehensive income

The cost of the Group's investment in Quicka Holdings Pty Ltd is considered to represent fair value currently as the investment was made relatively close to the year end. No information has emerged in the period between acquisition and the balance date to suggest this is no longer representative of fair value. The investment is considered to be a Level 2 investment.

15. PROVISIONS

2021 $'000 AUD	Business Finance restitution	Regulatory	Make good	Service warranties	Other	Total
Opening balance	1,689	605	1,635	-	-	3,929
Provisions made during the year	-	-	18	1,808	583	2,409
Provisions used during the year	-	-	(1,230)	-	-	(1,230)
Provisions reversed during the year	(1,689)	-	-	-	-	(1,689)
Provisions reclassified to other payables	-	(605)	-	-	-	(605)
	-	**-**	**423**	**1,808**	**583**	**2,814**
Current	-	-	423	938	583	1,944
Non-current	-	-	-	870	-	870
	-	**-**	**423**	**1,808**	**583**	**2,814**

2020 $'000 AUD	Business Finance restitution	Regulatory	Make good	Service warranties	Other	Total
Opening balance	1,420	707	1,675	-	-	3,802
Provisions made during the year	269	-	47	-	-	316
Provisions used during the year	-	(102)	(87)	-	-	(189)
Provisions reversed during the year	-		-	-	-	-
Provisions reclassified to other payables	-	-	-	-	-	-
	1,689	**605**	**1,635**	**-**	**-**	**3,929**
Current	1,689	605	1,635	-	-	3,929
Non-current	-	-	-	-	-	-
	1,689	**605**	**1,635**	**-**	**-**	**3,929**

Business Finance restitution

In the 2019 financial year a large specific provision of $10.1m was taken up to provide in full for the receivable for the industry-wide matter of a group of customers for a specific product who were challenging the enforceability of their leases. The Australian Financial Complaints Authority had issued an initial advice in favour of the customers and setting out terms of further restitution beyond the writing off of their payable balance. The receivable was written off in full, in accordance with the Group's write off policy, as management concluded there is was no reasonable expectation of recovery and all practical recovery efforts have been exhausted.

The matter has now been settled and consequently the Group has released the remaining restitution provision related to this matter.

Regulatory

Regulatory provision amounts were set aside in the Consumer Leasing division for potential customer remediation, penalties and administration costs.

Make good on leased premises

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

Warranty provision

Under the terms of the consumer leases originated in the Group's Consumer Leasing division the Group is required to maintain the leased product in good working order. Provision has been made for the expected cost of this obligation over the remaining life of the existing lease arrangements.

16. LOANS AND BORROWINGS

$'000 AUD	2021	2020
Current liabilities		
Secured loans	78,203	117,918
Non-Current liabilities		
Secured loans	88,100	187,627
	166,303	**305,545**

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 facilities

$'000 AUD	2021	2020
Secured corporate loan facility A	-	12,000
Utilised	-	(12,000)
Available headroom	**-**	**-**
Secured corporate loan facility B	-	5,000
Utilised	-	(2,956)
Available headroom	**-**	**2,044**
Securitised warehouse facility	166,303	368,000
Utilised	(166,303)	(293,545)
Available headroom	**-**	**74,455**
Total loan facilities	166,303	385,000
Utilised	(166,303)	(308,501)
Secured loan facilities not utilised at reporting date	**-**	**76,499**

Corporate facilities

The corporate debt facility was in two parts; the 'A' facility, a general corporate facility, was fully repaid during the period (fully drawn to its $12.0m limit at 31 March 2020). The second part, the 'B' facility, was a $5.0m limit of a combined undrawn overdraft and drawn bank guarantees to landlords and suppliers. Both credit facilities were closed during the year.

The Group still retains access to bank guarantees as part of our ongoing transactional banking arrangements and at 31 March 2021 the amount drawn was $1.6m (facility limit of ($1.8m). The Group has cash collateralized the facility.

Warehouse facility

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

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

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

In addition to the actions taken, in May 2020, it was determined that there was a breach of one of the compliance parameters in the warehouse which requires no more than 6% of the balances to be in arrears by more than 30 days. This was attributable to the increasing presence of COVID-19 affected customers, many of whom had requested a payment holiday and had stopped repayments under their leases.

This breach put the warehouse into run-off under its amortisation rules. As a result Thorn was unable to sell originations into the warehouse and the distributions it normally receives via the waterfall distribution mechanism were redirected to pay down the noteholders in order of seniority while the breach persisted. During this year Thorn reached an agreement with its funders to allow Thorn to vary contracts with certain COVID-19 affected customers. These variations were implemented and completed by year end.

At 31 March 2021 the relevant arrears number was 3.9% (this number does not take into account receivables which have been written off) and was no longer in breach of this parameter. As a result of the amendments made to the funding arrangements which allowed us to undertake variations Thorn cannot originate new leases through the warehouse until further agreement is reached. The warehouse facility was reviewed by the noteholders in the normal course of business during the year and the availability period was not extended.

17. CAPITAL AND RESERVES

Issued capital

Number of shares	**2021**	**2020**
On issue at the beginning of year	322,350,132	161,175,066
Issue of new shares under dividend reinvestment plan	16,837,953	-
Issue of new shares under a rights issue	-	161,175,066
	339,188,085	**322,350,132**

Ordinary shares are classified as equity. Incremental costs directly attributable to the 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.

Rights issue

During the prior year a rights issue took place. The rights issue had an institutional component and a retail component. In September 2019, under the institutional offer, 64,342,142 shares were issued at $0.24 per share for gross proceeds of $15.4m less associated costs of $1.2m. In October 2019, the retail offer was finalised with a further 96,832,924 shares issued at an offer price of $0.24 resulting in gross proceeds of $23.3m less associated costs of $3.2m. In total 161,175,066 shares were issued with the Group receiving gross proceeds of $38.7m less $4.4m in associated costs.

Reserves

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

$'000 AUD	2021	2020
Cash flow hedge reserve	(3,721)	(6,322)
Share-based payment reserve	229	410
	(3,492)	**(5,912)**

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
2021				
Final 2020	-	-	-	n/a
Interim 2021	-	-	-	n/a
Special dividend	7.5	24,176	30%	3rd November 2020
Total amount		**24,176**		
2020				
Final 2019	-	-	-	n/a
Interim 2020	-	-	-	n/a
Total amount		-		

On 12 October 2020, the Thorn Board declared a fully franked special dividend of $0.075 cash per share ("Special Dividend"). The Special Dividend was paid to shareholders on Tuesday, 3 November 2020. The special dividend totalled $24.2m. A number of Thorn's shareholders participated in the dividend reinvestment plan resulting in $2.6m of the total being reinvested in Thorn shares, resulting in a net cash outflow of $21.6m.

The Directors have proposed a final dividend of 1.0 cent per share for an expected payment of $3.4m to be paid on the 21 July 2021. This has not been recognised as a liability at year end. The dividends are fully franked.

Dividend franking account

$'000 AUD	2021	2020
30% franking credits available to shareholders of Thorn Group Limited	28,346	41,739

The above available amounts are based on the balance of the dividend franking account at year-end. This may be 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.

At 31st March 2020, franking credit amount may be affected by $3,050,000 of income tax receivables recognised.

18. 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.

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.

$'000 AUD	2021	2020
Earnings per share		
Profit attributable to ordinary shareholders (basic) $'000 AUD		
Profit attributable to ordinary shareholders (basic)	8,396	(81,068)
Weighted average number of ordinary shares (basic) '000's		
Issued ordinary shares at 1 April	322,350	161,175
Effect of shares issued	6,874	79,437
Weighted average number of ordinary shares for the year	**329,224**	**240,612**
Weighted average number of ordinary shares (diluted) '000's		
Issued ordinary shares at 1 April	322,350	161,175
Effect of shares issued	9,066	81,534
Weighted average number of ordinary shares for the year	**331,417**	**242,709**
Earnings per share		
Basic earnings per share (cents)	2.6	(33.7)
Diluted earnings per share (cents)	2.5	(33.7)

19. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest	
		2021	2020
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
A.C.N. 647 764 510 Pty Ltd**	Australia	100%	N/A
A.C.N. 647 765 571 Pty Ltd**	Australia	100%	N/A
Northmoney Pty Ltd**	Australia	100%	N/A
Eclipse Retail Rental Pty Ltd*	Australia	N/A	100%
Rent Try Buy Pty Ltd*	Australia	N/A	100%
Thorn Equipment Finance Pty Ltd	Australia	100%	100%
Thorn Business Finance Pty Limited	Australia	100%	100%
Thorn Finance Pty Ltd*	Australia	N/A	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%

*These entities were all dormant and were deregistered during the year.
** These entities were incorporated during the year

Basis of consolidation

Subsidiaries

Subsidiaries are entities (including special purpose entities) controlled by the consolidated entity. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results 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; and/or
- The consolidated entity retains the majority of the residual ownership risks of the SPE or its assets in order to obtain benefits from its activities.

20. DEED OF CROSS GUARANTEE

Thorn Group Limited and each of the subsidiaries listed in note 19 have entered 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.

Pursuant to ASIC Corporations Instrument 2016/785 Thorn Australia Pty Limited is relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

The profit before tax per 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 2021, 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 which have been disclosed in note 22.

21. PARENT ENTITY DISCLOSURES

As at 31 March 2021, and throughout the financial year ending 31 March 2021 the parent entity of the consolidated entity was Thorn Group Limited.

$'000 AUD	2021	2020
Result of Parent Entity		
Profit / (Loss) for the period	24,176	(49,891)
Other comprehensive income	-	-
Total comprehensive profit / (loss) for the period	**24,176**	**(49,891)**
Financial position of the parent entity at year end		
Current assets	-	3,051
Total assets	108,181	105,775
Current liabilities	-	-
Total liabilities	-	-
Total equity of the parent comprising		
Share capital	157,843	155,255
Accumulated losses	(49,891)	(49,891)
Equity remuneration reserve	229	410
Total Equity	**108,181**	**105,775**

The parent entity has entered into a Deed of Cross Guarantee with its trading subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 20.

22. SPECIAL PURPOSE ENTITY

The Group sells receivables into the securitised warehouse (a special purpose entity for accounting). The warehouse is consolidated as set out in note 19 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the warehouse. The table below presents assets (net of provision) and the underlying liabilities attributable to the warehouse.

$'000 AUD	2021	2020
Net Receivables	141,592	261,678
Cash held by Trust	19,745	20,896
Total assets	**161,337**	**282,574**
Borrowings related to receivables	166,303	293,545
Derivative financial instruments	3,721	6,322
Total liabilities	**170,024**	**299,867**
Net liabilities	**(8,687)**	**(17,293)**

The Group provide additional support to the special purpose entity including a liquidity facility of $3.6m (2020: $3.6m) and a bill and collect facility of $1.9m (2020: $2.5m).

When the securitised warehouse is open for originations (currently it is not, see note 16 for further information) a level of credit enhancement is required to be maintained through the junior note investment made by the Group. There are scenarios where the Group could be required to inject cash into the securitised warehouse to maintain this credit enhancement. This has not occurred to date.

23. RELATED PARTIES

Key management personnel remuneration

$	2021	2020
Short-term employee benefits	1,532,221	2,459,609
Post-employment benefits	376,168	127,713
Long-term employee benefits	-	-
Share-based payments	(90,622)	(307,421)
	1,817,767	**2,279,901**

Individual directors and executives compensation disclosures

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

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

During the year, the Group had made an investment into Quicka Holdings Pty Ltd and subsequently the Group's CEO Peter Lirantzis was appointed as director of Quicka Holdings Pty Ltd. No further transactions have taken place after the initial investment (refer to note 8) to 31 March 2021.

24. SHARE BASED PAYMENTS

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

Performance rights granted as compensation in the year

	Performance Rights Granted		Financial Year in which Grants Vest (ended 31 March)
	Number	**Grant Date**	
Performance rights	464,253	22 May 2020	2022

Performance rights over equity instruments granted

The movement during the year in the number of performance rights over ordinary shares in Thorn Group Limited held directly, indirectly or beneficially, by the employees is as follows:

	Held at 1 April 2020	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2021
Performance rights	2,790,783	464,253	-	(332,755)	(1,610,658)	1,311,624

25. EMPLOYEE BENEFIT EXPENSE

$'000 AUD	2021	2020
Employee benefit expense	29,295	48,194

Employee benefit expense includes redundancy expenses of $4,154,000 (2020: $170,000).

26. AUDITORS' REMUNERATION

In whole AUD	2021	2020
	UHY Haines Norton	PwC Australia
Audit services		
Audit and review of financial reports	375,000	1,016,938
Total Audit Services	**375,000**	**1,016,938**
Other services		
Other statutory assurance services	-	171,250
Other assurance services	-	14,280
Controls review	100,000	-
Other assurance services	**100,000**	**185,530**
Non audit services		
Tax advisory and compliance	50,000	-
Total non-audit services	**50,000**	**-**
Total auditor's remuneration	**525,000**	**1,202,468**

During the year PwC were paid $386,250 for audit and review of financial reports (related to the 2020 financial year) and $91,800 for other assurance services.

27. SUBSEQUENT EVENTS

Refer to note 17 for the final dividend recommended by the directors, to be paid on 21 July 2021.

Directors' declaration

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

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

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2021 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 19 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 2016/785.

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 2021.

Signed in accordance with a resolution of the directors.

Warren McLeland
Chairman

Dated at Sydney
30 June 2021

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Thorn Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Thorn Group Limited (the Company) and its subsidiaries (the Group) for the year-ended 31 March 2021, which comprises the consolidated statement of financial position as at 31 March 2021, the 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 31 March 2021 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (b) of the financial report, which discloses that the Group's ability to continue as a going concern is impacted by the closure of the radio rental store network, the funding warehouse going into amortisation, and the impact of COVID-19 on the recovery of the existing lease and loan books. These conditions together with other matters described in Note 1 (b) of the Financial Report, indicate a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

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

PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

Why a key audit matter	How our audit addressed the risk
AASB 9 requires entities to estimate expected future credit losses on its financial assets (including lease and loan receivables). These estimates incorporate both historical and forward looking information, including historical loss rates, forward economic projections and other creditworthiness indicators as appropriate. We considered this a key audit matter due to the high level of estimation uncertainty inherent in the calculations, and the scope for subjectivity in significant judgements made by the company in determining their provisioning rates, such as: • Assumptions made with respect of projected forward loss rates for varying groups of customers, including industry type and location; • Judgements and assumptions involved in utilizing complex credit loss models; • Judgements involved in determining whether customers have experienced a significant increase in credit risk; • Assumptions of how the group's existing receivables will perform in regards to potential future COVID-19 related restrictions on activity; • Judgements involved in the weighting and calculation of macroeconomic scenario's over provision balances;	We performed the following audit procedures, amongst others: • Where management has relied upon the work of expert's, we have performed relevant procedures to evaluate the appropriateness of the expert and their work; • We assessed the appropriateness of the company's estimation methodologies applied, including changes from prior periods; • We assessed the mathematical accuracy of the calculations on a sample basis; • We agreed a sample of key input data to supporting documentation, including signed contracts and cash payment data; • We assessed the reasonability of significant assumptions with respect to the requirements of AASB 9, other internal and external data sources and the consistency of assumptions across different elements of the expected credit loss calculations; • We assessed the accuracy of management's historical expected credit loss provisioning by comparing the prior year provision to actual incurred losses in the current year, adjusting for the expected timing of these losses; • We developed an auditors range estimate for expected credit losses based on independent external audit evidence, and compared this to management's estimate;

Why a key audit matter	How our audit addressed the risk
Refer to note 14 of the financial statements for further information on the company's expected credit loss provisioning.	• We reviewed the performance of the receivables book post balance date and compared this to management balance date estimates; We also assessed the reasonability and completeness of the company's disclosures against the requirements of Australian Accounting Standards.

OPERATION OF IT SYSTEMS AND CONTROLS

Why a key audit matter	How our audit addressed the risk
The Group is reliant on its IT systems for the processing and recording of significant volumes of transactions. This was a key audit matter because a number of key financial controls we seek to rely on are related to IT systems and automated controls. Controls relating to the management of IT systems are important because they are intended to ensure changes to applications and data are appropriately implemented and authorised. Ensuring staff have appropriate access to IT systems and that access is monitored are key controls in mitigating the potential for fraud or error as a result of underlying changes to an application or data.	We evaluated (with the assistance from our IT specialists) the design and implementation of key controls over relevant IT systems, which included assessing: the governance of the Group's technology control environment, IT change management controls, security and access controls, system development controls and IT operations controls. Based on the results of our IT control design assessment, we were required to perform additional direct testing, on a sample basis, over the accuracy of relevant data inputs, automated calculations and reports in order to obtain sufficient audit evidence.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 18 of the directors' report for the year ended 31 March 2021.

In our opinion, the Remuneration Report of Thorn Group Limited for the year ended 31 March 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
30 June 2021

UHY Haines Norton
Chartered Accountants