Thorn Group Limited

ABN 54 072 507 147

Appendix 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET

YEAR ENDED 31 MARCH 2022

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

Contents

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

Current year: 1 April 2021 to 31 March 2022
Previous corresponding year: 1 April 2020 to 31 March 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Year ended	31 March 2022 $'000s	31 March 2021 $'000s	% Change
Revenue from ordinary activities- Continuing operations	17,296	33,442	Down 48%
Profit from discontinued operation, net of tax	19,481	12,844	Up 52%
Net profit after tax, attributable to members	32,346	8,396	Up 285%

Business Finance

Equipment finance originations were $21.7m for the year (2021: $5.2m), the majority of which took place in the last quarter of the year.

Debtor Finance product was launched in July 2021, providing invoice financing to small and medium-sized businesses.

Arrears over 30 days closing at 7.4% at the end of March 2022 (2021: 8.6%).

The receivables book and the profit or loss statement have been heavily influenced by both the reduction in originations in the first half of the year and the impact of COVID-19; receivables (pre provision) reduced from $192.5m to $110.0m; revenue decreased 48% to $17.3m (2021: $33.4m) and impairment expenses netted a positive impact of $19.9m due to the release of COVID-19 provision (2021: $12.4m).

EBIT was a $26.7m profit (2021: $12.7m).

Corporate

Corporate expenses were down 15% to $7.6m (2021: $8.9m). This is largely due to the discontinuation of Consumer Leasing in December 2021, reducing communications and IT costs, and personnel expenses.

Net interest expense

Net interest expense decreased by 40% from $10.6m to $6.3m (excluding discontinued operation). Borrowings in the warehouse declined to $60.6m (2021: $166.3m) 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 the directors consider that, as disclosed last year, there remains a continuing risk that Thorn may not make sufficient taxable profits in future years to justify their recognition as an asset on the balance sheet.

Discontinued Operation

The Group's assets in the Consumer Finance division, Radio Rentals were sold to Credit Corp Group Limited (Credit Corp) in December 2021. Thorn has received a cash consideration for the sale of $43.9m, with an additional amount of $2.3m payable on a deferred basis. An assessment of the deferred amount deemed it highly improbable that the conditions to receive the amount will be met by the agreed timeline and hence the $2.3m was not taken to revenue.

The sale consideration was offset by $1.4m payable to Credit Corp for employees' leave liability transfer. Thorn and Credit Corp commenced a transitional services period of six months in December 2021, including the secondment and subsequent transfer of relevant employees. The profit on sale was reduced by the costs of sale and provisioning to record a net gain on sale of $11.7m.

Before the sale completion on 20 December 2021, Consumer Finance recorded a profit after tax of $7.7m (2021: $12.8m including significant items).

DIVIDENDS	**Cents per ordinary share**	**Franked cents per ordinary share**
Special dividend (cents per share)	7.0	10.0
Final dividend (declared, not yet provided at 31 March 2022)	1.0	1.4

The record date for the 2022 final dividend will be 7 July 2022. The payment date for the 2022 final dividend will be 25 July 2022. The Company's Dividend Reinvestment Plan (DRP) will apply to the final dividend, with a discount of 2.5% to the market price. It is expected that shares allocated under the DRP will be issued and allocated on the dividend payment date.

NET TANGIBLE ASSETS	**31 March 2022**	**31 March 2021**
Net tangible assets per ordinary share	31 cents	28 cents

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

Not applicable - the sale of the Group's assets in the Consumer Finance division, Radio Rentals was an asset sale, not an entity sale.

Compliance statement

The financial statements are in the process of being audited and will be released to ASX by 30 June 2022. There is not expected to be any dispute or qualification to the Company's financial report. The audit report will be made available with the Company's financial report.

Further Information

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

Warren S McLeland

Warren McLeland
Chairman

Date: 30 May 2022

Financial Report

31 March 2022

ACN 072 507 147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

$'000 AUD	Notes	2022	2021
Continuing operations			
Interest revenue		15,490	32,626
Other revenue		1,806	816
Revenue		17,296	33,442
Employee benefit expense	18	(14,137)	(13,171)
Impairment losses on loans and receivables	8	19,898	(12,492)
Marketing expenses		(359)	76
Property expenses		220	(422)
Communication & IT expenses		(3,832)	(4,566)
Insurance expenses		(2,601)	(1,628)
Legal expenses		(1,592)	(3,007)
Other expenses		(3,462)	(922)
Impairment of intangibles & property, plant and equipment		(389)	(216)
Recovery of impaired loan		-	1,330
Net gain on sale of financial asset		119	-
Corporate expense allocation to Radio Rentals	2	8,025	7,745
Total operating expenses		**1,890**	**(27,273)**
Earnings before interest and tax ('EBIT')		19,186	6,169
Finance expenses		(6,321)	(10,617)
Profit/(Loss) before income tax		**12,865**	**(4,448)**
Income tax	6	-	-
Profit/(Loss) after tax for the year from continuing operations*		**12,865**	**(4,448)**
Discontinued operation			
Profit from discontinued operation, net of tax	15	19,481	12,844
Profit after tax for the year		**32,346**	**8,396**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Other comprehensive income		3,362	2,601
Income tax		-	-
Other comprehensive income for the year		**3,362**	**2,601**
Total comprehensive profit		**35,708**	**10,997**
Earnings per share- Continuing Operations			
Basic earnings per share (cents)	12	3.8	(1.4)
Diluted earnings per share (cents)	12	3.8	(1.4)
Earnings per share- Discontinued Operation			
Basic earnings per share (cents)	12	5.7	3.9
Diluted earnings per share (cents)	12	5.7	3.9
Earnings per share			
Basic earnings per share (cents)	12	9.5	2.6
Diluted earnings per share (cents)	12	9.5	2.5

** Restated to redirect the results of discontinued businesses, into one line above Profit after tax for the year. For details see note 15.*
The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

$'000 AUD	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	3	86,760	88,045
Trade and other receivables	4	34,984	67,093
Prepayments and other assets		6,480	2,935
Inventories		-	128
Income tax receivable		-	-
Total current assets		**128,224**	**158,201**
Non-current assets			
Trade and other receivables	4	53,600	129,549
Deferred tax assets		-	-
Property, plant and equipment		-	-
Financial assets at fair value through other comprehensive income		-	1,000
Right of use asset		-	-
Total non-current assets		**53,600**	**130,549**
Total assets		**181,824**	**288,750**
Liabilities			
Current liabilities			
Trade and other payables	5	8,700	15,723
Lease liability		11	507
Loans and borrowings	10	45,276	78,203
Employee benefits		5,090	3,951
Provisions	9	3,190	1,944
Total current liabilities		**62,267**	**100,328**
Non-current liabilities			
Loans and borrowings	10	15,315	88,100
Lease liability		-	427
Employee benefits		77	170
Derivative financial instruments	7	359	3,721
Provisions	9	-	870
Total non-current liabilities		**15,751**	**93,288**
Total liabilities		**78,018**	**193,616**
Net assets		**103,806**	**95,134**
Equity			
Issued capital	11	158,049	157,843
Reserves	11	6,615	(3,492)
Retained earnings		(60,858)	(59,217)
Total equity		**103,806**	**95,134**

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 2022

$'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 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**

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2021	157,843	(3,492)	(59,217)	95,134
Total comprehensive income				
Net profit for the period	-	6,974	25,372	32,346
Other comprehensive income	-	3,362	-	3,362
Total comprehensive income	**-**	**10,336**	**25,372**	**35,708**
Transactions with owners of the company				
Issue of shares under dividend reinvestment plan	491	-	-	491
Shares buy-back program	(354)	-	-	(354)
Share-based payments transactions	69	(229)	154	(6)
Dividends to shareholders	-	-	(27,167)	(27,167)
Total transactions with owners of the company	**206**	**(229)**	**(27,013)**	**(27,036)**
Balance at 31 March 2022	**158,049**	**6,615**	**(60,858)**	**103,806**

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 2022

$'000 AUD		2022	2021
Cash flows from operating activities			
Cash receipts from customers (excluding interest)		108,763	131,780
Interest revenue received		16,623	32,001
Cash received from liquidation of inventory		-	-
Cash paid to suppliers and employees		(40,494)	(31,282)
Equipment finance originations		(24,454)	(5,452)
Cash generated from operations		**60,438**	**127,047**
Net borrowing costs		(6,422)	(11,076)
Income tax refund		-	3,051
Net cash from operating activities		**54,016**	**119,022**
Cash flows from investing activities			
Acquisition of property, plant and equipment and software		(257)	(107)
Sale/(Acquisition) of financial asset		1,154	(1,000)
Net cash from investing activities		**897**	**(1,107)**
Cash flows from financing activities			
Proceeds from borrowings		-	11,339
Repayment of borrowings		(105,711)	(138,582)
Repayment of lease liabilities		(247)	(382)
Proceeds from issues of shares		491	2,588
Dividends paid		(27,521)	(24,176)
Net cash from financing activities		**(132,988)**	**(149,213)**
Net increase in cash and cash equivalents- continuing operations		(78,075)	(31,298)
Net increase in cash and cash equivalents from discontinued operation	15	76,790	69,724
Cash and cash equivalents at April 1		88,045	49,619
Cash and cash equivalents at 31 March		**86,760**	**88,045**

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

.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

Reconciliation of cash flows from operating activities

$'000 AUD		2022	2021
Profit after tax		32,346	8,396
Adjustments for:			
Impairment and net gain on modification of lease liability		389	(1,217)
Equity settled transactions		(39)	(49)
Proceeds on sale of investment and discontinued operation		(43,876)	-
Other adjustments		(131)	78
Operating loss before changes in working capital and provisions		**(11,311)**	**7,208**
Changes in working capital and provisions, net of the effects of the sale of subsidiaries			
Decrease in trade and other receivables		108,058	193,201
(Increase) in prepayments and other assets		(3,545)	(40)
Decrease in inventories		128	7,847
(Decrease)/increase in deferred tax liability		-	-
Decrease in income tax receivables		-	3,051
(Decrease)/Increase in trade and other payables		(7,023)	1,147
Increase/(Decrease) in provisions and employee benefits		1,422	(2,510)
Net cash from operating activities		**87,729**	**209,904**
Net cash from operating activities- discontinued operation	15	33,713	90,882
Net cash from operation activities – continuing operations		**54,016**	**119,022**

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' or 'Thorn') is a for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 320 Pitt Street, Sydney, NSW, 2000. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'consolidated entity'). Thorn is a financial services group providing commercial finance to small and medium-sized enterprises and consumer finance.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 30 May 2022.

(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 a 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) Determination of expected credit losses of receivables and provisions. See note 8.

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:

(iv) 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

(v) 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 2022 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 8 to the consolidated financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

The directors have prepared the consolidated financial statements on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Accounting Policies

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

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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 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.

(h) 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.

(i) 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.

(j) New Standards and Interpretations Adopted

The AASB has issued AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2, which is an amendment in response to the IBOR reforms. The reform provides an amendment to AASB 9, 139, 7 and 16. The standard is effective for the current reporting period.

(k) Reclassification of comparative financial information

During the period, the Group has completed the sale of assets from the Consumer Finance division. The comparative information in the statement of profit or loss and other comprehensive income and statement of cash flow have been reclassified to present the items belonging to Consumer Finance as a single line item (discontinued operation). Refer to note 15 for details on adjustments to these statements.

2. SEGMENT REPORTING

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

On 20 December 2021, the Group completed the sale of assets from the Consumer Finance division to Credit Corp. This division was disclosed as discontinued operation, with comparatives in 2021 restated in the Consolidated Statement of Profit or Loss & Other Comprehensive Income to show the impact of the sold assets.

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

2022 **$'000 AUD**	**Consumer Finance (Discontinued operation)**	**Business Finance**	**Corporate**	**Consolidated**
Sales Revenue	6,411	-	-	6,411
Interest Revenue	22,943	15,490	-	38,433
Other	4,567	1,806	-	6,373
Total Segment revenue	**33,921**	**17,296**	**-**	**51,217**
Net gain on sale of financial asset	-	-	119	119
Operating expenses	(18,104)	13,423	(19,288)	(23,969)
Corporate re-allocation of expenses	(8,025)	(3,883)	11,908	-
EBITDA	**7,792**	**26,836**	**(7,261)**	**27,367**
Depreciation and amortisation	-	-	-	-
Impairment	(13)	(153)	(236)	(402)
Gain on sale of discontinued operation	11,736	-	-	11,736
EBIT	**19,515**	**26,683**	**(7,497)**	**38,701**
Finance expense	(34)	(6,321)	-	(6,355)
Profit before tax	**19,481**	**20,362**	**(7,497)**	**32,346**
Segment assets	-	109,323	72,501	181,824
Segment liabilities	-	(68,977)	(9,041)	(78,018)

2021 **$'000 AUD**	**Consumer Finance (Discontinued operation)**	**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	(50,809)	(20,197)	(15,935)	(86,941)
Corporate re-allocation of expenses	(7,745)	(700)	8,445	-
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)

Reconciliations of reportable segment to IFRS measures

$'000 AUD	**2022**	**2021**
Revenue		
Total revenue for reportable segments	51,217	104,134
Elimination of discontinued operations	(33,921)	(70,692)
Consolidated Revenue	**17,296**	**33,442**
Profit before tax		
Total profit before tax for reportable segments	32,346	8,396
Elimination of discontinued operations	(19,481)	(12,844)
Consolidated profit/(loss) before tax from continuing operations	**12,865**	**(4,448)**

Reconciliations of corporate re-allocation expenses

During the year, the Group re-allocated a portion of the gross corporate expenses to each business division. In 2022, $8.0m was allocated to the Consumer Finance division (2021: $7.7m). Some of these costs will still be incurred in the future years as corporate expenses even though Consumer Finance has been discontinued. The breakdown of the allocated costs are as below.

2022 **$'000 AUD**	**Consumer Finance**	**Business Finance**
Employee benefit expense	(4,393)	(2,481)
Property expenses	(305)	(77)
Communication & IT expenses	(2,489)	(631)
Legal fees	(266)	(213)
Other expenses	(572)	(481)
Total corporate expenses re-allocated	**(8,025)**	**(3,883)**

2021 **$'000 AUD**	**Consumer Finance**	**Business Finance**
Employee benefit expense	(3,738)	(696)
Property expenses	(3)	-
Communication & IT expenses	(3,208)	(4)
Legal fees	(378)	-
Other expenses	(418)	-
Total corporate expenses re-allocated	**(7,745)**	**(700)**

3. CASH AND CASH EQUIVALENTS

$'000 AUD	2022	2021
Bank balances	86,760	88,045
Call deposits	-	-
Cash and cash equivalents	**86,760**	**88,045**

Included in cash is an amount of $18,705,000 (2021: $19,745,000) 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. Within this balance, $6,973,605 is held in an excess spread reserve account as collateral. Free cash is $68,055,000 (2021: $68,300,000) as at 31 March 2022.

4. TRADE AND OTHER RECEIVABLES

$'000 AUD	2022	2021
Current		
Trade receivables	2,431	6,932
Finance lease receivables	8,805	30,719
Loan receivables	23,748	29,442
	34,984	**67,093**
Non-current		
Finance lease receivables	9,533	57,860
Loan receivables	44,067	71,689
	53,600	**129,549**

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 $40,460 (2021: $41,000) 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 8.

5. TRADE AND OTHER PAYABLES

$'000 AUD	2022	2021
Trade payables	103	425
Other payables	8,597	15,298
	8,700	**15,723**

Trade payables are unsecured and are usually paid within 30 days of recognition. Other payables consists of employee leave transfer to Credit Corp, 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.

6. INCOME TAX EXPENSE

Numerical reconciliation between tax expense and pre-tax accounting profit

$'000 AUD	2022	2021
Profit before tax	**32,346**	**8,396**
Prima facie income tax using the domestic corporation tax rate of 30% (2021: 30%)	9,704	2,519
Change in income tax expense due to:		
Non-deductible expense and unrecognised timing differences	31	(6)
Utilisation of tax losses	(7,999)	(1,657)
Recognised and unrecognised timing differences	(1,736)	(856)
(Over) / Under provided in prior years	-	-
Income tax (benefit)/ expense on pre-tax accounting profit	-	-

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.

7. 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 2022.

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	2022	2021
Interest rate swap liability	359	3,721

8. 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 strategic direction and the risk management framework. The Board has established the Risk & Compliance Committee, which is responsible for developing and monitoring risk management policies.

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. The Committee reports regularly to the Board of Directors on its activities.

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

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 provides business finance to SMEs 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.

During the year, the Group has two separate receivables books; Business Finance receivables and the Radio Rentals Consumer Finance receivables. Consumer Finance receivables are included in one group (forms part of the assets sold to Credit Corp) 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 Finance 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 unwound their lockdown measures and returned to pre-COVID-19 economic conditions varied and there remains a risk of the pandemic and other global issues creating a possible recession within Australia.

Management overlay

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. The full impact of both the COVID-19 pandemic is uncertain at the balance date for the Business Finance division as the Group has yet to see the anticipated drop in arrears for the COVID-19 affected lease receivables portfolio as a result of unwinding of all social and lockdown restrictions.

At 31 March 2022, $34.6m of Business Finance receivables were identified as COVID-19 impacted. Out of these, 16.1% by value were greater than 30 days in arrears at the balance date. As the COVID-19 lease receivables moves towards its end term (36% of these receivables are set to come to term within the next 18 months), there is increasing concern that collections will become more difficult for this cohort.

In light of evolving circumstances, our methodology has been assessed and revised since March 2021. The provision has been reduced in line with the reduction of the affected portfolio and is consistent with the total percentage used for the half-year results (circa 43% of the total COVID-19 impacted book).

The judgements and assumptions used in estimating the overlays will be reviewed and refined in future financial periods as the recovery from 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:

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 2021	9,051	24,718	11,278	45,047
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(121)	358		237
Transfer from Stage 1 to Stage 3	(218)		764	546
Transfer from Stage 2 to Stage 1	71	(474)		(403)
Transfer from Stage 2 to Stage 3		(309)	302	(7)
Transfer from Stage 3 to Stage 1	20		(352)	(332)
Transfer from Stage 3 to Stage 2		34	(62)	(28)
New financial assets originated or purchased	1,518			1,518
Changes in the balances of non-transferred financial assets	(3,351)	(20,228)	(5,925)	(29,504)
Change in estimates	3,889	5,415	4,346	13,650
Changes to model assumptions and methodologies	(408)	(399)	(542)	(1,349)
Write-offs			(7,315)	(7,315)
Total net P&L charge during the period	**1,400**	**(15,603)**	**(8,784)**	**(22,987)**
Loss allowance as at 31 March 2022	**10,451**	**9,115**	**2,494**	**22,060**

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 2021	129,992	53,152	10,552	193,696
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1,373)	1,373		-
Transfer from Stage 1 to Stage 3	(4,176)		4,176	-
Transfer from Stage 2 to Stage 1	1,168	(1,168)		-
Transfer from Stage 2 to Stage 3		(609)	609	-
Transfer from Stage 3 to Stage 1	556		(556)	-
Transfer from Stage 3 to Stage 2		98	(98)	-
New financial assets originated or purchased	21,809			21,809
Changes in the balances of non-transferred financial assets	(48,122)	(43,497)	(5,925)	(97,544)
Write-offs			(7,315)	(7,315)
Total net change during the period	**(30,138)**	**(43,803)**	**(9,109)**	**(83,050)**
Gross closing amount as at 31 March 2022	**99,854**	**9,349**	**1,443**	**110,646**

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	2022	2021
Trade receivables	2,430	6,970
Consumer Finance lease receivables	-	74,154
Business Finance lease receivables	24,451	56,062
Loan receivables	83,764	133,840
Total gross amount	**110,645**	**271,026**
Allowance for impairment	(22,061)	(74,384)
	88,584	**196,642**

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.

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 was 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.

Impairment losses

Consumer Leasing lease receivables

$'000 AUD	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Stage 1	-	-	69,504	(21,509)
Stage 2	-	-	4,795	(4,795)
Stage 3	-	-	3,033	(3,033)
	-	**-**	**77,332**	**(29,337)**

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 2022	Impairment 2022	Gross 2021	Impairment 2021
Stage 1	22,489	(3,025)	39,111	(2,515)
Stage 2	2,510	(2,510)	15,489	(7,142)
Stage 3	577	(577)	2,680	(2,680)
	25,576	**(6,112)**	**57,280**	**(12,337)**

Loan receivables (Business Finance and remaining consumer solar loans)

$'000 AUD	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Stage 1	77,364	(8,244)	90,881	(6,536)
Stage 2	6,840	(6,840)	37,663	(18,302)
Stage 3	865	(865)	7,872	(7,872)
	85,069	**(15,949)**	**136,416**	**(32,710)**

The contractual amount outstanding on receivables that were written off and that are still subject to enforcement activity is $12.5m.

Thorn has provided a guarantee, to the warehouse trust, against a group of affected trust receivables. The value of the receivables at 31 March 2022 is $17.2m. Thorn has deemed the risk of an outflow of economic resources to be extremely remote and, as such, has estimated the guarantee to have a zero fair value.

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 Group 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 10, 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 2022.

31 March 2022 ($'000 AUD)	Carrying amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Securitised warehouse facility	60,591	87,676	54,674	33,002	-
Lease liability	11	11			
Trade and other payables	8,700	8,700	8,700	-	-
Total non-derivatives	**69,302**	**96,387**	**63,374**	**33,002**	**-**
Interest rate swap					
(Inflow)		(15,581)	(1,421)	(14,160)	-
Outflow	359	11,853	2,308	9,545	-
Total derivatives	**359**	**(3,728)**	**887**	**(4,615)**	**-**

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**	**-**

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. The timing of repayment is dependent upon the timing of the receivables collected. 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 10 which is based on expected cash flows.

The consolidated entity's access to financing arrangements is disclosed in note 10.

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 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	2022	2021
Free cash	68,055	68,300
Borrowings, net of hedging	18,575	(20,016)

At 31 March 2022, Thorn was hedged at 139% (2021: 112%) of its warehouse borrowing balance of $60.6m (2021: $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 $642,000 (2021: $618,000), 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 permit future development of the business. The Board 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 also monitors the level of dividends to 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. The investment was considered to be a Level 2 investment, and has subsequently been sold.

9. PROVISIONS

2022 **$'000 AUD**	**Business Finance restitution**	**Make good**	**Service warranties**	**Regulatory and Other**	**Total**
Opening balance	-	423	1,808	583	2,814
Provisions made during the year	-	26	1,029	3,979	5,034
Provisions used during the year	-	(112)	(1,526)	(1,417)	(3,055)
Provisions transferred as part of asset sale of RR	-	(35)	(1,311)	-	(1,346)
Provisions reversed during the year	-	(257)	-	-	(257)
Provisions reclassified to other payables	-	-	-	-	-
	-	**45**	**-**	**3,145**	**3,190**
Current	-	45	-	3,145	3,190
Non-current	-	-	-	-	-
	-	**45**	**-**	**3,145**	**3,190**

2021 **$'000 AUD**	**Business Finance restitution**	**Make good**	**Service warranties**	**Regulatory and Other**	**Total**
Opening balance	1,689	1,635	-	605	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**

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's initial position was in favour of the customers with 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 was no reasonable expectation of recovery and all practical recovery efforts had been exhausted.

In 2021, the matter has been settled and consequently the Group has released the remaining restitution provision related to this matter.

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.

Regulatory and Other provision

This a general provision which covers a number of potential obligations, including indemnities and warranties in connection with the sale of the Consumer Finance business, costs associated with the business restructure following the sale transaction, potential customer remediation, penalties and administration costs and legal matters.

Warranty provision

Under the terms of the consumer leases originated in the Group's Consumer Finance 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. Upon completion of the sale, the warranty of $1.3m has been transferred to gain on sale calculation.

10. LOANS AND BORROWINGS

$'000 AUD	2022	2021
Current liabilities		
Secured loans	45,276	78,203
Non-Current liabilities		
Secured loans	15,315	88,100
	60,591	**166,303**

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	2022	2021
Securitised warehouse facility	60,591	166,303
Utilised	(60,591)	(166,303)
Available headroom	-	-
Total loan facilities	60,591	166,303
Utilised	(60,591)	(166,303)
Secured loan facilities not utilised at reporting date	-	-

Corporate facilities

The Group has no open corporate debt facility.

The Group still retains access to bank guarantees as part of our ongoing transactional banking arrangements and at 31 March 2022, the amount drawn was $3.3m. The Group has cash collateralized the facility.

Warehouse facility

Thorn Business Finance is financed by a securitised warehouse facility ('warehouse' or 'warehouse facility') 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 lease payments and is non-recourse to the Group, which means 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 one that 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 April 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 the same period, 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 the end of the financial year ending 31 March 2021.

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.

At 31 March 2022, the relevant arrears number was 4.02% (this number does not take into account receivables that have been written off).

11. CAPITAL AND RESERVES

Issued capital

Number of shares	**2022**	**2021**
On issue at the beginning of year	339,188,085	322,350,132
Issue of new shares under dividend reinvestment plan	2,398,077	16,837,953
Issue of new shares under an employee share based payment plan	464,253	-
Repurchase of shares through buy-back scheme	(1,857,701)	
	340,192,714	**339,188,085**

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 shareholders' meetings.
- In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.
- The Company does not have authorised capital or par value in respect of its issued shares.

Reserves

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

$'000 AUD	**2022**	**2021**
Cash flow hedge reserve	(359)	(3,721)
Share-based payment reserve	-	229
Trust excess spread reserve	6,974	-
	6,615	**(3,492)**

During the period, Thorn reached an agreement with its funders to allow Thorn to vary contracts with certain COVID-19 affected customers. As a result of the amendments made to the funding arrangements, an "excess spread ledger" was established. Any excess spread which would usually be distributed to Thorn on a monthly basis is instead held within a cash reserve and serves as collateral against the collection of the receivables. Once the external note holders are repaid in full, these amounts will be available for distribution to Thorn.

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
2022				
Final 2021	1.0	3,375	30%	21 July 2021
Interim 2022	-	-	n/a	n/a
Special dividend	7.0	23,792	30%	9 February 2022
Total amount	**8.0**	**27,167**		
2021				
Final 2020	-	-	-	n/a
Interim 2021	-	-	-	n/a
Special dividend	7.5	24,176	30%	3 November 2020
Total amount	**7.5**	**24,176**		

During the year, Thorn paid total dividends of 8 cents per share, totalling $27.2m. A number of Thorn's shareholders participated in the Company's dividend reinvestment plan ('DRP') offered for the final 2021 dividend, resulting in $0.5m of the total being reinvested in Thorn shares. Net cash outflow was $26.7m.

The Directors have declared a final dividend of 1 cent per share for an expected payment of $3.4m to be paid on 25 July 2022. This has not been recognised as a liability at year end. The dividends are fully franked. The DRP will apply to the final dividend, with a discount of 2.5% to the market price. It is expected that shares allocated under the DRP will be issued and allocated on the dividend payment date.

Dividend franking account

$'000 AUD	2022	2021
30% franking credits available to shareholders of Thorn Group Limited	16,435	28,346

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.

12. 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 of the Company 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	2022	2021
Profit attributable to ordinary shareholders (basic) $'000 AUD		
Profit attributable to ordinary shareholders (basic)- Continuing operations	12,865	(4,448)
Profit attributable to ordinary shareholders (basic)- Discontinued operation	19,481	12,844
Profit attributable to ordinary shareholders (basic)	32,346	8,396
Weighted average number of ordinary shares (basic) '000's		
Issued ordinary shares at 1 April	339,188	322,350
Effect of shares issued	52	6,874
Weighted average number of ordinary shares for the year	**339,240**	**329,224**
Weighted average number of ordinary shares (diluted) '000's		
Issued ordinary shares at 1 April	339,188	322,350
Effect of shares issued	1,075	9,066
Weighted average number of ordinary shares for the year	**340,263**	**331,416**
Earnings per share – Continuing operations		
Basic earnings per share (cents)	3.8	(1.4)
Diluted earnings per share (cents)	3.8	(1.4)
Earnings per share – Discontinued operation		
Basic earnings per share (cents)	5.7	3.9
Diluted earnings per share (cents)	5.7	3.9
Earnings per share - Consolidated		
Basic earnings per share (cents)	9.5	2.5
Diluted earnings per share (cents)	9.5	2.5

13. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest	
		2022	2021
Parent entity			
Thorn Group Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%

A.C.N. 647 764 510 Pty Ltd	Australia	100%	100%
A.C.N. 647 765 571 Pty Ltd***	Australia	N/A	100%
Thornmoney Pty Ltd**	Australia	100%	100%
Thorn Equipment Finance Pty Ltd***	Australia	N/A	100%
Thorn Business Finance Pty Limited***	Australia	N/A	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%
Thorn Finance Pty Ltd*	Australia	100%	N/A
Thorn Services Pty Ltd*	Australia	100%	N/A
Thorn Employee Services Pty Ltd*	Australia	100%	N/A
Thorn Administration No.1 Pty Ltd*	Australia	100%	N/A

*These entities were incorporated during the year
** The entity had a name change during the year, previously A.C.N. 648 650 711 Pty Ltd
***These entities were deregistered 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.

14. PARENT ENTITY DISCLOSURES

As at 31 March 2022, and throughout the financial year ending 31 March 2022, the parent entity of the consolidated entity was Thorn Group Limited.

$'000 AUD	**2022**	**2021**
Result of Parent Entity		
Profit for the period	27,167	24,176
Other comprehensive income		-
Total comprehensive profit for the period	**27,167**	**24,176**
Financial position of the parent entity at year end		
Current assets		-
Total assets	108,158	108,181
Current liabilities	-	-

Total liabilities	-	-
Total equity of the parent comprising		
Share capital	158,049	157,843
Accumulated losses	(49,891)	(49,891)
Equity remuneration reserve	-	229
Total Equity	**108,158**	**108,181**

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

15. DISCONTINUED OPERATIONS

With effect from 20 December 2021, Thorn has completed the sale of assets attached to the Consumer Finance (Radio Rentals) division to Credit Corp. It therefore deems the net profit after tax in the ordinary course of business related to the division as a discontinued operation profit.

Thorn has received a cash consideration for the sale of $43.9m, with an additional amount of approximately $2.3m payable on a deferred basis. Based on management assessments, it is highly improbable that the conditions to received the deferred amount will be met by the agreed timeline and hence the $2.3m was not taken to revenue.

The sale consideration was offset by $1.4m payable to Credit Corp for transferring employees' leave liabilities. Thorn and Credit Corp commenced a transitional services period of six months in December 2021, including the secondment and subsequent transfer of relevant employees . The profit on sale was reduced by the costs of sale and provisioning to record a net gain on sale of $11.7m.

(a) Result of discontinued operations

$'000 AUD	**2022**	**2021**
Revenue	33,921	70,692
Expenses	(26,176)	(57,848)
Results from operating activities	**7,745**	**12,844**
Income tax	-	-
Results from operating activities, net of tax	**7,745**	**12,844**
Gain/(loss) on sale of discontinued operation	11,736	-
Income tax on sale of discontinued operation	-	-
Profit (loss) from discontinued operations, net of tax	**19,481**	**12,844**

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

$'000 AUD	**2022**	**2021**
Net cash used in operating activities	33,713	90,882
Net cash from investing activities	43,876	-
Net cash from financing activities	(799)	(21,158)
Net cash flows for the year	**76,790**	**69,724**

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

$'000 AUD	**2022**
Cash and cash equivalents	(65)
Inventory	209
Trade and other receivables	31,815

Deferred tax asset	-
Trade and other payables	(3,825)
Lease liability	(281)
Employee benefits	(1,318)
Provisions	(2,022)
Net assets and liabilities	**24,513**
Consideration received, satisfied in cash	42,472
Cash and cash equivalents disposed of	-
Net cash inflows	**42,472**

16. RELATED PARTIES

Key management personnel remuneration

$	2022	2021
Short-term employee benefits*	2,208,874	1,532,221
Post-employment benefits	80,150	376,168
Long-term employee benefits	-	-
Share-based payments	32,328	(90,622)
	2,321,352	**1,817,767**

* 2022 includes $313,051 that was paid in December 2021 for the STI awarded in relation to 2021 financial year. An additional amount of $224,587 and $88,464 had been paid to Peter Lirantzis and Luis Orp respectively.

Individual directors and executives compensation disclosures

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

17. 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

No performance rights were granted during the 2022 financial year.

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 2021	Granted as Compensation	Vested during the year	Lapsed/Forfeited	Held at 31 March 2022
Performance rights	1,311,624	-	(464,253)	(847,371)	-

18. EMPLOYEE BENEFIT EXPENSE

$'000 AUD	2022	2021
Employee benefit expense	14,137	13,171

Employee benefit expense includes redundancy expenses of $183,000 (2021: $1,267,000).

19. SUBSEQUENT EVENTS

Refer to note 11 for the final dividend recommended by the directors, to be paid on 25 July 2022. The Company's Dividend Reinvestment Plan (DRP) will apply to the final dividend.

In May 2022 and in line with Thorn's core business strategy, Thorn acquired shares in another ASX listed company, Humm Group Limited, totalling approximately $1.85 million.

20. CONTINGENT LIABILITY

Thorn is undergoing legal proceedings in relation to a disputed property lease (Thorn Australia Pty Ltd ats Centuria Property Funds Ltd). Thorn obtained a declaration from the Supreme Court of New South Wales to the effect that it had not entered into a binding lease in respect of commercial premises in Eveleigh. Judgement was delivered in Thorn's favour on 27 September 2021. Centuria appealed the decision. The appeal was heard in the NSW Court of Appeal on 24 March 2022 and judgement is pending. The matter is being defended, and no provision has been taken. Legal fees have been incurred defending the matter. A bank guarantee has been provided to Centuria for a value of $1.1m. Thorn has provided cash collateral for this guarantee to its bank. The collateral is recognised in prepayments and other assets.