Annual Report

31 March 2023

ACN 072 507 147

CONTENTS

The directors present their report together with the financial report of Thorn Group Limited (the 'Company') and its controlled entities (together referred to as 'Thorn', the 'Group' or the 'consolidated entity') for the financial year ended 31 March 2023 and the auditor's report thereon.

OPERATING AND FINANCIAL REVIEW

Principal activities

Thorn is a financial services group providing commercial finance to small and medium-sized enterprises. During the period, the Group restructured and recommenced the utilisation of its securitised warehouse facility to fund the growth of asset finance.

Revenue from continuing operations fell 11.6% from $17.3m to $15.3m, and the net profit after tax ("NPAT") declined from $32.3m (including proceeds from Radio Rentals sale) to $2.5m profit. Refer to Business Finance review below.

Financial performance

A$m	Segment revenue		Segment EBIT to NPAT	
	2023	**2022**	**2023**	**2022**
Business Finance	14.5	17.3	7.6	25.7
Corporate	0.8	-	(0.8)	(7.6)
Sub-total	**15.3**	**17.3**	**6.8**	**18.1**
Fair value gains/(losses) on derivative			(1.1)	1.5
Net interest expense			(7.0)	(6.8)
Profit/ (loss) before tax			**(1.3)**	12.8
Tax expense			-	-
Profit / (loss) after tax from continuing operations			**(1.3)**	**12.8**
Profit from discontinued operation after tax			3.8	19.5
Net profit after tax			**2.5**	**32.3**

Business Finance

Thornmoney relaunched its asset finance business in December 2021. Asset finance originations were $118.2m for the year (2022: $21.7m).

Invoice finance, providing a line of credit backed by the SME's invoices, amounted to $37.2m in drawdowns for this period (2022: $2.3m).

The combined receivables balance of $135.3m increased from $88.6m at 31 March 2022; revenue for the 2023 financial year decreased by 11.6% to $15.3m (2022: $17.3m).

The asset finance receivables 30 days plus arrears were 2.9% at 31 March 2023 (2022: 7.4%).

Operating expenses, excluding impairment expenses, were slightly up at $9.8m (2022: $7.6m) due to the relaunch of the asset finance business.

Earnings before interest and taxes (EBIT) amounted to $7.6m profit (2022: $25.7m).

Corporate

Corporate EBIT increased from ($7.5m) to ($0.8m) due to continued cost reductions in line with the business restructure and the implementation of the Group's new business strategy.

Significant items

No significant items in the current financial year.

Net interest expense

Net interest expense from continuing operations increased by 2.9% from $6.8m to $7.0m. Borrowings in the warehouse increased to $114.9m (2022: $60.6m) with new originations being directly funded by the warehouse facility.

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 in prior years, 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 Operations

In December 2021, the Group's assets in the Consumer Finance division, Radio Rentals, were sold to Credit Corp Group Limited. During the 2023 financial year, Thorn received an additional deferred cash consideration of $2.3m for the sale, taking the total consideration received to $46.2m. Thorn negotiated an extension of the transitional services agreement with Credit Corp Group Limited for an additional $1.8m. The arrangement ended on 20 December 2022.

The discontinued operations segment recorded a profit after tax of $3.8m (2022: $19.5m).

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 2023		31 March 2022	
$m	**excl. Trust**	**incl. Trust**	**excl. Trust**	**incl. Trust**
Cash at bank	17.4	28.8	68.1	86.8
Receivables	45.3	141.5	50.0	88.6
Prepayments and other assets	2.3	2.3	6.4	6.4
Derivative financial instruments	-	-	-	-
Investments	2.7	2.7	-	-
Total Assets	**67.7**	**175.3**	**124.5**	**181.8**
Borrowings	-	114.9	-	60.6
Other liabilities	8.9	9.4	17.8	18.4
Total Liabilities	**8.9**	**124.3**	**17.8**	**79.0**
Total Equity	**58.8**	**51.0**	**106.7**	**102.8**
Gearing (net debt/equity) (i)	**Nm**	191.7%		(7.3%)
Return on Equity		1.7%		32.6%
Earnings Per Share		7.3		95.3

(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). The cash balance was reduced by a capital return of $41.7 million paid to eligible shareholders in October 2022. At 31 March 2023, free cash was $17.4m and cash in the warehouse was $11.4m (2022: $68.1m and $18.7m).

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 asset finance receivables gross balance increased by $39.3m to $149.7m (2022: $110.4m) due to strong originations during the year. The provision reduced to $16.6m (2022: $22.1m). The net receivables balance increased by $43.6m to $133.1m (2022: $88.3m).

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.

Invoice finance receivables, which are backed by SME invoices, have a $3.4m balance as at 31 March 2023 (2022: $0.3m)

Investments
During the 2023 financial year, Thorn acquired shares in ASX listed companies for a total cost of $4.4m.

Other liabilities
The other liabilities for the Group reduced to $9.4m driven by the prior sale of its Consumer Finance division, with the balance attributable to reduced payables and employee-related liabilities as the size of the business reduced.

Funding

The Group has the following debt facility limits:

$m	2023	2022
Securitised Warehouse Facility	200.0	60.6

Securitised warehouse facility

Thorn is financed by a rated securitised warehouse facility ("the warehouse"). From May 2020 to July 2022, the warehouse was in amortisation due to a breach of one of its warehouse parameters, 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. While this event subsisted, Thorn was unable to sell its originations into the warehouse, and the distributions it was expecting from the warehouse via the waterfall distribution mechanism were retained in an excess spread reserve.

The warehouse was restructured with a funding limit of $200 million and re-commenced utilisation in August 2022. The existing notes were repaid in full and the balance of the excess spread reserve was repaid to unitholders. There have been no subsequent deposits to the excess spread reserve and further transfers are not expected except in the case of an amortisation event. Thorn Business Finance is financed by the warehouse with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class G notes held by Thorn.

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

Interest on the warehouse is charged at a fixed interest premium plus a floating 1-month BBSY (LY: fixed interest premium plus 3-months BBSY).

The facility is currently available until August 2023, however Thorn is negotiating a renewal with its funders. If agreement is not reached with the funders, further receivables are not able to be sold into the facility, and the portfolio will amortise down for as long as the underlying receivables are payable. While the warehouse is in operation there will be no repayment of borrowings and principal collected will be utilised to purchase eligible receivables, hence the full balance of the warehouse facility is disclosed as non-current. In the comparative March 2022, the warehouse was in amortisation, and the principal was applied to repay noteholders with the amounts expected to be due and payable on the warehouse facility in the next 12 months being disclosed as current. This payment structure would recommence if the current warehouse facility went into amortisation.

There were reported technical breaches of compliance parameters in the warehouse during the financial year and for the period to May 2023. All breaches were remedied within 30 days and no further action taken. To rectify this, the warehouse parameters were amended with funder consent in May 2023 to align more closely the industry parameters with newly created asset finance business.

DIVIDENDS PAID OR RECOMMENDED

	Cents per share	Amount $'000 AUDs	Franking %	Date of Payment
2023				
Final 2022	1.0	3,392	30%	25 July 2022
Interim 2023	-	-	n/a	n/a
Special dividend	3.0	10,429	30%	2 September 2022
Total amount	**4.0**	**13,821**		
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**		

During the year, Thorn paid total dividends of 4 cents per share(*), totalling $13.8m. A number of Thorn's shareholders participated in the Company's dividend reinvestment plan ('DRP') offered for the final 2022 dividend, resulting in $2.0m of the total being reinvested in Thorn shares. Net cash outflow was $11.8m.

**Based on shares prior to the 10:1 share consolidation approved by shareholders on 30 September 2022 and completed on 14 October 2022.*

RISKS AND CHALLENGES

Risk management is an integral part of Thorn's business model. The Board operates with risk management as a key focus and has implemented a 'tone from the top' approach. The material business risks for the Group are summarised below.

Financial Risks

Key Risks	How Thorn responds
Macroeconomic risk arises from factors such as inflationary pressures, unemployment, interest rates, lack of income growth, business investment, government policy & spending, the volatility and strength of global and Australian capital markets, currency value and exchange rates.	• Thorn continuously monitors the risk of changes in Australia and global environment that may impact the economic environment or its business. • Thorn manages the business responsibly, protecting the Group's strong capital position and maintaining conservative buffers to address uncertainties, in line with the Group's liquidity policy and funding strategy.
Credit risk is the risk of loss that arises when a customer or third party fail to pay an amount owing to the Company or a change in customer circumstances or a failure by Thorn to adequately assess and manage credit risk. This may result in credit losses, decreased operating cash flows, increased funding costs and/or reduced access to funding. Thorn is exposed to the risk that its customers do not meet their financial obligations (e.g. their obligation to repay loans) or become insolvent.	• Thorn provides business finance to SMEs pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk. The Group is subject to a higher level of credit risk due to the credit-constrained nature of many of its customers. • Thorn has a strong credit risk framework that allows a consistent credit assessment process for each customer. The key components of the credit risk framework include governance (Thorn has established a Credit Committee to manage its credit risk framework and defined risk appetite), credit risk policies, credit procedures, arrears

	management (including collections and recoveries) and portfolio monitoring and reporting. Credit risk typically grows in line with the growth of the loan and lease receivables in all segments. • 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. See note 13 for Thorn's approach to measuring expected credit losses (ECL).
Funding risk is the risk of an adverse impact to the earnings or operations of Thorn that may result from having insufficient funds to meet obligations when they become due, customer demands for funds or any other financial obligations.	• Thorn continuously monitors the risk of changes in Australia and global environment that restricts access to capital. • Thorn maintains close relationships with its core funders and manages debt levels within acceptable limits. • Thorn maintains a liquidity policy and funding strategy which are designed to ensure sufficient funds to support new loan originations and pay maturing liabilities through a pre-defined time horizon as well as meeting specific liquidity position requirements.

Non-financial Risks

Key Risks	How Thorn responds
Strategic risk: risk that Thorn's strategy does not address market changes or unforeseen events or initiatives from Thorn's competitors, or that the strategy is not effectively implemented.	• Regularly discuss strategy and strategic initiatives with the Board • Remain flexible and agile in Thorn's core business strategy • Monitor industry developments affecting business finance for SMEs
Operational risks are the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes risks such as data, cyber, IT, security, outsourcing and legal.	• Thorn has specific capabilities, policies and procedures to manage and monitor operational risks. These include (but are not limited to) processes for customer identification, credit assessment and internal and external fraud monitoring.
Cyber, technology & Data risk: there is a risk of disruption to Thorn's business activities, due to an externally driven crisis, cyber attack, the failure of information technology platforms or system failures and where Thorn's operations are dependent on access to third party technology and data providers to accurately assess customers and provide reliable services (including reporting). If disruption was to occur, Thorn could face significant cost, material data protection issues and/or disruption to its business, operations or financial performance.	• Cyber, technology & Data Risk is a subset of Operational Risk. • Thorn maintains appropriate data governance, controls and monitoring, including data loss prevention and cyber protection mechanisms that supports the business to protect its systems, minimise disruption, ensure privacy compliance and data protection for all stakeholders and the Group's ability to respond to the changing cyber threat environment. • Thorn has implemented resilience programs and processes to enhance the reliability of its platform. This includes enhancing flexibility to work across multiple locations in any event of disruption in one workplace. • Thorn uses specialist third party security operations to identify potential breaches and responds to minimise impact on the business, customer and partners. • Where Thorn relies on third parties to provide technology solutions and (cloud) platforms, ongoing vendor management assures that these partners are delivering services in a manner compliant with standards.

	• Thorn maintains and regularly tests, cyber security procedures across critical systems, including Group-wide security and cyber security awareness and education for all employees.
Regulatory and Compliance risk: is the risk of legal or regulatory sanctions, financial loss, or loss to reputation that Thorn may suffer as a result of its failure to comply with laws, regulations, and standards of good practice expected of a financial services company.	• Regulatory and Compliance Risk is a subset of Operational Risk and managed with policies and practices aligned to the Risk Management Framework. • Thorn's objective is to manage regulatory and compliance risk such that Thorn is compliant with all applicable laws, regulations, codes of conduct and standards of good practice, and manage operational risk so as to balance the avoidance of financial loss and damage to the Group's reputation, against excessive cost and control procedures that restrict initiative and creativity. • Continued engagement with local regulatory, industry and other relevant stakeholder groups and monitoring the regulatory and legislative landscape for material or emerging changes.

Emerging Risks

The Group continually monitors the regulatory and compliance environment to ensure that the business is abreast of all potential changes. Thorn identifies and assesses emerging risks to ensure they are integrated into the Risk Management Framework along with appropriate risk mitigant strategies.

REGULATORY MATTERS

The Group is regulated by the Australian Securities & Investments Commission and is a member of an external dispute resolution scheme, the Australian Financial Complaints Authority (AFCA). 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Thorn acknowledges its role as a responsible corporate citizen to the environment, the community in which it operates and to its people. Thorn aims to protect the environment in a sustainable manner preventing or reducing any negative impact of our operations and activities. As a financial services company, the Group has a relatively small environmental impact. COVID-19 and the related lockdowns led to a reduction in Thorn's office environmental footprint. 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. Thorn will continue to look to implement strategies working towards minimising our carbon footprint. Thorn's sustainability approach is being progressed to ensure Thorn meets emerging ESG compliance requirements, including reporting.

CONTINGENT LIABILITIES

In March 2023, Thorn and Thorn Australia Pty Ltd ("TAPL") were served with a cross claim in Federal Court of Australia proceedings in which the Commonwealth Attorney-General's Department (under the Fair Entitlements Guarantee scheme) is claiming damages, together with interest and legal costs, from Receivers who, on behalf of a secured creditor who appointed the Receivers to do so, recovered assets from a third party. The proceedings are being defended by Thorn and TAPL. Refer to note 14.

SUBSEQUENT EVENTS

Related party loan

On 6 April 2023, the principal repayment date of Somers Limited's loan was amended and extended to 30 June 2023 at the new interest rate of 12% per annum, accrued and compounded daily. Refer to note 23.

Securitised warehouse facility

The warehouse parameters were amended in May 2023 with funders consent to align more closely the Industry parameters with the asset finance business. The current facility is available until August 2023, however Thorn is negotiating a renewal with its funders.

Investments

On 22 May 2023, Thorn acquired an additional 62,500,000 shares in ASX listed company, Moneyme Limited, for a cost of $5.0m. Following the investment, Thorn holds 64,408,413 ordinary shares in Moneyme Limited. On 24 May 2023, Thorn lodged a notice of initial substantial shareholder with ASX, reflecting that Thorn's voting power was 8.64%.

Asset finance portfolio update

Thorn is in negotiations with a party which has expressed interest in acquiring Thorn Australia Pty Ltd's and Thornmoney Pty Ltd's asset finance portfolio. At this stage, negotiations are incomplete and ongoing and no decision has been made in relation to any potential sale or divestment of Thorn's asset finance portfolio. Thorn is also unable at this stage, to provide shareholders with any estimates or guidance as to the financial impact of such a transaction on Thorn. Should any such decision be made, Thorn will update the market in relation to any specific course of action if and when required.

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 $2.5m (2022: $32.3m) for the year ended 31 March 2023 and net cash generated in operating activities during the same period amounted $52.4m outflow due to the relaunch of Business Finance (2022: $54.0m inflow).

The directors have reviewed the Group's cash flow forecast through to 30 June 2024.

The directors are of the opinion that there are reasonable grounds to believe the improved Balance Sheet efficiency & resulting cash generation achieved by 31 May 2024 (moving receivables collateral from being funded On-Balance to being funded by the securitised warehouse facility), alongside a smaller cost base will provide sufficient incoming net cashflows to sustain the business well into the future.

OUTLOOK

Thorn's policy is not to 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 was the non-executive Chairman of Invigor Group Limited, 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
None

Former ASX directorships in the last three years
A2B Australia Limited
Invigor Group Limited

Interests in shares and options
23,500 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 former non-executive director of Invigor Group Limited.

Other current ASX directorships
None

Former ASX directorships in the last three years
Invigor Group Limited

Interests in shares and options
24,755 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.

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	27	27	9	10	2	2	2	2
Paul Oneile	26	27	10	10	2	2	2	2
Allan Sullivan	25	27	10	10	2	2	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 paid insurance premiums of $655,000 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. These insurance policies 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

For the year ended 31 March 2023, 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	Terminated 30 September 2022

3. NON-EXECUTIVE DIRECTOR REMUNERATION

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 beyond the existing fee pool, 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 upcoming AGM.

From 1 April 2022, 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	2023	130,000	13,488	143,488
	2022	130,000	12,838	142,838
Paul Oneile	2023	125,000	12,969	137,969
	2022	125,000	12,344	137,344
Allan Sullivan	2023	115,000	11,931	126,931
	2022	115,000	11,356	126,356
Total Non-Executive Director Remuneration	**2023**	**370,000**	**38,388**	**408,388**
	2022	**370,000**	**36,538**	**406,538**

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

Thorn is committed to providing financial solutions to Small and Medium-sized Enterprises (SMEs)

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Remuneration strategy objectives

1. Align executive remuneration to Company performance and results delivered to shareholders through the short and long term incentive plans being 'at-risk' based on various cash based targets and delivering on strategic objectives.
2. Attract, motivate and retain executive talent in a competitive market through a competitive rewards program that attracts quality executives and incorporates a significant at-risk incentive component.

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Fixed	At-risk	
Fixed remuneration	**Short term incentive**	**Long term incentive**
Base salary and benefits plus statutory superannuation contributions	Annual cash payment or performance rights (may be partially deferred)	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 (post the 10:1 share consolidation, 46,425). These rights required 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 until 10 February 2024. 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 $		Financial Year in which Escrow released (ended 31 March)
	Number	Date		Min (a)	Max (b)	
Peter Lirantzis	464,253	22 May 2020*	2022	Nil	-	2024

*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	2023	499,308	-	424,412	-	24,861	-	-	948,581
	2022	499,308	-	522,876	234,451	23,100	-	32,328	1,312,063
Former KMP's									
Luis Orp*	2023	180,000	286,974	-	-	24,861	-	-	491,835
	2022	360,000	-	153,427	98,623	23,100	-	-	635,150
Total	**2023**	**679,308**	**286,974**	**424,412**	**-**	**49,722**	**-**	**-**	**1,440,416**
Remuneration	**2022**	**859,308**	**-**	**676,303**	**333,074**	**46,200**	**-**	**32,328**	**1,947,213**

* *Luis Orp's employment terminated on 30 September 2022*

a) The amounts are earned by the KMP but, due to the introduction of the deferral mechanism, 50% of the total FY22 STI was paid in Q3 FY23, 25% is to be paid in the Q3 FY24 and the remaining 25% is to be paid in the Q3 FY25. The FY23 STI will be paid 50% in Q3 FY24 and 50% in Q2 FY25.

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 paid in FY22 financial year to Peter Lirantzis and Luis Orp respectively for FY21.

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 remuneration framework described below is presently under review.

Features	Description		
Purpose	To motivate executives to achieve short term performance targets.		
Opportunity		**Target (as % of Fixed)**	**Maximum (as % of Fixed)**
	KMP	100%	100%
	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 and it continues to be same for FY23.		
Performance Period	12 months		
Gateway and performance metrics (2023)	The FY23 STIs were set based upon recovery of COVID-19 and executing a number of strategic initiatives. The KPIs that were assessed for financial year 2023 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 (2022)	The FY22 STIs 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)		
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. Once approved, the STI payments are expected to be paid in Q3 2023 (subject to the deferral mechanism detailed below).		
Deferral	CEO STI payment for FY23 to Peter Lirantzis is to be paid in two instalments (50% in Q3 FY24 and 50% in Q2 FY25). The STI payment to other executive team members is paid in two instalments (50% in Q3 FY24 and 50% in Q2 FY25). Payment of STI deferred amount is subject to continued employment and "good leaver" terms.		

STI OUTCOMES FOR 2023

Given the performance against NPAT and other KPI measures, short term incentive payments will be made to the executive KMPs for financial year 2023. The Board approved an STI outcome of 85% 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 2023, no executive KMPs were involved in LTI plans and at the date of this report, no options had been issued or vested under the LTI plan. Refer to note 24 for details of the LTI plan that was 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.

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	2023	2022	2021	2020	2019
Profit After Tax (AUD millions)	2.5	32.3	8.4	(81.1)	(14.9)
Earnings per share (cents)*	7.3	95.3	2.6	(33.7)	(9.3)
Dividends per share (cents)	4.0	8.0	8.5	0.0	0.0
Share price at year end ($)*	1.14	2.80	0.18	0.05	0.46
Return on equity %	0.8	32.5	8.4	n/a	n/a

Return on equity is calculated as NPAT divided by the average book equity.
**Earnings per share and share price for 2022 has been adjusted as a result of 10:1 share consolidation during the 2023 financial year. 2019 to 2021 figures haven't been updated for this amendment.*

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

Performance rights over ordinary shares issued last year to Peter Lirantzis are currently held in escrow with a two year hold period until 10 February 2024.

Shareholdings of the directors and executive KMP

2023 Name	Balance at the start of the year	Received on vesting of incentives	Other changes (bought and sold)	Consolidation of shares(***)	Balance at the end of the year
Warren McLeland	-	-	-	-	-
Paul Oneile	235,000	-	-	(211,500)	23,500
Allan Sullivan	247,540	-	-	(222,785)	24,755
Peter Lirantzis*	464,253	-	-	(417,827)	46,426
Luis Orp**	262,206	-	-	-	-

** Currently held in escrow with a two year hold period until 10 February 2024.*
*** Luis Orp's employment terminated on 30 September 2022 and any shares held by him are not disclosed after this date.*
**** During the year, shareholders approved a share consolidation of 10:1 basis.*

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 26.

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 can be referred to on Thorn's website at *www.thorn.com.au/site/file/39/view/CorporateGovernanceStatement2023Clean.pdf*

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 2023.

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

Warren McLeland

Warren McLeland
Chairman

Dated at Sydney
31 May 2023

UHY Haines Norton
Chartered Accountants

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

To the Directors of Thorn Group Limited

As lead auditor for the audit of Thorn Group Limited for the financial year ended 31 March 2023, 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
31 May 2023

UHY Haines Norton
Chartered Accountants

An association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms.
UHY Haines Norton—ABN 85 140 758 156 NSWBN 98 133 826
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Passion beyond numbers

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

$'000 AUD	Notes	2023	2022
Continuing operations			
Interest revenue		14,443	15,490
Other revenue		890	1,806
Revenue		15,333	17,296
Employee benefit expense	25	(9,290)	(14,137)
Reversal of impairment losses on loans and receivables	13	5,738	19,898
Marketing expenses		(199)	(359)
Property expenses		(374)	220
Communication & IT expenses		(1,771)	(3,942)
Insurance expenses		(1,901)	(2,601)
Legal expenses		(936)	(1,592)
Other expenses	27	762	(4,362)
Impairment of intangibles & property, plant and equipment	8,9	(583)	(389)
Net gain on sale of financial asset		-	119
Corporate expense allocated to discontinued operation	2	-	8,025
Total operating expenses		**(8,554)**	**880**
Earnings before interest and tax ("EBIT")		6,779	18,176
Fair value gains/(losses) on derivative	12	(1,106)	1,453
Finance expenses		(7,020)	(6,764)
Profit/(Loss) before income tax		**(1,347)**	**12,865**
Income tax	10	-	-
Profit/(Loss) after tax for the year from continuing operations*		**(1,347)**	**12,865**
Discontinued operation			
Profit from discontinued operation, net of tax	22	3,884	19,481
Profit after tax for the year		**2,537**	**32,346**
Other comprehensive income (OCI) - items that may be reclassified subsequently to profit or loss			
Cash flow hedge reserve movements		-	2,352
Other comprehensive income – reclassification adjustments			
Cash flow hedge reclassification adjustments	12	1,369	-
Other comprehensive income – items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through OCI	16	(1,677)	-
Other comprehensive income for the year		**(308)**	**2,352**
Total comprehensive profit		**2,229**	**34,698**
Earnings per share- Continuing Operations*			
Basic earnings per share (cents)	17	(3.9)	37.9
Diluted earnings per share (cents)	17	(3.9)	37.8
Earnings per share- Discontinued Operation*			
Basic earnings per share (cents)	17	11.2	57.4
Diluted earnings per share (cents)	17	11.2	57.3
Earnings per share- Consolidated*			
Basic earnings per share (cents)	17	7.3	95.3
Diluted earnings per share (cents)	17	7.3	95.1

** Earnings per share was adjusted in the prior year due to the consolidation of shares during the 2023 financial year. Refer to Note 17.*

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 2023

$'000 AUD	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	3	28,800	86,760
Trade and other receivables	4	46,775	34,984
Prepayments and other assets		2,240	6,480
Income tax receivable		-	-
Total current assets		**77,815**	**128,224**
Non-current assets			
Trade and other receivables	4	94,708	53,600
Derivative financial instrument	12	12	-
Deferred tax assets	11	-	-
Property, plant and equipment	9	-	-
Financial assets at fair value through other comprehensive income	7	2,744	-
Intangible assets	8	-	-
Total non-current assets		**97,464**	**53,600**
Total assets		**175,279**	**181,824**
Liabilities			
Current liabilities			
Trade and other payables	5	4,949	8,810
Lease liability	6	-	11
Loans and borrowings	15	-	43,412
Employee benefits	25	2,936	5,090
Provisions	14	1,512	4,090
Total current liabilities		**9,397**	**61,413**
Non-current liabilities			
Loans and borrowings	15	114,890	17,179
Lease liability	6	-	-
Employee benefits	25	19	77
Derivative financial instruments	12	-	359
Provisions	14	-	-
Total non-current liabilities		**114,909**	**17,615**
Total liabilities		**124,306**	**79,028**
Net assets		**50,973**	**102,796**
Equity			
Issued capital	16	117,818	158,049
Reserves	16	(1,677)	5,605
Retained earnings		(65,168)	(60,858)
Total equity		**50,973**	**102,796**

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 2023

$'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	16	-	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	16	491	-	-	491
Shares buy-back program	16	(354)	-	-	(354)
Share-based payments transactions		69	(229)	154	(6)
Dividends to shareholders	16	-	-	(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**

$'000 AUD		Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2022		158,049	5,605	(60,858)	102,796
Total comprehensive income					
Net profit for the period		-	-	2,537	2,537
Release of retained earnings from reserves	16	-	(6,974)	6,974	-
Other comprehensive income		-	(308)	-	(308)
Total comprehensive income		**-**	**(7,282)**	**9,511**	**2,229**
Transactions with owners of the Company					
Issue of shares under dividend reinvestment plan	16	1,990	-	-	1,990
Shares buy-back program	16	(405)	-	-	(405)
Return of capital	16	(41,716)	-	-	(41,716)
Transaction costs	16	(100)	-	-	(100)
Dividends to shareholders	16	-	-	(13,821)	(13,821)
Total transactions with owners of the Company		**(40,231)**	**-**	**(13,821)**	**(54,052)**
Balance at 31 March 2023		**117,818**	**(1,677)**	**(65,168)**	**50,973**

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 2023

$'000 AUD		2023	2022
Cash flows from operating activities			
Cash receipts from customers (excluding interest)		129,288	108,763
Interest revenue received		13,036	16,623
Cash paid to suppliers and employees		(20,532)	(40,494)
Asset finance originations and Invoice finance drawdowns/transfers		(167,511)	(24,454)
Cash generated from operations		**(45,719)**	**60,438**
Net borrowing costs		(6,649)	(6,422)
Income tax refund		-	-
Net cash from operating activities		**(52,368)**	**54,016**
Cash flows from investing activities			
Acquisition of property, plant and equipment and software		(583)	(257)
Loan to related parties		(5,000)	-
(Acquisition)/sale of equity investments		(4,410)	1,154
Net cash from investing activities		**(9,993)**	**897**
Cash flows from financing activities			
Proceeds from borrowings		114,890	-
Repayment of borrowings		(24,790)	(105,711)
Redemption of borrowings		(35,801)	-
Repayment of lease liabilities		-	(247)
Proceeds from issues of shares		1,990	491
Payment for share buy back		(404)	(354)
Return of Capital		(41,716)	-
Dividends paid		(13,821)	(27,167)
Net cash from financing activities		**348**	**(132,988)**
Net increase in cash and cash equivalents- continuing operations		(62,013)	(78,075)
Net increase in cash and cash equivalents from discontinued operation	22	4,053	76,790
Cash and cash equivalents at 1 April		86,760	88,045
Cash and cash equivalents at 31 March		**28,800**	**86,760**

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 2023

Reconciliation of cash flows from operating activities

$'000 AUD		2023	2022
Profit/(Loss) after tax		2,537	32,346
Adjustments for:			
Impairment and net gain on modification of lease liability		583	389
Equity settled transactions		-	(39)
Proceeds on sale of investment and discontinued operation		(4,053)	(43,876)
Fair value (gains)/losses on derivative		1,106	(1,453)
Interest expense adjustment on derivative		-	443
Other adjustments		(231)	(131)
Operating loss before changes in working capital and provisions		**(58)**	**(12,321)**
Changes in working capital and provisions, net of the effects of the sale of subsidiaries			
(Increase)/decrease in trade and other receivables		(47,899)	108,058
(Increase)/decrease in prepayments and other assets		4,241	(3,545)
Decrease in inventories		-	128
(Decrease)/increase in trade and other payables		(3,861)	(6,913)
Increase/(decrease) in provisions and employee benefits		(4,791)	2,322
Net cash from operating activities		**(52,368)**	**87,729**
Net cash from operating activities- discontinued operation	22	-	33,713
Net cash from operation activities – continuing operations		**(52,368)**	**54,016**

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 is Level 11, 1 York Street, Sydney NSW 2000 and principal place of business is Level 13, 333 George Street, Sydney NSW 2000. The consolidated financial statements of the Company as at and for the financial year ended 31 March 2023 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.

(a) Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors on 31 May 2023.

(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 13.

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

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

(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 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 2023 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 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) Revenue

The major components of revenue are recognised as follows:

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

(d) 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.

(e) 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.

(f) Goods and Services Tax

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

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

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

(g) Changes in Accounting Policy

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.

(h) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 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, however management and the directors will continue to assess closer to the mandatory dates.

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 Business Finance division and the discontinued operations (Consumer Finance division).

On 20 December 2021, the Group completed the sale of assets from the Consumer Finance division to Credit Corp Group Limited. 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 divested 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.

2023 **$'000 AUD**	**Consumer Finance (Discontinued operation)**	**Business Finance**	**Corporate**	**Consolidated**
Sales Revenue	-	-	-	-
Interest Revenue	-	13,624	819	14,443
Other	-	890	-	890
Total Segment revenue	**-**	**14,514**	**819**	**15,333**
Operating expenses	-	(3,494)	(4,477)	(7,971)
Corporate re-allocation of expenses	-	(2,911)	2,911	-
EBITDA	**-**	**8,109**	**(747)**	**7,362**
Depreciation and amortisation	-	-	-	-
Impairment on PPE and intangibles	-	(559)	(24)	(583)
EBIT	**-**	**7,550**	**(771)**	**6,779**
Fair value losses on derivative	-	(1,106)	-	(1,106)
Finance expense	-	(7,020)	-	(7,020)
Profit from discontinued operations	3,884	-	-	3,884
Profit before tax	**3,884**	**(576)**	**(771)**	**2,537**
Segment assets		153,894	21,385	175,279
Segment liabilities		(119,782)	(4,524)	(124,306)

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**
Depreciation and amortisation	-	-	119	119
Impairment on PPE and intangibles	(18,104)	12,413	(19,288)	(24,979)
Gain on sale of discontinued operations	(8,025)	(3,883)	11,908	-
EBITDA	**7,792**	**25,826**	**(7,261)**	**26,357**
Depreciation and amortisation	-	-	-	-
Impairment on PPE and intangibles	(13)	(153)	(236)	(402)
Gain on sale of discontinued operations	11,736	-	-	11,736
EBIT	**19,515**	**25,673**	**(7,497)**	**37,691**
Fair value gains on derivative	-	1,453	-	1453
Finance expense	(34)	(6,764)	-	(6,798)
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)	(79,028)

Reconciliations of reportable segment to IFRS measures

$'000 AUD	2023	2022
Revenue		
Total revenue for reportable segments	15,333	51,217
Elimination of discontinued operations	-	(33,921)
Consolidated Revenue	**15,333**	**17,296**
Profit before tax		
Total profit before tax for reportable segments	2,537	32,346
Elimination of discontinued operations	(3,884)	(19,481)
Consolidated profit/(loss) before tax from continuing operations	**(1,347)**	**12,865**

Reconciliations of corporate re-allocation expenses

The breakdown of the allocated costs is as below.

2023 $'000 AUD	Consumer Finance	Business Finance
Employee benefit expense	-	(1,218)
Property expenses	-	(240)
Communication & IT expenses	-	-
Legal fees	-	(315)
Other expenses	-	(1,138)
Total corporate expenses re-allocated	**-**	**(2,911)**

2022 $'000 AUD	Consumer Leasing	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)**

3. CASH AND CASH EQUIVALENTS

$'000 AUD	2023	2022
Bank balances	28,800	86,760
Call deposits	-	-
Cash and cash equivalents	**28,800**	**86,760**

Included in cash is an amount of $11.4m (March 2022: $18.7m) 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 Trustee. Within this balance $nil excess spread is held on 31 March 2023 (2022: $6.7m). Free cash is therefore $17.4m (2022: $68.1m).

4. TRADE AND OTHER RECEIVABLES

$'000 AUD	2023	2022
Current		
Trade receivables	891	2,431
Finance lease receivables	4,635	8,805
Loan receivables	41,249	23,748
	46,775	**34,984**
Non-current		
Finance lease receivables	1,578	9,533
Loan receivables	93,130	44,067
	94,708	**53,600**

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 $18,511 (2022: $40,460) 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 13.

Loan receivables also includes a loan of $5.0m to a related party, Somers Limited. Refer to note 23 for further information.

5. TRADE AND OTHER PAYABLES

$'000 AUD	2023	2022
Trade payables	23	103
Other payables	4,926	8,707
	4,949	**8,810**

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

6. LEASES

Finance leases as lessor

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 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.

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. 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	2023	2022
Lease receivables - less than one year	6,345	16,990
Lease receivables - between one and five years	2,090	11,059
Total Lease receivables	**8,435**	**28,049**
Unearned interest income on finance leases - less than one year	(590)	(2,181)
Unearned interest income on finance leases - between one and five years	(194)	(1,418)
Total unearned interest income on finance leases	**(784)**	**(3,599)**
Impairment provisioning	(1,438)	(6,112)
Net Lease receivables	**6,213**	**18,338**

Gross cash flows are expected to be collected as follows: $6,345,000 less than one year, $2,024,000 between one and two years, $65,000 between years two and three, $1,000 between years three and four, and nil between years four and five.

Finance lease revenue of $1,562,000 (2022: $4,134,000) has been recognised in interest revenue in the Business Finance division.

Finance leases as lessee

No right-of-use assets or lease liabilities recognised during the 2023 financial year.

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	2023	2022
Impairment charge - right-of-use assets		
Properties	-	-
Vehicles	-	-
Printers	-	-
Total impairment	**-**	**-**
Interest expense (included in finance expenses)	-	14
Expense relating to short-term and low-value leases	334	217
Expense relating to variable lease payments not included in lease liabilities	59	130
Total expenses relating to leases	**393**	**361**
Net gain on modification of lease liability	-	-
Total	**393**	**361**

The total cash outflow for leases in the year ending 31 March 2023 was $393,000.

7. 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 investments:

$'000 AUD	2023	2022
Investments in ASX listed companies	2,744	-

During the 2023 financial year the Group acquired shares in ASX listed companies for a total cost of $4.4m.

8. INTANGIBLE ASSETS

$'000 AUD	Goodwill	Right of use assets	Software	Total
Year ended 31 March 2023				
Opening net carrying amount	-	-	-	-
Additions	-	-	583	583
Amortisation charges for the year	-	-	-	-
Impairment charges for the year	-	-	(583)	(583)
Closing net book amount		-	-	-
At 31 March 2023				
Cost	5,054	277	17,836	23,167
Disposals	-	(277)	(17,109)	(17,386)
Amortisation and impairment	(5,054)	-	(727)	(5,781)
Net book amount	-	-	-	-

Disposals

In FY23, the Group carried out an assessment of the intangible assets remaining after the sale of the consumer finance business in December 2021. The obsolete intangible assets, which were fully impaired/amortised, are now disposed.

$'000 AUD	Goodwill	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	20,658	277	17,254	38,189
Disposals	(15,604)	-	-	(15,604)
Amortisation and impairment	(5,054)	(277)	(17,254)	(22,585)
Net book amount	-	-	-	-

Amortisation

When not impaired, amortisation is provided on all intangible assets excluding other intangibles. Amortisation is calculated on a straight-line basis so as to write off the cost of each intangible asset over its estimated useful life. The estimated useful lives for software in the current and comparative periods are 3 – 8 years.

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

Impairment tests for Cash Generating Units (CGU)

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 2023, 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 is in a period of transformation and working towards building new revenue streams which would generate sufficient profits to support the carrying value of any other intangibles. Therefore, definite life intangible assets as well as PP&E continue to be immediately impaired on acquisition.

9. PROPERTY, PLANT AND EQUIPMENT

$'000 AUD	Total
Year ended 31 March 2023	
Opening net carrying amount	-
Additions	-
Depreciation charges for the year	-
Impairment charges for the year	-
Closing net book amount	**-**
At 31 March 2023	
Cost	3,757
Disposals	(3,629)
Accumulated depreciation and impairment	(128)
Net book amount	**-**

Disposals

In FY23 the Group carried out an assessment of the property, plant and equipment assets remaining after the sale of the consumer finance business in December 2021. The obsolete property, plant and equipment assets, which were fully impaired/amortised, are now disposed.

$'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	**-**

Property plant and equipment

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

Impairment

Refer to note 8 for details.

10. INCOME TAX EXPENSE

Recognised in the profit or loss statement

$'000 AUD	2023	2022
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	2023	2022
Profit before tax	**2,537**	**32,346**
Prima facie income tax using the domestic corporation tax rate of 30% (2021: 30%)	761	9,704
Change in income tax expense due to:		
Non-deductible expense and unrecognised timing differences	20	31
Utilisation of tax losses	-	(7,999)
Recognised and unrecognised timing differences	(781)	(1,736)
Income tax (benefit)/ expense on pre-tax accounting profit	**-**	**-**

11. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
$'000 AUD	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Inventories	-	-	-	-	-	-
Property, plant and equipment	78	165	-	-	78	165
Trade, loan and other receivables	-	-	-	-	-	-
Finance lease receivables	-	-	(2,361)	(960)	(2,361)	(960)
Accruals	1,557	795	-	-	1,557	795
Provisions	726	-	-	-	726	-
Tax losses	-	-	-	-	-	-
Financial derivative	-	-	-	-	-	-
Tax assets / (liabilities)	**2,361**	**960**	**(2,361)**	**(960)**	**-**	**-**

The Group has unrecognised current tax losses of $24.0m (7.2m tax effected) and $32.5m ($9.7m 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 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 recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

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

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

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

12. DERIVATIVE 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. Historically these arrangements were designated as cash flow hedges under AASB 139 (which the Group had opted to retain as is currently permitted). The 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 designated as cash flow hedges 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 designated hedge derivatives 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 had fallen outside the prescribed 80-125% range of effectiveness as per AASB 139. At this point hedge accounting ceased and the full fair value movements were booked to the profit and loss. This was 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 July 2022. In August 2022 with the restructuring of the warehouse, the swap was reset and redesignated to hedge the warehouse receivables balance. Due to the redesignation of the swap, the previous hedge was derecognised, and the cash flow hedge balance was recognised to profit and loss. The reset swap has not been designated as a cash flow hedge at 31 March 2023 and the fair value movements of the derivative are recognised in the statement of profit or loss.

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

$'000 AUD	2023	2022
Fair value gains on derivative	-	1,453
FVPL loss on cash flow hedge derecognised from reserves	(1,369)	-
FVPL gain on ineffective hedge	774	-
FVPL gain on undesignated swap	(511)	-
Interest expense	(584)	(443)
	(1,690)	**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 2023.

The fair value of derivatives is 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	2023	2022
Interest rate swap asset	12	-
Interest rate swap liability	-	359

13. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

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

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 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.

The Group holds a related party loan which is secured by the borrower's current and future shareholding in Thorn Group Limited and management has assessed that no loss impairment is required.

Expected credit loss measurement for Business Finance loan and lease receivables

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.

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 six months. Default is defined as 90 days past due for asset finance receivables.

Impact of Covid-19 pandemic

In prior years, the Covid-19 affected contracts were removed from the AASB9 model and a separate management overlay was provided. During the 2023 financial year, the collection activity on the Covid affected book has improved and there was no further economic lockdowns. As a result, the arrears have fallen to 10.1% at 31 March 2023 (31 March 2022: 16.1%). The Covid affected book has decreased by 67% in the period to March 2023 to $11.3m and 82% of the book will reach maturity in the next two years.

Given the strong collection activity, the declining book and the likelihood that the economy will not suffer from further lockdowns, it has been decided by management to remove the Covid-19 management overlay. Covid contracts are now subject to the same AASB9 provision methodology as applied across the entire asset finance portfolio.

Macroeconomic Scenarios

Management has evaluated the current economic indicators and determined that there is a possibility of a downturn, accompanied by a continuous increase in the cost of living. The economy has already experienced 11 interest rate hikes since May 2022, with escalating inflation in Australia and worldwide. Considering this assessment, management introduced a management overlay in addition to the existing Expected Credit Loss (ECL) provisions. This overlay is calculated at 3.7% of the asset finance receivables book.

This forward-looking adjustment considers the estimated impact of various scenarios based on economic assumptions and the concentrations of industries and asset classes. The Group considers these factors across multiple scenarios, including the base case, upside, and downside scenarios. To inform their analysis, the Group combines publicly available economic forecasts for the Australian economy with portfolio information, judgments, and analysis.

Model risk reserve

A model risk reserve continues to be in place for Business Finance calculated at 2.4% of the asset finance receivables book.

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 financial year due to these factors:

Asset finance loan and lease receivables

Asset finance 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 2022	13,856	6,763	1,442	22,061
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(352)	419		67
Transfer from Stage 1 to Stage 3	(141)		262	121
Transfer from Stage 2 to Stage 1	8	(173)		(165)
Transfer from Stage 2 to Stage 3		(18)	10	(8)
Transfer from Stage 3 to Stage 1	7		(44)	(37)
Transfer from Stage 3 to Stage 2		1	(19)	(18)
Changes in balance	1,180	(1,641)	3,699	3,238
Change in estimates	4,973	215	(673)	4,515
Changes to model assumptions and methodologies	(6,554)	(3,166)	612	(9,108)
Write-offs			(4,105)	(4,105)
Total net P&L charge during the period	**(879)**	**(4,363)**	**(258)**	**(5,500)**
Loss allowance as at 31 March 2023	**12,977**	**2,400**	**1,184**	**16,561**

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:

Asset finance 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 2022	99,854	9,349	1,442	110,645
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(2,688)	2,688		-
Transfer from Stage 1 to Stage 3	(1,454)		1,454	-
Transfer from Stage 2 to Stage 1	417	(417)		-
Transfer from Stage 2 to Stage 3		(290)	290	-
Transfer from Stage 3 to Stage 1	69		(69)	-
Transfer from Stage 3 to Stage 2		30	(30)	-
New financial assets originated or purchased	115,881	1,943	395	118,219
Changes in the balances of non-transferred financial assets	(66,821)	(10,081)	1,807	(75,095)
Write-offs			(4,105)	(4,105)
Total net change during the period	**45,404**	**(6,127)**	**(258)**	**39,019**
Gross closing amount as at 31 March 2023	**145,258**	**3,222**	**1,184**	**149,664**

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		2023	2022
Trade receivables		891	2,430
Asset finance lease receivables		7,652	24,451
Asset finance loan receivables		141,121	83,492
Invoice finance receivables		3,381	272
Related party loan receivables	23	5,000	-
Total gross amount		**158,045**	**110,645**
Allowance for impairment		(16,561)	(22,061)
		141,484	**88,584**

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.

Invoice finance receivables of $3.4m are secured by the SME's accounts receivable, allowing them to generate cash quickly. The facility available is based on a percentage of invoices identified as security. The loan is not dissimilar to a working capital loan where the facility is drawn and repaid multiple times as the business' liquidity rises and falls. Thorn utilises an invoice financing platform which access live SME's financials keeping ahead of potentials risk of default securing the recoverability of the loan facility. In addition, Thorn manages the loan in-line with roburst credit collection policy. Thorn has assessed that no impairment provision is required.

Related party interest-bearing loan of $5.0m, which is secured by the borrower's current and future shareholding in Thorn and is repayable on 30 June 2023, has been assessed to require no loss impairment.

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.

Impairment losses

Asset finance lease receivables

$'000 AUD	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
Stage 1	7,234	(1,168)	22,489	(3,527)
Stage 2	301	(154)	2,510	(2,008)
Stage 3	116	(116)	577	(577)
	7,651	**(1,438)**	**25,576**	**(6,112)**

Asset finance loan receivables and remaining consumer solar loans

$'000 AUD	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
Stage 1	138,024	(11,809)	77,364	(10,329)
Stage 2	2,921	(2,246)	6,840	(4,755)
Stage 3	1,068	(1,068)	865	(865)
	142,013	**(15,123)**	**85,069**	**(15,949)**

At 31 March 2023, the contractual amount outstanding on receivables that were written off in the financial year and that are still subject to enforcement activity is $2.9m.

Thorn has provided a guarantee to the trustee of the warehouse trust, against a group of affected trust receivables. The value of the receivables as at 31 March 2023 is $7.0m. 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.

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 2023.

31 March 2023 ($'000 AUD)	Carrying amount	Contractual Cash flows	1 year or less	1-5 years	5 years or more
Securitised warehouse facility	114,890	127,449	51,711	75,738	-
Lease liability	-	-	-	-	-
Trade and other payables	4,949	4,949	4,949	-	-
Total non-derivatives	**119,839**	**132,398**	**56,660**	**75,738**	
Interest rate swap					
(Inflow)	(12)	(6,800)	(3,256)	(3,544)	-
Outflow	-	6,796	3,127	3,669	-
Total derivatives	**(12)**	**(4)**	**(129)**	**125**	**-**

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)**	**-**

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 15 which is based on expected cash flows.

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

Market risk

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

Price risk

The Group exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet at fair value through other comprehensive income (FVOCI). The Group diversifies its portfolio to manage any price risk arising from investments in equity securities and focusses on long term investment. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group's Board of Directors reviews and approves all equity investment decisions.

A change of 57 percent in the share price of the investment assets (ASX listed companies) at the reporting date would have increased or decreased the consolidated entity's other comprehensive income by approximately $1.6m (2022: Nil), net of tax.

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 receivables and therefore remove the interest rate mismatch between the receivables and the borrowings.

In December 2021, the Group made an assessment that the interest rate swap had fallen outside the prescribed 80-125% range of effectiveness as per AASB 139. This was 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 July 2022. In August 2022 with the restructuring of the warehouse, the swap was reset and redesignated to hedge the warehouse receivables balance. Due to the redesignation of the swap, the previous hedge was derecognised, and the cash flow hedge balance was recognised to profit and loss. The reset swap has not been designated as a cash flow hedge at 31 March 2023 and the fair value movements of the derivative are recognised in the statement of profit or loss, refer to note 12 for details.

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

$'000 AUD	2023	2022
Free cash	17,363	68,055
Borrowings net of swap	3,341	(23,692)

At 31 March 2023, Thorn was hedged at 98% (2022: 139%) of its warehouse receivables balance of $113.9m (2022 borrowing balance: $60.6m).

A change of one percent in interest rates at the reporting date would have increased or decreased the consolidated entity's profit and loss by $1.8m (2022: $0.2m), net of tax. The change from prior period is due to changes in the floating rate of the swap based on a higher notional value and more volatile interest rate market.

Financial instruments

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to permit future development of the business. The Board monitors the return on equity, which the consolidated entity defines as net profit after tax divided by the average of opening and closing equity. The Board also monitors the level of dividends to 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 ASX listed companies is considered to represent fair value. The investments are considered to be Level 1 investments.

14. PROVISIONS AND CONTINGENT LIABILITIES

2023 $'000 AUD	**Make good**	**Service warranties**	**Regulatory and Other**	**Total**
Opening balance	45	-	4,045	4,090
Provisions made during the year	-	-	150	150
Provisions used during the year	(45)	-	(283)	(328)
Provisions released during the year	-	-	(2,400)	(2,400)
	-	**-**	**1,512**	**1,512**
Current	-	-	1,512	1,512

Non-current	-	-	-	-
	-	**-**	**1,512**	**1,512**

2022 **$'000 AUD**	**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 released during the year	(257)	-	-	(257)
	45	**-**	**4,045**	**4,090**
Current	45	-	4,045	4,090
Non-current	-	-	-	-
	45	**-**	**4,045**	**4,090**

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 former consumer leases, the Group was required to maintain the leased product in good working order. Provision was made for the expected cost of this obligation over the remaining life of the existing lease arrangements. Upon completion of the sale of the Consumer Finance business, the warranty of $1.3m was released to gain on sale calculations.

Contingent liabilities

Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable but the financial impact of the event is unable to be reliably estimated. From time to time the Group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued for performance obligations of controlled entities in the Group. Legal proceedings threatened against Thorn may also, if filed, result in Thorn incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to adversely prejudice the position of the Group (or its insurers) in a dispute, accounting standards allow Thorn to not disclose such information. It is Thorn's policy that such information is not disclosed in this note.

Litigation

In March 2023, Thorn and Thorn Australia Pty Ltd ("TAPL") were served with a cross claim in Federal Court of Australia proceedings in which the Commonwealth Attorney-General's Department (under the Fair Entitlements Guarantee scheme) is claiming damages, together with interest and legal costs, from Receivers who, on behalf of a secured creditor who appointed the Receivers to do so, recovered assets from a third party. That secured creditor was previously, but in February 2018 ceased to be, a subsidiary of Thorn. Those Receivers have claimed indemnity from the secured creditor who appointed the Receivers to that role. By the cross claim against Thorn and TAPL, that secured creditor has claimed contractual indemnities, from Thorn and TAPL, against any liability that secured creditor is found to have to the Receivers plus interest and legal costs. Thorn and TAPL are defending that cross claim. The cross claim against Thorn and TAPL is not quantified. The proceedings are being defended.

Critical Accounting Estimates and Judgments

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows. The judgemental nature of these items means that future amounts settled may be different from those provided for

15. LOANS AND BORROWINGS

$'000 AUD	2023	2022
Current liabilities		
Secured loans	-	43,412
Non-Current liabilities		
Secured loans	114,890	17,179
	114,890	**60,591**

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	2023	2022
Securitised warehouse facility	200,000	60,591
Utilised	(114,890)	(60,591)
Available headroom	**85,110**	-
Total loan facilities	200,000	60,591
Utilised	(114,890)	(60,591)
Secured loan facilities not utilised at reporting date	**85,110**	-

Corporate facilities

The Group has no open corporate debt facility.

The Group retains access to bank guarantees and credit card facilities with a total limit of $1.1m as part of its ongoing transactional banking arrangements. At 31 March 2023, the amount utilised was $0.2m and the Group has cash collateralised the total facilities.

Securitised warehouse facility

Thorn is financed by a rated securitised warehouse facility ("the warehouse"). From May 2020 to July 2022, the warehouse was in amortisation due to a breach of one of its warehouse parameters, 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. While this event subsisted, Thorn was unable to sell its originations into the warehouse, and the distributions it was expecting from the warehouse via the waterfall distribution mechanism were retained in an excess spread reserve.

The warehouse was restructured with a funding limit of $200 million and re-commenced utilisation in August 2022. The existing notes were repaid in full and the balance of the excess spread reserve was repaid to the unitholder. There have been no subsequent deposits to the excess spread reserve and further transfers are not expected except in the case of an amortisation event. Thorn Business Finance is financed by the warehouse with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class G notes held by Thorn.

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

Interest on the warehouse is charged at a fixed interest premium plus a floating 1-month BBSY (LY: fixed interest premium plus 3-months BBSY).

The current facility is available until August 2023, however Thorn is negotiating a renewal with its funders. If agreement is not reached, further receivables will not be able to be sold into the facility, and the portfolio will amortise down for as long as the underlying receivables are payable. While the warehouse is in operation, there will be no repayment of borrowings and principal collected will be utilised to purchase eligible receivables, hence the full balance of the warehouse facility is disclosed as non-current. In the comparative March 2022, the warehouse was in amortisation, and the principal was applied to repay noteholders with the amounts expected to be due and payable on the warehouse facility in the next 12 months being disclosed as current. This payment structure would recommence if the current warehouse facility went into amortisation.

There were reported technical breaches of compliance parameters in the warehouse during the financial year and for the period to May 2023. All breaches were remedied within 30 days and no further action taken. To rectify this, the warehouse parameters were amended with funder consent in May 2023 to align more closely the industry parameters with newly created asset finance business.

16. CAPITAL AND RESERVES

Issued capital

Number of shares	2023	2022
On issue at the beginning of year	340,192,714	339,188,085
Issue of new shares under dividend reinvestment plan	9,044,579	2,398,077
Issue of new shares under an employee share based payment plan	-	464,253
Repurchase of shares through buy-back scheme	(1,603,828)	(1,857,701)
Consolidation of shares	(312,869,446)	-
	34,764,019	**340,192,714**

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.

Share buy-back programs

Thorn conducted on-market share buy-back program of up to 5% of Thorn's ordinary shares, or up to 16,994,615 ordinary shares, commenced from 1 March 2022 up until 28 February 2023. From 1 April 2022 to 28 February 2023, the Group bought back 1,603,828 fully paid ordinary shares for a total cost of $404,703.

Consolidation of Shares

On 30 September 2022 the Group held an Extraordinary General Meeting, during which shareholders approved the consolidation of every 10 ordinary shares held by a shareholder into 1 ordinary share. The share consolidation was completed on 14 October 2022. The post consolidation shares on issue amounted to 34,764,019 ordinary shares.

Return of Capital to Shareholders

On 6 October 2022, the Company's issued ordinary share capital was reduced by approximately $41.7m, following shareholder approval at the Extraordinary General Meeting convened on 30 September 2022. The Company paid each eligible shareholder registered on the record date of 6 October 2022, the amount of $0.12 per share held at that time.

Reserves

The reserves consist of the fair value investment reserve, the cash flow hedge reserve and trust excess spread reserve. The value investment reserve represents the value of quoted prices in active markets. The cash flow hedge reserve consists of the fair value of cash flow hedges after tax.

$'000 AUD	2023	2022
Cash flow hedge reserve	-	(1,369)
Fair value investment reserve	(1,677)	-
Trust excess spread reserve	-	6,974
	(1,677)	**5,605**

During 2021, 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 was instead held within a cash reserve and serves as collateral against the collection of the receivables.

The balance of the excess spread as at 31 March 2022 was $6,973,594. Following the re-opening of the warehouse on 2 August 2022, the existing notes were repaid in full and the balance of the excess spread reserve was repaid to unitholders. There have been no subsequent deposits to the excess spread reserve and further transfers are not expected except in the case of an amortisation event.

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
2023				
Final 2022	1.0	3,392	30%	25th July 2022
Interim 2023	-	-	n/a	n/a
Special dividend	3.0	10,429	30%	2nd September 2022
Total amount	**4.0**	**13,821**		
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**		

During the year, Thorn paid total dividends of 4 cents per share, totalling $13.8m. A number of Thorn's shareholders participated in the Company's dividend reinvestment plan ('DRP') offered for the final 2022 dividend, resulting in $2.0m of the total being reinvested in Thorn shares. Net cash outflow was $11.8m.

Dividend franking account

$'000 AUD	2023	2022
30% franking credits available to shareholders of Thorn Group Limited	10,511	16,435

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.

17. EARNINGS PER SHARE

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. For comparability, EPS for the prior year was restated to account for the share consolidation during the year.

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	2023	2022
Profit attributable to ordinary shareholders (basic) $'000 AUD		
Profit attributable to ordinary shareholders (basic)- Continuing operations	(1,347)	12,865
Profit attributable to ordinary shareholders (basic)- Discontinued operation	3,884	19,481
Profit attributable to ordinary shareholders (basic)	2,537	32,346
Weighted average number of ordinary shares (basic) '000's		
Issued ordinary shares at 1 April	34,020	33,919
Effect of shares issued	501	5
Weighted average number of ordinary shares for the year	**34,521**	**33,924**
Weighted average number of ordinary shares (diluted) '000's		
Issued ordinary shares at 1 April	34,020	33,919
Effect of shares issued	501	108
Weighted average number of ordinary shares for the year	**34,521**	**34,027**
Earnings per share – Continuing operations		
Basic earnings per share (cents)	(3.9)	37.9
Diluted earnings per share (cents)	(3.9)	37.8
Earnings per share – Discontinued operation		
Basic earnings per share (cents)	11.2	57.4
Diluted earnings per share (cents)	11.2	57.3
Earnings per share - Consolidated		
Basic earnings per share (cents)	7.3	95.3
Diluted earnings per share (cents)	7.3	95.1

18. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest	
		2023	2022
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%
Thornmoney Pty Ltd	Australia	100%	100%
Thorn ABS Warehouse Trust No. 1	Australia	100%	100%
Thorn Finance Pty Ltd	Australia	100%	100%
Thorn Services Pty Ltd	Australia	100%	100%
Thorn Employee Services Pty Ltd*	Australia	N/A	100%
Thorn Administration No.1 Pty Ltd*	Australia	N/A	100%

**These entities were deregistered during the financial 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.

19. DEED OF CROSS GUARANTEE

Thorn and each of the subsidiaries, with the exception of Thorn ABS Warehouse Trust No.1 (the Closed Group) listed in note 18 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. During the year, two subsidiaries (Thorn Employee Services Pty Ltd and Thorn Administration No.1 Pty Ltd) were deregistered.

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

The profit before tax of the Closed Group after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2023, is $7.0m.

Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Closed Group

$'000 AUD	2023	2022
Continuing operations		
Interest revenue	4,021	176
Other revenue	15,096	1,816
Revenue	**19,117**	**1,992**
Employee benefit expense	(9,290)	(14,137)
Reversal of impairment losses on loans and receivables	(635)	26,103
Marketing expenses	(199)	(359)
Property expenses	(374)	220
Communication & IT expenses	(1,771)	(3,942)
Insurance expenses	(1,901)	(2,601)
Legal expenses	(936)	(1,592)
Other expenses	780	(4,177)
Impairment of intangibles & property, plant and equipment	(583)	(389)
Net gain on sale of financial asset	-	119
Corporate expense allocated to discontinued operation	-	8,025
Total operating expenses	**(14,909)**	**7,270**
Earnings before interest and tax ("EBIT")	4,208	9,262
Fair value gains/(losses) on derivative	-	-
Finance expenses	(1,078)	(771)
Profit/(Loss) before income tax	**3,130**	**8,491**
Income tax	-	-
Profit/(Loss) after tax for the year from continuing operations	**3,130**	**8,491**
Discontinued operation		
Profit from discontinued operation, net of tax	3,884	19,481
Profit after tax for the year	**7,014**	**27,972**
Other comprehensive income – items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through OCI	(1,677)	-
Other comprehensive income for the year	**(1,677)**	**-**
Total comprehensive profit	**5,337**	**27,972**

Consolidated statement of financial position of the Closed Group

$'000 AUD	2023	2022
Assets		
Current assets		
Cash and cash equivalents	17,362	68,055
Trade and other receivables	15,276	5,140
Prepayments and other assets	2,240	6,480
Income tax receivable	-	-
Total current assets	**34,878**	**79,675**
Non-current assets		
Trade and other receivables	24,707	19,401
Other assets	6,214	25,470
Financial assets at fair value through other comprehensive income	2,744	-
Intangible assets	-	-
Total non-current assets	**33,665**	**44,871**
Total assets	**68,543**	**124,546**
Liabilities		
Current liabilities		
Trade and other payables	5,304	8,557
Lease liability	-	11
Employee benefits	2,935	5,090
Provisions and contingent liabilities	1,512	4,090
Total current liabilities	**9,751**	**17,748**
Non-current liabilities		
Employee benefits	19	77
Total non-current liabilities	**19**	**77**
Total liabilities	**9,770**	**17,825**
Net assets	**58,773**	**106,721**
Equity		
Issued capital	117,818	158,049
Reserves	(1,677)	6,974
Retained earnings	(57,368)	(58,302)
Total equity	**58,773**	**106,721**

20. PARENT ENTITY DISCLOSURES

As at 31 March 2023, and throughout the financial year ending 31 March 2023, the parent entity of the consolidated entity was Thorn Group Limited.

$'000 AUD	2023	2022
Result of Parent Entity		
Profit for the period	13,183	27,167
Other comprehensive income	(1,677)	-
Total comprehensive profit / (loss) for the period	**11,506**	**27,167**
Financial position of the parent entity at year end		
Current assets		
Total assets	111,882	108,158
Current liabilities	-	-
Total liabilities	(46,271)	-
Total equity of the parent comprising		
Share capital	117,818	158,049
Accumulated losses	(50,529)	(49,891)
Fair value investment reserve	(1,677)	-
Total Equity	**65,611**	**108,158**

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 19.

21. 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 18 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the warehouse. The table below presents assets (net of provision) and the underlying liabilities attributable to the warehouse.

$'000 AUD	2023	2022
Net Receivables	101,500	64,045
Cash held by Trust	11,437	18,705
Derivative financial instruments	12	-
Total assets	**112,949**	**82,750**
Borrowings related to receivables	114,890	60,591
Derivative financial instruments	-	359
Total liabilities	**114,890**	**60,950**
Net asset/ (liabilities)	**(1,941)**	**21,800**

The Group provides additional support to the special purpose entity including a liquidity facility of $1.4m (2022: $3.6m) and a bill and collect facility of $0.8m (2022: $1.9m).

The securitised warehouse is required to maintain a level of credit enhancement through the Class G Notes 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. The warehouse amended certain pool parameters in May 2023. As part of the amendments, the Class G Notes were increased by 2.5%, to provide additional credit enhancement, and the Class A notes were reduced by an equivalent amount. The overall limit did not change. The additional credit enhancement served to ensure that the credit ratings on the externally rated Notes maintained their individual ratings.

22. DISCONTINUED OPERATIONS

In December 2021, the Group's assets in the Consumer Finance division, Radio Rentals were sold to Credit Corp Group Limited. During the 2023 financial year, Thorn received an additional deferred cash consideration of $2.3m for the sale, taking the total consideration received to $46.2m. Thorn negotiated an extension of the transitional services agreement with Credit Corp for an additional $1.8m. The arrangements concluded on 20 December 2022.

The discontinued operations segment recorded a profit after tax of $3.9m (2022: $19.5m).

(a) Result of discontinued operations

$'000 AUD	2023	2022
Revenue	-	33,921
Expenses	-	(26,176)
Results from operating activities	**-**	**7,745**
Income tax	-	-
Results from operating activities, net of tax	**-**	**7,745**
Gain on sale of discontinued operation	3,884	11,736
Income tax on sale of discontinued operation	-	-
Profit from discontinued operations, net of tax	**3,884**	**19,481**

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

$'000 AUD	2023	2022
Net cash used in operating activities	-	33,713
Net cash from investing activities	4,053	43,876
Net cash from financing activities	-	(799)
Net cash flows for the year	**4,053**	**76,790**

23. RELATED PARTIES

Key management personnel remuneration

$	2023	2022
Short-term employee benefits*	1,473,720	2,238,685
Post-employment benefits	88,110	82,738
Termination payments**	286,974	-
Share-based payments	-	32,328
	1,848,804	**2,353,751**

** 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.*

***2023 includes Luis Orp's termination payment.*

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.

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	2023	2022
General Provincial Company Ltd	369	1,868

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

Related Party Loan

On 17 October 2022, Thorn Australia Pty Limited entered into a secured loan of $5.0m with a related party, Somers Limited, repayable on 30 December 2022 at the interest rate of 9% per annum. Interest was accrued, compounded daily and the amount of $93,314 was paid. The principal repayment date was extended to 31 March 2023 (Contract signed) at an increased interest rate of 10% per annum. On 31 March 2023, an interest payment of $124,663 was received. On 6 April 2023, the principal repayment date was further extended to 30 June 2023 at the new interest rate of 12% per annum, accrued and compounded daily. The loan is secured by the borrower's present and future interest in shares on issue by Thorn Group Limited and held by the borrower and any custodian or sub custodian on behalf of borrower.

Somers Limited has a shareholding of 49.34% in the Company (based on its last ASX substantial shareholder notification lodged with ASX on 25 July 2022).

$'000 AUD	2023	2022
Somers Limited	5,000	-

24. SHARE BASED PAYMENTS

The Company had a legacy Long Term Incentive (LTI) share plan (2019) - there are no remaining employees in this plan due to forfeiture upon cessation of employment (as all performance rights had lapsed, there was no need to test the plan in September 2022 in accordance with the plan rules).

The Company has no active share plan for the 2023 financial year - no performance rights or options were granted during the 2023 financial year.

In March 2022, ordinary shares were issued to Peter Lirantzis and are currently held in escrow with a two year hold period until 10 February 2024 (these rights were allocated as part of Peter Lirantzis' sign-on share plan and do not form part of the LTI plans disclosed above).

There are no other performance rights over ordinary shares in Thorn Group Limited held directly, indirectly or beneficially, by any employees.

25. EMPLOYEE BENEFIT EXPENSE AND LIABILITIES

Employee benefit expense

$'000 AUD	2023	2022
Employee benefit expense	9,290	14,137

Employee benefit expense includes redundancy expenses of $459,000 (2022: $145,000) and superannuation expenses of $653,000 (2022: $843,000).

Employee benefit liabilities

$'000 AUD	2023	2022
Current		
Annual leave liabilities	751	1,043
Long service leave liabilities	150	177
Incentive provision	1,800	3,248
Other employee benefit accruals	235	622
	2,936	**5,090**
Non-current		
Long service leave liabilities	19	77
	19	**77**

The entire amount of the provision of $2,936,000 (2022: $5,090,000) 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 $892,000 is not expected to be paid in the next 12 months (2022: $1,155,000).

26. AUDITORS' REMUNERATION

In whole AUD	2023	2022
	UHY Haines Norton	UHY Haines Norton
Audit services		
Audit and review of financial reports	447,707	356,283
Total Audit Services	**447,707**	**356,283**
Other services		
Other assurance services	60,560	100,800
Other assurance services	**60,560**	**100,800**
Non audit services		
Tax compliance	89,532	96,213
Total non-audit services	**89,532**	**96,213**
Total auditor's remuneration	**597,799**	**553,296**

27. OTHER EXPENSES

Included in Other expenses is a credit of $3.8m arising from the reduction in provisions and accruals.

28. SUBSEQUENT EVENTS

Related party loan

On 6 April 2023, the principal repayment date of Somers Limited's loan was amended and extended to 30 June 2023 at the new interest rate of 12% per annum, accrued and compounded daily. Refer to note 23.

Securitised warehouse facility

The warehouse parameters were amended in May 2023 with funders consent to align more closely the Industry parameters with the asset finance business. The current facility is available until August 2023, however Thorn is negotiating a renewal with its funders.

Investments

On 22 May 2023, Thorn acquired an additional 62,500,000 shares in ASX listed company, Moneyme Limited, for a cost of $5.0m. Following the investment, Thorn holds 64,408,413 ordinary shares in Moneyme Limited. On 24 May 2023, Thorn lodged a notice of initial substantial shareholder with ASX, reflecting that Thorn's voting power was 8.64%.

Asset finance portfolio update

Thorn is in negotiations with a party which has expressed interest in acquiring Thorn Australia Pty Ltd's and Thornmoney Pty Ltd's asset finance portfolio. At this stage, negotiations are incomplete and ongoing and no decision has been made in relation to any potential sale or divestment of Thorn's asset finance portfolio. Thorn is also unable at this stage, to provide shareholders with any estimates or guidance as to the financial impact of such a transaction on Thorn. Should any such decision be made, Thorn will update the market in relation to any specific course of action if and when required.

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 51 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 2023 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 18 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. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 March 2023.

Signed in accordance with a resolution of the directors.

Warren McLeland

Warren McLeland
Chairman

Dated at Sydney
31 May 2023

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 2023, which comprises the consolidated statement of financial position as at 31 March 2023, 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 2023 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.

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 economic downturns; • Judgements involved in the calculation of overlays over provision balances; Refer to note 13 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.

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.

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 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 31 March 2023.

In our opinion, the Remuneration Report of Thorn Group Limited for the year ended 31 March 2023, 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
31 May 2023

UHY Haines Norton
Chartered Accountants

SHAREHOLDER INFORMATION AS AT 30 MAY 2023

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.

HOLDINGS

The issued capital of Thorn Group Limited is as below.

Equity Class	Number of Holders	Total Ordinary Shares Issued
Fully Paid Ordinary Shares	2,899	34,764,019

20 LARGEST SHAREHOLDERS

Rank	Registered Shareholder	Number of Ordinary Shares Held	% of Ordinary Shares
1	J P Morgan Nominees Australia Pty Limited	18,581,872	53.45
2	Moat Investments Pty Ltd <Moat Investment A/C>	2,512,021	7.23
3	Mr Sean Patrick Martin <The Avebury Family A/C>	1,103,640	3.17
4	Ace Property Holdings Pty Ltd	860,000	2.47
5	Jet Invest Pty Ltd <RJC Investment A/C>	401,905	1.16
6	Mr Sunny Yang + Mrs Connie Yang <Yang's Family A/C>	372,153	1.07
7	Mast Financial Pty Ltd <A To Z Investment A/C>	276,724	0.80
8	Netwealth Investments Limited <Wrap Services A/C>	190,391	0.55
9	Trober No 57 Pty Ltd <Kevans Super Fund A/C>	185,027	0.53
10	Mr Sunny Li Sheng Yang + Mrs Connie Cong Huan Yang <Yang's Superannuation A/C>	179,866	0.52
11	Mr Warwick Sauer	170,000	0.49
12	ADC (Investing) Pty Ltd <Al Cook Asset A/C>	150,000	0.43
13	Huntingdale Management Pty Ltd <Huntingdale A/C>	145,000	0.42
14	Mr Jason Bradley Whelan <Whelan Family A/C>	134,947	0.39
15	Mr Kim Bee Tan + Mrs Verna Suat Wah Tan <Perfect Pair Super Fund A/C>	125,000	0.36
16	Mr Hongbin Chen	113,333	0.33
17	JT Management Co Pty Ltd <The James Super Fund A/C>	112,500	0.32
17	HSBC Custody Nominees (Australia) Limited - A/C 2	111,913	0.32
19	Davelle Investment Consulting Pty Ltd <The Davelle A/C>	110,363	0.32
20	Mr Robert Bruce Sauverain	100,046	0.29
	Totals: Top 20 holders of Fully Paid Ordinary Shares (Total)	**25,936,288**	**74.61**
	Total Remaining Holders Balance	**8,827,731**	**25.39**

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary Shares (Total)		
Range	Number of Holders	Number of Ordinary Shares Held	% of Ordinary Shares
1 - 1,000	1,707	843,569	2.43
1,001 - 5,000	837	1,958,170	5.63
5,001 - 10,000	171	1,233,867	3.55
10,001 - 100,000	164	4,792,267	13.79
100,001 - and Over	20	25,936,288	74.61
Rounding			-0.01
Total	**2,899**	**34,764,019**	**100.00**

SHAREHOLDER INFORMATION AS AT 30 MAY 2023

UNMARKETABLE PARCELS

	Minimum Parcel Size	Number of Holders	Number of Ordinary Shares Held
Minimum $500.00 parcel at $1.03 per unit	485	856	220,122

THE NAMES OF THE SUBSTANTIAL SHAREHOLDERS LISTED IN THE COMPANY'S REGISTER

Rank	Registered Shareholder	Number of Ordinary Shares Held	% of Ordinary Shares
1	Somers Limited	17,157,163*	49.3%
2	Moat Investments Pty Ltd	2,512,021	7.2%

*Somers Limited lodged a substantial holder notice with the Company on 27 July 2022, disclosing it held 171,571,633 shares. This was prior to the 10:1 share consolidation approved by shareholders on 30 September 2022 and completed on 14 October 2022. The number of shares disclosed above has been calculated on 10:1 consolidation ratio (there may be rounding changes and Somers may have acquired or disposed of shares after the date of lodgement of the notice).

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

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS

Warren McLeland

Chairman, Non-Executive Director

Paul Oneile

Non-Executive Director

Allan Sullivan

Non-Executive Director

CHIEF EXECUTIVE OFFICER

Peter Lirantzis

COMPANY SECRETARY

Alexandra Rose

THORN GROUP LIMITED

REGISTERED OFFICE - Level 11, 1 York Street, Sydney NSW 2000

PRINCIPAL ADMINISTRATIVE OFFICE - Level 13, 333 George Street, Sydney NSW 2000

www.thorn.com.au

Telephone: 1800 975 075

AUDITOR TO THORN GROUP LIMITED

UHY Haines Norton

Level 11, 1 York Street

Sydney, NSW 2000

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

Telephone: 1800 420 909