Annual Report

31 March 2022

ACN 072 507 147

CONTENTS

Directors’ Report	2
Lead Auditor’s Independence Declaration	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	23
Directors’ Declaration	53
Independent Auditor’s Report	54

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 2022 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. This includes the asset sale of the Consumer Finance division to Credit Corp Group Limited ('Credit Corp') in December 2021 and launching the asset finance product with key focus on scalability through technology.

The securitised warehouse facility remains in amortisation, however Thorn is in negotiations with its funders to re-open the warehouse.

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 financial services group providing commercial finance to small and medium-sized enterprises and the leasing of household products to consumers. During the year, the Group made a strategic decision to sell the assets of its former Consumer Finance division to Credit Corp and focus on growing its suite of lending products for SMEs through the Thornmoney brand.

Financial performance

A$m	Segment revenue		Segment EBIT to NPAT	
	2022	**2021***	**2022**	**2021***
Business Finance	17.3	33.4	25.7	12.7
Corporate	-	-	(7.6)	(8.9)
Significant items			-	2.4
Sub-total	**17.3**	**33.4**	**19.1**	**6.2**
Fair value gains on derivative			1.5	
Net interest expense			(6.8)	(10.6)
Profit/ (loss) before tax			12.8	(4.4)
Tax expense			-	-
Profit / (loss) after tax from continuing operations			**12.8**	**(4.4)**
Profit from discontinued operation after tax			19.5	12.8
Net profit after tax			**32.3**	**8.4**

** Restated to redirect the results of discontinued business, into one line above Net profit after tax for the year*

Revenue fell 48% to $17.3m (2021: $33.4m), and the net profit after tax ('NPAT') increased from $8.4m to $32.3m. $11.7m of NPAT is attributable to gain on sale of assets from the Consumer Finance division.

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, reflecting growth.

An Invoice Finance value proposition was launched in July 2021, providing a line of credit, backed by the SME's invoices.

The equipment finance book's 30 day arrears, were 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 the absence of 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 $25.7m profit (2021: $12.7m).

Corporate

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

Significant items

No significant items in the current financial year.

In the prior year, the Group incurred the following costs related to the closure of the Consumer Finance 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.

Fair value gains on derivative

The fair value gains on derivative consists of the ineffective portion of the interest rate swap on the warehouse funding balance. In December 2021, the Group made an assessment that the interest rate swap has fallen outside the prescribed range of effectiveness as per AASB 139. This is attributable to the warehouse being in amortisation leading to the funding balance decreasing at a faster rate than the expected repayment of the warehouse receivables. The swap remained ineffective for the period from December 2021 through to March 2022. At 31 March 2022, Thorn was hedged at 139% of its warehouse borrowing balance of $60.6m. In absence of any variations on the swap, the Group expect the hedge to remain ineffective in the future.

Net interest expense

Net interest expense decreased by 36% from $10.6m to $6.8m (excluding discontinued operation). This includes a $0.4m adjustment of the derivative interest in accordance to AASB 139. 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 in December 2021. Thorn has received a cash consideration for the sale of $43.9m, with an additional amount of approximately $2.3m payable on a deferred and conditional 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, the Consumer Finance division recorded a profit after tax of $7.7m (2021: $12.8m including significant items).

Financial position

The balance sheet is presented below in two versions; the 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 the second including the warehouse which is as per the statutory accounts format ("incl. Trust").

Summarised financial position	31 March 2022		31 March 2021	
$m	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**
Cash at bank	68.1	86.8	68.3	88.0
Receivables	24.5	88.6	55.0	196.6
Inventories and other assets	6.4	6.4	3.1	3.1
Investments	-	-	1.0	1.0
Total Assets	**99.0**	**181.8**	**127.4**	**288.7**
Borrowings	-	60.6	-	166.3
Other liabilities	18.0	18.4	23.6	27.3
Total Liabilities	**18.0**	**79.0**	**23.6**	**193.6**
Total Equity	**81.0**	**102.8**	**103.8**	**95.1**
Gearing (net debt/equity) (i)		(25.5)%	n/a	103.0%
Return on Equity		32.6%		8.4%
Earnings Per Share		9.5		2.6

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

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 $68.1m and cash in the warehouse was $18.7m (2021: $68.3m and $19.7m). The free cash reflects cash consideration received for the sale of assets in the Consumer Finance division, the payment of a special dividend in February 2022 totalling $23.8m, 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 Business Finance receivables. All are stated at their gross amount less unearned interest, less a provision for expected credit losses.

The Business Finance receivables gross balance reduced by $82.5m to $110.0m (2021: $192.5m) due to lower originations. The provision reduced by 51% to $(22.0m) (2021: $(45.0m)). The net receivables balance reduced by $59.5m to $88.0m (2021: $147.5m).

In the table above, the columns which exclude the warehouse (headed excl. Trust) do not include the Business Finance receivables and related provisions held in the warehouse.

Investments

The Group made a $1m strategic investment in Quicka Holdings Pty Ltd trading as "QuickaPay" in financial year 2021. The business was sold in December 2021, Thorn received $1.15m for its initial investment.

Other liabilities

The other liabilities reduction of $5.2m was driven by the sale of its Consumer Finance division, 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	2022	2021
Securitised Warehouse Facility	60.6	166.3

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 is secured over rentals and payments receivable from the underlying receivable contracts and is non-recourse to the Group, meaning that Thorn's liability is limited to its class F notes unless it is liable in damages for breach of its delegations under the warehouse documentation 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 in the next 12 months are disclosed as current. At maturity, no further originations can be sold down into the warehouse 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 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 previously received 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. At 31 March 2022, the relevant arrears number was 4.02% (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 Thorn to undertake those variations, Thorn cannot fund new originations through the warehouse until further agreement is reached. Thorn is in negotiations with its funders to re-open the warehouse. The warehouse borrowings were paid down by $105.7m to $60.6m (March 2021: $166.3m).

DIVIDENDS PAID OR RECOMMENDED

	Cents per share	Amount $'000 AUDs	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	n/a
Interim 2021	-	-	n/a	n/a
Special dividend	7.5	24,176	30%	3 November 2020
Total amount	**7.5**	**24,176**		

On 30 May 2022, 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. The dividend is fully franked. The Company's 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.

For the year, Thorn paid a total dividend 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 2021 final dividend, resulting in $0.5m of the total being reinvested in Thorn shares. Net outflow was $26.7m.

REGULATORY MATTERS

We acknowledge Thorn's role as a responsible corporate citizen to the environment, the community in which we operate and to our people. We aim to protect the environment in a sustainable manner preventing or reducing any negative impact of Thorn's operations and activities. As a financial services company, the Group has a relatively small environmental impact across its business locations. COVID-19 and the related lockdowns led to a reduction in Thorn's office environmental footprint. The Audit Committee, the Risk & Compliance Committee and the Board regularly review the risks associated with the business and believe that the Group does not have any material exposure to environmental or social sustainability risks. 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. In FY23, we will continue to look to implement strategies working towards minimising our carbon footprint.

The Group is subject to extensive regulation in each of the jurisdictions in which it conducts its consumer finance leasing business. The Group will remain subject to this regulatory environment through the transition period following the sale of the Consumer Finance division.

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 environment to ensure that the business is abreast of all potential changes.

SUBSEQUENT EVENTS

Dividend declaration

Refer to note 17 for the final dividend declared by the directors on 30 May 2022, to be paid on 25 July 2022. The Company's Dividend Reinvestment Plan will apply to the final dividend with a discount of 2.5% to the market price.

Share buy back programs

On 30 May 2022, Thorn completed a minimum holding share buy back, under which it bought back and cancelled 81,977 fully paid ordinary shares for $21,150.

Thorn is conducting an on-market share buy back program of up to 5% of Thorn's ordinary shares, or up to 16,994,615 ordinary shares, commencing 1 March 2022 and for up to 12 months. From 1 April 2022 to 24 June 2022, the Group has bought back 861,851 fully paid ordinary shares for a total cost of $224,965.

Legal proceedings

On 27 September 2021, the Supreme Court of New South Wales delivered judgement in Thorn's favour in relation to a disputed property lease.

On 23 June 2022, the appeal by Centuria against the judgement in favour of Thorn at first instance was dismissed by the NSW Court of Appeal (Centuria Property Funds Ltd v Thorn Australia Pty Ltd [2022] NSWCA 104).

Other

During the period of May 2022 to 24 June 2022, Thorn acquired shares in another ASX listed company, Humm Group Limited, for a cost of approximately $3.55 million.

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 realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group achieved a net profit after tax of $32.3m (2021: $8.4m) for the year ended 31 March 2022 and net cash generated in operating activities during the same period amounted to a $87.7m inflow (2021: $209.9m inflow), $54.0m inflow (2021: $119.0m) excluding the Consumer Finance division. A significant proportion of the cash outflow occurred in the second half of the year as a result of the Group's asset finance product re-launch and required funding of the originations, and the payment of special dividend in February 2022.

Following a strategic review, the assets of the Consumer Finance division were sold to Credit Corp in December 2021. This netted a cash consideration of $42.5m, $43.9m satisfied in cash in December 2021 and $1.4m payable to Credit Corp in financial year 2023.

The directors have reviewed the Group's cash flow forecast through to 30 June 2023.

The directors are of the opinion that there are reasonable grounds to believe that the collection from the receivables books alongside a smaller cost base, 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 invoice finance product and the revitalisation of the asset finance division are not guaranteed.

OUTLOOK

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

DIRECTORS' INFORMATION

Warren McLeland

Non-Executive Director
Appointed 30 August 2019
Appointed Board Chairman 23 October 2019
Appointed Chair of Risk & 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 Ltd 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
None

Interests in shares and options
Nil

Paul Oneile

Independent, Non-Executive Director
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
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.

Paul is the Non-Executive Chairman of Invigor Group Limited. Previously Paul was the Non-Executive Chairman of ASX listed company, A2B Australia Limited (formerly Cabcharge Australia Limited) and was the Non-Executive Chairman of Intecq Limited (formerly eBet Limited), from 2012 until its acquisition by Tabcorp Holdings Limited in December 2016.

Other current ASX directorships

Invigor Group Limited

Former ASX directorships in the last three years
A2B Australia Limited

Interests in shares and options
235,000 ordinary shares

Allan Sullivan

Non-Executive Director
Appointed 30 August 2019

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

Experience
Allan has had a professional career spanning over 40 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 Plc. Allan is a Non-Executive director of Invigor Group Limited.

Other current ASX directorships
Invigor Group Limited

Former ASX directorships in the last three years
None

Interests in shares and options
247,540 ordinary shares

Company Secretary

Alexandra Rose (BLaws, MBA, FAID, FGIA, FCIS) is the Group's General Counsel, Company Secretary and General Manager of Risk & Compliance. Alexandra is an experienced corporate lawyer with over 25 years of legal, risk and regulatory expertise. She has held senior executive roles at a number of leading Australian financial services companies and is a former non-executive director of The Law Society of New South Wales, Lawcover Insurance, Intech Credit Union Limited (now merged with Bank Australia), Justice Connect and Hockey NSW.

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	25	25	6	6	3	3	2	2
Paul Oneile	25	25	6	6	3	3	2	2
Allan Sullivan	25	25	6	6	3	3	2	2

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Insurance

During the financial year, the Company has paid insurance premiums of $1,908,779 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, except for 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 has ultimate responsibility for the fixed and variable remuneration opportunity and outcomes and determines what is value for money for shareholders.

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 non-executive 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 non-executive directors and its charter is available on the Company's website. The Committee makes recommendations to the Board for its consideration and approval. The Chairman of the Committee will be available at the Annual General Meeting to answer any questions from shareholders on this report.

The Committee draws 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 2022, the Non-Executive Directors ('NEDs') and KMP were:

Non-Executive Directors	Position	Director/Committee Chair Term or Date
Warren McLeland	Director	Full Year
	Board Chairman	Full Year
	Chairman of Risk & Compliance Committee	Full Year
Paul Oneile	Director	Full Year
	Chairman of Audit Committee	Full Year
	Chairman of Remuneration & Nomination Committee	Full Year
Allan Sullivan	Director	Full Year

Executive KMP	Position	Term or Date
Peter Lirantzis	Chief Executive Officer	Full Year
Luis Orp	Chief Financial Officer	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 Annual General Meeting ('AGM'). The Board does not intend to seek an increase to the fee pool at the 2022 AGM.

From 1 April 2021, the base annual fee for the Chairman is $110,000 per annum plus superannuation. Base fees for other non-executive directors are $100,000 per annum plus superannuation. The Chair of each of the committees receives an additional annual fee of $10,000 plus superannuation. Members of each of the committees receive an additional annual fee of $5,000 plus 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	2022	130,000	12,838	142,838
	2021	90,769	8,623	99,392
Paul Oneile	2022	125,000	12,344	137,344
	2021	89,500	8,503	98,003
Allan Sullivan	2022	115,000	11,356	126,356
	2021	75,000	7,125	82,125
Former Non-Executive Director				
Kent Bird*	2022	-	-	-
	2021	45,769	4,348	50,117
Total Non-Executive Director Remuneration	**2022**	**370,000**	**36,538**	**406,538**
	2021	**301,038**	**28,599**	**329,637**

*Kent Bird resigned as a non-executive director on 2 October 2020.

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 to enable small to medium businesses to thrive and for everyday Australians to access all-encompassing household essentials.

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 two year service period to be completed, starting from 10 February 2020. These rights vested on 30 March 2022 and are currently held in escrow with a two year hold period. If Mr Lirantzis's employment is terminated by the Company for cause, all 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)
Peter Lirantzis	464,253	22 May 2020*	2022	Nil	-

*The grant of the rights was finalised during the 2021 financial year with the service period being backdated to 10 February 2020, Peter's start date.

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 (a)	Other remuneration (b)	Superannuation	Long Service Leave	LTI (c)	Total
Executive KMP									
Peter Lirantzis	2022	499,308	-	522,876	234,451	23,100	-	32,328	1,312,063
	2021	499,481	-	234,451	-	21,521	-	36,756	792,209
Luis Orp	2022	360,000	-	153,427	98,623	23,100	-	-	635,150
	2021	151,526	-	98,623	-	11,202	-	-	261,351
Former KMP's									
Peter Forsberg	2022	-	-	-	-	-	-	-	-
	2021	247,102	293,325	-	-	21,521	-	(127,378)	434,570
Total	**2022**	**859,308**	**-**	**676,303**	**333,074**	**46,200**	**-**	**32,328**	**1,947,213**
Remuneration	**2021**	**898,109**	**293,325**	**333,074**	**-**	**54,244**	**-**	**(90,622)**	**1,488,130**

a) The amounts are earned by the KMP but, due to the introduction of the deferral mechanism, 50% of total STI is to be paid in July 2022 with subsequent payments as per STI deferral scheme.

b) In December 2021, the Board determined to change the short term incentive framework post annual report sign off for the 2021 financial year. The potential target amount had changed from 50% to 100% of fixed remuneration salary package. An additional amount of $234,451 and $98,623 was payable to Peter Lirantzis and Luis Orp respectively for the 2021 year.

c) 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	50%	50%	0%

Peter 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.

Features	Description
Purpose	To motivate executives to achieve short term performance targets.
Opportunity	<table><tr><th></th><th>Target (as % of Fixed)</th><th>Maximum (as % of Fixed)</th></tr><tr><td>KMP</td><td>100%</td><td>100%</td></tr></table> In December 2021, the Board determined to change the short term incentive framework post annual report sign off for the 2021 financial year. The potential target amount had changed from 50% to 100% of fixed remuneration salary package.
Performance Period	12 months
Gateway and performance metrics (2022)	The FY22 STI's were set based upon recovery of COVID-19 and executing a number of strategic initiatives. The KPIs that were assessed for financial year 2022 include: • Financial metrics including cash NPAT and preserving the cash balance; • Market Benchmarking; • People and culture; • Capital, Risk and Funding; and • Innovation and technology initiatives (delivery of technology strategies to allow for scale and digitalisation)
Gateway and performance metrics (2021)	The FY21 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 Consumer Finance. 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
Assessment, approval and payment	At the end of the financial year, the Remuneration & Nomination Committee assesses actual financial performance based on the Company's audited financial statements and each executive's performance against 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.

Features	Description
	Once approved, the STI rewards are expected to be paid in the month following the release of the Company's results to ASX.
Deferral	CEO STI payment to Peter Lirantzis is to be paid in 3 instalments (50% in July 2022, 25% in July 2023 and 25% in July 2024). The CFO STI payment to Luis Orp and other executive team members are to paid in 2 instalments (50% in July 2022 and 50% in July 2023). Payment of STI deferred amount is subject to continued employment.

STI OUTCOMES FOR 2022 - AUDITED

Given the strong performance against NPAT and other KPI measures, short term incentive payments will be made to the executive KMPs for financial year 2022. The Board approved an STI outcome of 75% of total KMP target pool.

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 LTI remuneration framework is presently under review.

For financial year 2022, no executive KMPs were involved in LTI plans. Refer to note 25 for details of LTI plans that were in place for the year.

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.

As noted above, the LTI remuneration framework is presently under review.

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	2022	2021	2020	2019	2018
Profit After Tax (AUD millions)	32.3	8.4	(81.1)	(14.9)	(2.2)
Earnings per share (cents)	9.5	2.6	(33.7)	(9.3)	(1.4)
Dividends per share (cents)	8.0	8.5	0.0	0.0	1.0
Share price at year end ($)	0.28	0.18	0.05	0.46	0.62
Return on equity %	32.5	8.4	n/a	n/a	n/a

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 2021	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 31 March 2022
Peter Lirantzis*	464,253	-	(464,253)	-	-	-

** Currently held in escrow with a two year hold period until 10 February 2024.*

Shareholdings of the directors and executive KMP

2022 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	-	-	-	-
Paul Oneile	235,000	-	-	235,000
Allan Sullivan	247,540	-	-	247,540
Peter Lirantzis*	-	464,253	-	464,253
Luis Orp	250,000	-	12,206	262,206

** Currently held in escrow with a two year hold period until 10 February 2024.*

Other transactions with Directors or Executive KMP

There were no loans made or outstanding to Directors or executive KMPs 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 27.

The Company has agreed to indemnify the auditor, 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 is available on Thorn's website https://www.thorn.com.au/site/showcontentpopup.aspx?CompanyPageUid=541be516-3826-4052-b9bd-f34b11c7cc73&PageName=Corporate%20Governance%20Statement%202022&ReturnTo=showcategory.aspx?CategoryID=190

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is set out on page 17 and forms part of the directors' report for the financial year ended 31 March 2022.

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

Warren McLeland
Chairman

Dated at Sydney
24 June 2022

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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 2022, 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
24 June 2022

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 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	26	(14,137)	(13,171)
Impairment losses on loans and receivables	14	19,898	(12,492)
Marketing expenses		(359)	76
Property expenses		220	(422)
Communication & IT expenses		(3,942)	(4,566)
Insurance expenses		(2,601)	(1,628)
Legal expenses		(1,592)	(3,007)
Other expenses		(4,362)	(922)
Impairment of intangibles & property, plant and equipment	9,10	(389)	(216)
Recovery of impaired loan		-	1,330
Net gain on sale of financial asset	8	119	-
Corporate expense allocated to discontinued operation	2	8,025	7,745
Total operating expenses		**880**	**(27,273)**
Earnings before interest and tax ("EBIT")		18,176	6,169
Fair value gains on derivative		1,453	-
Finance expenses		(6,764)	(10,617)
Profit/(Loss) before income tax		**12,865**	**(4,448)**
Income tax	11	-	-
Profit/(Loss) after tax for the year from continuing operations*		**12,865**	**(4,448)**
Discontinued operation			
Profit from discontinued operation, net of tax	23	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		2,352	2,601
Income tax		-	-
Other comprehensive income for the year		**2,352**	**2,601**
Total comprehensive profit		**34,698**	**10,997**
Earnings per share- Continuing Operations			
Basic earnings per share (cents)	18	3.8	(1.4)
Diluted earnings per share (cents)	18	3.8	(1.4)
Earnings per share- Discontinued Operation			
Basic earnings per share (cents)	18	5.7	3.9
Diluted earnings per share (cents)	18	5.7	3.9
Earnings per share- Consolidated			
Basic earnings per share (cents)	18	9.5	2.6
Diluted earnings per share (cents)	18	9.5	2.5

** Restated to redirect the results of discontinued business, into one line above Profit after tax for the year. For details see note 23.*
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	4	86,760	88,045
Trade and other receivables	5	34,984	67,093
Prepayments and other assets		6,480	2,935
Inventories	3	-	128
Income tax receivable		-	-
Total current assets		**128,224**	**158,201**
Non-current assets			
Trade and other receivables	5	53,600	129,549
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		**53,600**	**130,549**
Total assets		**181,824**	**288,750**
Liabilities			
Current liabilities			
Trade and other payables	6	8,810	15,723
Lease liability	7	11	507
Loans and borrowings	16	43,412	78,203
Employee benefits	26	5,090	3,951
Provisions	15	4,090	1,944
Total current liabilities		**61,413**	**100,328**
Non-current liabilities			
Loans and borrowings	16	17,179	88,100
Lease liability	7	-	427
Employee benefits	26	77	170
Derivative financial instruments	13	359	3,721
Provisions	15	-	870
Total non-current liabilities		**17,615**	**93,288**
Total liabilities		**79,028**	**193,616**
Net assets		**102,796**	**95,134**
Equity			
Issued capital	17	158,049	157,843
Reserves	17	5,605	(3,492)
Retained earnings		(60,858)	(59,217)
Total equity		**102,796**	**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	-	2,352	-	2,352
Total comprehensive income	**-**	**9,326**	**25,372**	**34,698**
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**	**5,605**	**(60,858)**	**102,796**

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
Payment for share buy back		(354)	-
Dividends paid		(27,167)	(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	23	76,790	69,724
Cash and cash equivalents at 1 April		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 2021

Reconciliation of cash flows from operating activities

$'000 AUD		2022	2021
Profit/(Loss) 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)	-
Fair value gains on derivative		(1,453)	-
Interest expense adjustment on derivative		443	-
Other adjustments		(131)	78
Operating loss before changes in working capital and provisions		**(12,321)**	**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		(6,913)	1,147
Increase/(Decrease) in provisions and employee benefits		2,322	(2,510)
Net cash from operating activities		**87,729**	**209,904**
Net cash from operating activities- discontinued operation	23	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 Company's registered office and principal place of business is Ground Floor, 320 Pitt Street, Sydney, NSW, 2000. As at 31 March 2022, the registered address is Suite 402, 2 Elizabeth Street, North Sydney, NSW, 2060. 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 24 June 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 14.

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 14 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) Due to the changes in how we acquired and delivered the leased items to our customers in the Consumer Finance division, we no longer recognised sales revenue and cost of sales on a gross basis. As we were acting as an agent, we recognised a net agent fee which comprises the gross margin on the leased item as well as any direct costs associated with the delivery of the item. As a result, for the 9 months prior to the sale of the division, the sales revenue $6.4m and finance lease cost of sales ($6.1m) have been shown in note 23 as revenue of $0.3m.

(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) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 and are not expected to significantly affect the current or future periods.

(j) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods.

(k) Reclassification of comparative financial information

(i) 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 23 for details on adjustments to these statements.

(ii) Thorn has corrected the cost base of its intangibles and property, plant and equipment ('PPE') in prior financial year to reflect the closure of Radio Rentals stores. In note 9, the cost and amortisation and impairment amount of right of use assets has decreased from $17,559,000 to $6,120,000. In note 10, the cost and depreciation and impairment amount has decreased from $34,910,000 to $4,366,000.

2. SEGMENT REPORTING

The Board and 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)	12,413	(19,288)	(23,969)
Corporate re-allocation of expenses	(8,025)	(3,883)	11,908	-
EBITDA	**7,792**	**25,826**	**(7,261)**	**27,367**
Depreciation and amortisation	-	-	-	-
Impairment on PPE and intangibles	(13)	(153)	(236)	(402)
Gain on sale of discontinued operation	11,736	-	-	11,736
EBIT	**19,515**	**25,673**	**(7,497)**	**38,701**
Fair value gains on derivative	-	1,453	-	-
Finance expense	(34)	(6,764)	-	(6,355)
Profit before tax	**19,481**	**20,362**	**(7,497)**	**32,346**
Segment assets	-	109,323	72,501	181,824
Segment liabilities	-	(69,987)	(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 on PPE and intangibles	-	-	(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 future years as corporate expenses even though Consumer Finance has been discontinued. The Group estimated this amount to be approximately $1.1m. The breakdown of the allocated costs is 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 Leasing	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. INVENTORIES

$'000 AUD	2022	2021
Inventories	-	128

On the completion of the Consumer Finance sale, the Group has transferred $0.2m in net inventory value to Credit Corp.

4. 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 is not available to the consolidated entity. This cash is held within the warehouse and as such is under the control of the external 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.

5. 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 14.

6. TRADE AND OTHER PAYABLES

$'000 AUD	2022	2021
Trade payables	103	425
Other payables	8,707	15,298
	8,810	**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.

7. LEASES

Finance leases as lessor

During the period, the Consumer Finance division leased household goods to consumers. Contracts ranged from 1 - 60 months. The Business Finance division finances business assets to small and medium-sized 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	2022	2021
Lease receivables - less than one year	16,990	100,778
Lease receivables - between one and five years	11,059	81,861
Total Lease receivables	**28,049**	**182,639**
Unearned interest income on finance leases - less than one year	(2,181)	(29,773)
Unearned interest income on finance leases - between one and five years	(1,418)	(22,649)
Total unearned interest income on finance leases	**(3,599)**	**(52,422)**
Impairment provisioning	(6,112)	(41,638)
Net Lease receivables	**18,338**	**88,579**

Gross cash flows are expected to be collected as follows: $16,990,000 less than one year, $8,140,000 between one and two years, $2,753,000 between years two and three, $63,000 between years three and four, and $103,000 between years four and five.

Finance lease revenue of $4,134,000 (2021: $10,533,000) has been recognised in interest revenue in the Business Finance division.

Finance leases as lessee

At 31 March 2022, the lease liability was $0.1m, this was related to property leases. On completion of the Consumer Finance asset sale, $0.3m in lease liability was transferred to Credit Corp.

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	2022	2021
Impairment charge - right-of-use assets		
Properties	-	109
Vehicles	-	-
Printers	-	-
Total impairment	**-**	**109**
Interest expense (included in finance expenses)	14	176
Expense relating to short-term and low-value leases	217	439
Expense relating to variable lease payments not included in lease liabilities	130	526
Total expenses relating to leases	**361**	**1,141**
Net gain on modification of lease liability	0	(1,433)
Total	**361**	**(292)**

The total cash outflow for leases in the year ending 31 March 2022 was $1,046,000. $799,000 of these related to the discontinued Consumer Finance division.

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	2022	2021
Quicka Holdings Pty Ltd	-	1,000

The Group had initially invested $1.0m in Quicka Holdings Pty Ltd. In December 2021, Quicka Holdings Pty Ltd was acquired by legal service payments platform, RapidPay resulting in proceeds of $1.15m for the investment and a net gain on sale of $119,000.

9. INTANGIBLE ASSETS

$'000 AUD	Right of use assets	Software	Total
Year ended 31 March 2022			
Opening net carrying amount	-	-	-
Additions	-	145	145
Amortisation charges for the year	-	-	-
Impairment charges for the year	-	(145)	(145)
Closing net book amount	**-**	-	-
At 31 March 2022			
Cost	277	17,254	17,531
Amortisation and impairment	(277)	(17,254)	(17,531)
Net book amount	**-**	**-**	**-**

$'000 AUD	Right of use assets	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*	6,120	17,109	23,229
Amortisation and impairment	(6,120)	(17,109)	(23,229)
Net book amount	**-**	**-**	**-**

*Costs corrected to reflect closure of Radio Rentals stores in 2021 financial year.

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)

In 2019 and 2020 testing was 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.

At 31 March 2022, testing was performed by the Group with a similar outcome as previous years. 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 been completed. 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 2022	
Opening net carrying amount	-
Additions	257
Depreciation charges for the year	-
Impairment charges for the year	(257)
Closing net book amount	**-**
At 31 March 2022	
Cost	3,757
Accumulated depreciation and impairment	(3,757)
Net book amount	**-**

$'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*	4,366
Accumulated depreciation and impairment	(4,366)
Net book amount	-

*Costs corrected to reflect closure of Radio Rentals stores in 2021 financial year.

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	2022	2021
Current tax expense		
Current year	-	-
Adjustment for prior year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax (benefit)/ expense in the profit or loss statement	-	-

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	-	-

12. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
$'000 AUD	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Inventories	-	13,381	-	-	-	13,381
Property, plant and equipment	165	408	-	-	165	408
Trade, loan and other receivables	-	488	-	-	-	488
Finance lease receivables	-	-	(960)	(16,970)	(960)	(16,970)
Accruals	795	1,971	-	-	795	1,971
Provisions	-	722	-	-	-	722
Tax losses	-	-	-	-	-	-
Financial derivative	-	-	-	-	-	-
Tax assets / (liabilities)	**960**	**16,970**	**(960)**	**(16,970)**	**-**	**-**

The Group has unrecognised current tax losses of $20.4m ($6.1m tax effected) and $38.5m ($11.6m 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.

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 ineffective portion of the derivative is recognised in the statement of profit or loss and other comprehensive income as fair value gains or losses on derivatives.

In December 2021, the Group made an assessment that the interest rate swap has fallen outside the prescribed 80-125% range of effectiveness as per AASB 139. This is attributable to the warehouse being in amortisation, leading to the funding balance decreasing at a faster rate than the expected repayment of the warehouse receivables. The swap remained ineffective for the period from December 2021 through to March 2022. At 31 March 2022, Thorn was hedged at 139% of its warehouse borrowing balance of $60.6m. In absence of any variation on the swap, the Group expect the hedge to remain ineffective in the future.

The impact of the derivative on the statement of profit or loss and other comprehensive income are as per below table.

$'000 AUD	2022	2021
Fair value gains on derivative	1,453	-
Interest expense	(443)	-
	1,010	**-**

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

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.

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 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 Finance 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. In prior year, the Group prepared a base, best and worstcase scenario based on economic variables relevant to the Consumer Finance and Business Finance business units. This is no longer applicable with the sale of the Consumer Finance division and change in methodology for Business Finance as explained below.

Impact of COVID-19 pandemic

The COVID-19 pandemic and its effect on the local economy has impacted the Group's customers and performance, and the future effects of the pandemic and ultimate impact on the recoverability of the Group's 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-sized businesses 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 the 6 months to September 2021, consistent with the methodology used in 2021 financial year, 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. The Group has then assessed the potential impact of three different scenarios, ranging from slow to faster recovery, on the expected loss provision and given each a weighting, with the highest weighting being applied to the baseline case.

In light of evolving circumstances, the Group's methodology has been assessed and revised since March 2021. The provision has been reduced in quantum 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	7,294	3,063	3,294	13,651
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	**13,856**	**6,763**	**1,442**	**22,061**

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)	(5,926)	(97,545)
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**	**1,442**	**110,645**

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 via normal means of collections and has concluded there is no reasonable expectation of recovery. The Group's write-off process provides that if an account is not paid by a specified "days due" threshold, it is written off, unless there is reasonable degree of certainty on future collections.

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 was in place for both the Consumer Finance receivables prior to the sale 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 Finance 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. If 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	(3,527)	39,111	(2,515)
Stage 2	2,510	(2,008)	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	(10,329)	90,881	(6,536)
Stage 2	6,840	(4,755)	37,663	(18,302)
Stage 3	865	(865)	7,872	(7,872)
	85,069	**(15,949)**	**136,416**	**(32,710)**

At 31 March 2022, the contractual amount outstanding on receivables that were historically written off and that are still subject to enforcement activity is $14.7m.

Thorn has provided a guarantee, to the warehouse trust, against a group of affected trust receivables. The value of the receivables as 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 16, loans and borrowings, for more information on a breach of warehouse parameters in the 2021 financial 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	62,180	59,627	2,553	-
Lease liability	11	11			
Trade and other payables	8,700	8,700	8,700	-	-
Total non-derivatives	**69,302**	**70,891**	**68,327**	**2,553**	**-**
Interest rate swap					
(Inflow)		(1,334)	(545)	(789)	-
Outflow	359	1,683	1,171	512	-
Total derivatives	**359**	**349**	**626**	**(277)**	**-**

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 ('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 warehouse facility. As such 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 warehouse 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 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 warehouse 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	(23,692)	(20,016)

At 31 March 2022, Thorn was hedged at 139% (2021: 112%) of its warehouse borrowing balance of $60.6m (2021: $166.3m). The interest rate swap ceased to be effective from December 2021, refer to note 13 for details.

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 an appropriate 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 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. The investment was considered to be a Level 2 investment and has subsequently been sold.

15. 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	4,879	5,934
Provisions used during the year	-	(112)	(1,526)	(1,417)	(3,055)
Provisions transferred as part of asset sale of Radio Rentals	-	(35)	(1,311)	-	(1,346)
Provisions reversed during the year	-	(257)	-	-	(257)
Provisions reclassified to other payables	-	-	-	-	-
	-	**45**	**-**	**4,045**	**4,090**
Current	-	45	-	4,045	4,090
Non-current	-	-	-	-	-
	-	**45**	**-**	**4,045**	**4,090**

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.

The matter was settled in 2021 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 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.

16. LOANS AND BORROWINGS

$'000 AUD	2022	2021
Current liabilities		
Secured loans	43,412	78,203
Non-Current liabilities		
Secured loans	17,179	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 its ongoing transactional banking arrangements and at 31 March 2022 the amount drawn was $2.3m. The Group has cash collateralised 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 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).

Interest on the warehouse is charged at a fixed interest premium plus a floating 3 months BBSY.

The amounts expected to be due and payable on the warehouse in the next 12 months are disclosed as current. The warehouse maturity date is 30 August 2026.

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 31 March 2021.

As a result of the amendments made to the funding arrangements in FY2021, which allowed us to undertake variations, Thorn cannot originate new leases through the warehouse until further agreement is reached.

At 31 March 2022, Thorn was no longer in breach of this parameter and the relevant arrears number was 4.02% (this number does not take into account receivables that have been written off).

No breach of compliance parameters in the warehouse has occurred for the 2022 financial year and for the period post 31 March 2022 to the date of signing.

17. 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 all other shareholders and creditors and are fully entitled to any proceeds of liquidation.
- The Company does not have authorised capital or par value in respect of its issued shares.

Reserves

The reserves consist of the equity remuneration reserve, the cash flow hedge reserve and trust excess spread 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	(1,369)	(3,721)
Share-based payment reserve	-	229
Trust excess spread reserve	6,974	-
	5,605	**(3,492)**

During the prior 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 on 30 May 2022, 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 dividend is 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.

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	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	2.6
Diluted earnings per share (cents)	9.5	2.5

19. 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 de-registered 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, with the exception of Thorn ABS Warehouse Trust No.1, 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, Thornmoney Pty Ltd and Thorn Services Pty Ltd are 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 2022, 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 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 / (Loss) for the period	27,167	24,176
Other comprehensive income		-
Total comprehensive profit / (loss) 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. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 20.

22. SPECIAL PURPOSE ENTITY

Thorn Business Finance receivables are financed by a 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	2022	2021
Net Receivables	64,045	141,592
Cash held by Trust	18,705	19,745
Total assets	**82,750**	**161,337**
Borrowings related to receivables	60,591	166,303
Derivative financial instruments	359	3,721
Total liabilities	**60,950**	**170,024**
Net asset/ (liabilities)	**21,800**	**(8,687)**

The Group provide additional support to the special purpose entity including a liquidity facility of $3.6m (2021: $3.6m) and a bill and collect facility of $1.9m (2021: $1.9m).

When the securitised warehouse is re-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. DISCONTINUED OPERATIONS

On 20 December 2021, Thorn 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 and conditional basis. Based on management assessments, it is highly improbable that the conditions to receive 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. This amount is currently in the statement of financial position as a payable. Thorn and Credit Corp commenced a transitional services period of 6 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.

The financial performance and cash flow information presented below are for the eight months ended 20 December 2021 (2022 column) and the year ended 31 March 2021.

(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	43,876
Cash and cash equivalents disposed of	-
Net cash inflows	**43,876**
Consideration payable for transferring employees' leave liabilities, to be satisfied in cash	**(1,403)**

24. RELATED PARTIES

Key management personnel remuneration

$	2022	2021
Short-term employee benefits*	2,238,685	1,532,221
Post-employment benefits	82,738	376,168
Long-term employee benefits	-	-
Share-based payments	32,328	(90,622)
	2,353,751	**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 $234,451 and $98,623 was payable to Peter Lirantzis and Luis Orp respectively.

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 are provided in the remuneration report section of the Directors' report.

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

In the prior financial year, the Group made an investment into Quicka Holdings Pty Ltd and subsequently the Group's CEO Peter Lirantzis was appointed as a non-executive director of Quicka Holdings Pty Ltd. As per note 8 the investment was sold during FY22, and Peter resigned as a director on 20 December 2021. No related party transactions have taken place prior to the date of his resignation.

Transactions with related party entities

The following table details the total amount of transactions that have been entered into with related parties during the year.

$'000 AUD	2022	2021
General Provincial Company Ltd	1,868	-

The transactions relate to insurance premiums for Civil Liability and Professional Indemnity insurance and Directors and Officers Liability insurance.

25. SHARE BASED PAYMENTS

The Company currently has one active LTI plan running with 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 2019 plan.

<table>
<tr><th>Features</th><th>Description</th></tr>
<tr><td>Instrument</td><td>Performance rights being a right to receive a share subject to performance and vesting conditions.</td></tr>
<tr><td>Purpose</td><td>To motivate executives to achieve long term performance targets.</td></tr>
<tr><td>Opportunity</td><td>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.</td></tr>
<tr><td>Dividends or share issues</td><td>No dividends are paid or accrued on unvested awards.</td></tr>
<tr><td>Performance criteria</td><td>The plans use a Relative Total Shareholder Return (“RTSR”) performance hurdle and an Earnings Per Share (“EPS”) hurdle in equal measure. The company’s Relative Total Shareholder Return performance is measured against a comparator group of ASX listed companies (available on the website at www.thorn.com.au). RTSR was selected as an objective indicator of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.
<table>
<tr><th>Thorn Group Limited’s TSR Ranking July 2019 Grants</th><th>Percentage of Performance Rights subject to TSR condition that qualify for vesting</th></tr>
<tr><td>< 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>50th to 75th percentile</td><td>Assessed on a straight-line basis</td></tr>
<tr><td>75th percentile or greater</td><td>100%</td></tr>
</table>
<table>
<tr><th>Thorn Group Limited’s EPS Hurdle July 2019 Grants</th><th>Percentage of Performance Rights subject to EPS condition that qualify for vesting</th></tr>
<tr><td>< 5% compound annual growth rate</td><td>0%</td></tr>
<tr><td>5%</td><td>50%</td></tr>
<tr><td>>5% to <10%</td><td>Assessed on straight line basis</td></tr>
<tr><td>= or > 10% CAGR</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>Performance period and vesting dates</td><td>• July 2019: 3 years (1 July 2019 to 30 June 2022). Vesting date is 1 September 2022.</td></tr>
<tr><td>Assessment, approval and payment</td><td>At the end of each performance period, the Remuneration & Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest.
Payment is made by the issuing or transfer of shares.</td></tr>
<tr><td>Change of control</td><td>If a change of control occurs prior to the vesting of an award, then the Board may determine in its absolute discretion whether all or some of a participant’s unvested award vest, lapse, is forfeited, or continues.</td></tr>
<tr><td>Termination</td><td>Unvested performance rights will lapse if performance conditions are not met. Performance rights will be forfeited on cessation of employment unless the Board determines at its absolute discretion otherwise.</td></tr>
<tr><td>Claw back provisions</td><td>There are no specific provisions providing the capacity to claw back a component of remuneration in the event of a matter of significant concern.</td></tr>
</table>

Calculation of the value of performance rights

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

The number of performance rights to be issued is derived from the relevant percentage of the employee’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 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 FY22

The 2018 plan was tested at 1 September 2021, failed the performance criteria, and all performance rights attaching to it lapsed.

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)	-

* These rights were allocated as part of Peter Lirantzis' sign on share plan and does not form part of the LTI plans disclosed above.

The Company has one current active plan for the 2022 financial year, however there are no employees in this plan due to forfeiture upon cessation of employment.

26. EMPLOYEE BENEFIT EXPENSE AND LIABILITIES

Employee benefit expense

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

* restated to remove discontinued operation.

Employee benefit expense includes redundancy expenses of $145,000 (2021: $1,267,000 restated) and super expenses of $843,000 (2021: $859,000).

Employee benefit liabilities

$'000 AUD	2022	2021
Current		
Annual leave liabilties	1,043	1,540
Long service leave liabilities	177	587
Incentive provision	3,248	1,210
Other employee benefit accruals	622	614
	5,090	**3,951**
Non-current		
Long service leave liabilities	77	170
	77	**170**

The entire amount of the provision of $5,090,000 (2021: $3,951,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Total amount of $1,155,000 is not expected to be paid in the next 12 months (2021: $1,148,000).

27. AUDITORS' REMUNERATION

In whole AUD	2022	2021
	UHY Haines Norton	UHY Haines Norton
Audit services		
Audit and review of financial reports	356,283	375,000
Total Audit Services	**356,283**	**375,000**
Other services		
Other assurance services	100,800	100,000
Other assurance services	**100,800**	**100,000**
Non audit services		
Tax compliance	96,213	50,000
Total non-audit services	**96,213**	**50,000**
Total auditor's remuneration	**553,296**	**525,000**

28. SUBSEQUENT EVENTS

Dividend declaration

Refer to note 17 for the final dividend declared by the directors on 30 May 2022, to be paid on 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.

Share buy back programs

On 30 May 2022, Thorn completed a minimum holding share buy back, under which it bought back and cancelled 81,977 fully paid ordinary shares for $21,150.

Thorn is conducting an on-market share buy back program of up to 5% of Thorn's ordinary shares, or up to 16,994,615 ordinary shares, commencing 1 March 2022 and for up to 12 month period. From 1 April 2022 to 24 June 2022, the Group has bought back 861,851 fully paid ordinary shares for a total cost of $224,965.

Legal proceedings

On 27 September 2021, the Supreme Court of New South Wales delivered judgement in Thorn's favour in relation to a disputed property lease.

On 23 June 2022, the appeal by Centuria against the judgement in favour of Thorn at first instance was dismissed by the NSW Court of Appeal (Centuria Property Funds Ltd v Thorn Australia Pty Ltd [2022] NSWCA 104).

Other

During the period of May 2022 to 24 June 2022, Thorn acquired shares in another ASX listed company, Humm Group Limited, for a cost of approximately $3.55 million.

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 18 to 52 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 2022 and of its performance for the financial year ended on that date; and

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

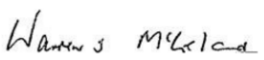
   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

   (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 2022.

Signed in accordance with a resolution of the directors.



Warren McLeland
Chairman

Dated at Sydney
24 June 2022

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 2022, which comprises the consolidated statement of financial position as at 31 March 2022, 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 2022 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.

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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

GAIN ON THE SALE OF RADIO RENTALS ASSETS

Why a key audit matter	How our audit addressed the risk
Given the size and complexity of the transaction, there is a risk that the calculation of the overall gain on the sale in the profit and loss at 31 March 2022, is not materially correct and that the transaction is not appropriately disclosed in the financial statements to comply with requirements of Australian Accounting Standards.	We performed the following audit procedures, amongst others: • We obtained the final sale contract and the final calculation for the gain on sale. • We obtained proof of receipt of the consideration for the sale in the bank, including balances payable at 31 March 2022. • We held discussions with management to understand the process for determining what balances were attributable to the gain on sale. • We substantively tested a sample of balances that are included in the gain calculation to ensure accuracy of balances included, and the final gain amount. We also assessed the reasonability and completeness of the Group'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 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.

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 Group 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 calculation of overlays over provision balances; Refer to note 14 of the financial statements for further information on the Group's expected credit loss provisioning.	We performed the following audit procedures, amongst others: • We assessed the appropriateness of the Group'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, 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 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 Group's disclosures against the requirements of Australian Accounting Standards.

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 2022, 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 9 to 15 of the directors' report for the year ended 31 March 2022.

In our opinion, the Remuneration Report of Thorn Group Limited for the year ended 31 March 2022, 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
24 June 2022

UHY Haines Norton
Chartered Accountants

SHAREHOLDER INFORMATION AS AT 30 JUNE 2022

Additional information required by ASX and not disclosed elsewhere in this report is set out below. The information is current as at 30 June 2022.

HOLDINGS

The issued capital of Thorn Group Limited is as below.

Equity Class	Number of Holders	Total Ordinary Shares Issued
Fully Paid Ordinary Shares	3,137	339,248,886

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary Shares (Total)		
Range	**Number of Holders**	**Number of Ordinary Shares Held**	**% of Ordinary Shares**
1 - 1,000	215	38,051	0.01
1,001 - 5,000	890	3,268,056	0.96
5,001 - 10,000	757	5,903,465	1.74
10,001 - 100,000	1,078	33,175,997	9.78
100,001 - and Over	197	296,863,317	87.51
Rounding			0.00
Total	**3,137**	**339,248,886**	**100.00**

There were 278 shareholders (representing 151,271 shares) who held less than a marketable parcel.

SUBSTANTIAL SHAREHOLDERS

Rank	Registered Shareholder	Number of Ordinary Shares Held*	% of Ordinary Shares
1	ICM Limited	163,991,998	48.33%
2	Moat Investments Pty Ltd	17,050,000	5.03%

*Number of shares at date of last substantial shareholder notice lodged with the Company as at 30 June 2022. Please refer to ASX for up-to-date information about Thorn's securities.

VOTING RIGHTS

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

ON-MARKET BUYBACK

Thorn is conducting an on-market share buy-back program of up to 5% of Thorn's ordinary shares, or up to 16,994,615 ordinary shares, commencing 1 March 2022 and for up to 12 months. As at 30 June 2022, Thorn has bought back 1,061,959 fully paid ordinary shares for a total cost of $273,763.30. The average buy-back price was ~$0.2578.

SHAREHOLDER INFORMATION AS AT 30 JUNE 2022

20 LARGEST SHAREHOLDERS

Rank	Registered Shareholder	Number of Ordinary Shares Held	% of Ordinary Shares
1	J P Morgan Nominees Australia Pty Limited	176,047,884	51.89
2	Moat Investments Pty Ltd <Moat Investment A/C>	17,050,000	5.03
3	Mr Sean Patrick Martin <The Avebury Family A/C>	8,422,891	2.48
4	Ace Property Holdings Pty Ltd	8,100,000	2.39
5	Jet Invest Pty Ltd <RJC Investment A/C>	3,929,043	1.16
6	Gliocas Investments Pty Ltd <Gliocas Growth Fund A/C>	3,503,763	1.03
7	Lazarus Corporate Finance Pty Ltd <Nominee A/C>	3,236,392	0.95
8	Mast Financial Pty Ltd <A To Z Investment A/C>	3,194,010	0.94
9	Mr Sunny Yang + Mrs Connie Yang <Yang's Family A/C>	3,172,776	0.94
10	HBD Services Pty Ltd <The Dale Grayson Family A/C>	2,562,253	0.76
11	Mr Warwick Sauer	2,044,822	0.60
12	Trober No 57 Pty Ltd <Kevans Super Fund A/C>	1,850,269	0.55
13	Australian Executor Trustees Limited <No 1 Account>	1,751,984	0.52
14	Mr Benjamin Youngman Graham + Mrs Cara Janine Graham <FCV Super Fund A/C>	1,750,000	0.52
15	Mr Sunny Li Sheng Yang + Mrs Connie Cong Huan Yang <Yang's Superannuation A/C>	1,698,659	0.50
16	Mr Hongbin Chen	1,501,100	0.44
17	Huntingdale Management Pty Ltd <Huntingdale A/C>	1,450,000	0.43
17	Mr Kim Bee Tan + Mrs Verna Suat Wah Tan <Perfect Pair Super Fund A/C>	1,450,000	0.43
19	Mr Jason Bradley Whelan <Whelan Family A/C>	1,349,466	0.40
20	ADC (Investing) Pty Ltd <AL Cook Asset A/C>	1,250,000	0.37
	Totals: Top 20 holders of Fully Paid Ordinary Shares (Total)	**245,315,312**	**72.31**
	Total Remaining Holders Balance	**93,933,574**	**27.69**

Please refer to ASX for up-to-date information about Thorn’s securities and change of interests of substantial holders.

SHAREHOLDER INFORMATION AS AT 30 JUNE 2022

NON-EXECUTIVE DIRECTORS

Warren McLeland

Chairman, Non-Executive Director

Paul Oneile

Deputy Chair, Non-Executive Director

Allan Sullivan

Non-Executive Director

COMPANY SECRETARY

Alexandra Rose

REGISTERED OFFICE

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UHY Haines Norton

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Sydney NSW 2000

REGISTRY

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000