ASX ANNOUNCEMENT **16 July 2021**

RELEASE OF THORN'S TARGET'S STATEMENT

Thorn Group Limited (ASX: TGA) (**Thorn**) refers to the unsolicited on-market takeover offer made by Somers Limited (**Somers**) to acquire all of the shares in Thorn that it does not already own for A$0.21 cash per share (**Offer Price**) as announced to ASX on Friday, 18 June 2021 (**Offer**).

In compliance with Item 10 of section 635(1) of the *Corporations Act 2001* (Cth), as modified by ASIC Instrument 21-0622, Thorn releases its target's statement in response to the Offer (**Target's Statement**).

The Target's Statement contains all information that is material to Thorn shareholders in their assessment of the Offer, including the recommendation of your independent director, Paul Oneile, that you **REJECT** the Offer and his reasons for making that recommendation. One of those reasons is that the Independent Expert, Grant Thornton, has concluded in its Independent Expert's Report that the Offer is **NEITHER FAIR NOR REASONABLE** to Thorn shareholders. The Independent Expert has estimated the fair market value of Thorn shares to be in the range of A$0.28 to A$0.31, which is significantly above the Offer Price. A full copy of the Independent Expert's Report is included in Annexure A to the Target's Statement.

Thorn refers to the recent appointment of liquidators to The Forum Group and related issues with Forum Finance Pty Ltd (**Forum Finance**). Thorn’s Target's Statement notes that there is a potential exposure of up to $2.2 million relating to equipment finance loans funded between 2013 and 2019 to Forum Finance and its related entities. Thorn is in the process of investigating / ascertaining which of these accounts are valid contracts and which are fraudulent. Thorn ceased funding new contracts associated with Forum Group and its related entities in July 2019. Thorn is investigating any other contracts that might be linked to Forum Group and/or its related entities and potentially impacted parties.

Thorn's Independent Committee established to respond to the Offer comprising your independent director Paul Oneile, Pete Lirantzis (CEO) and Alexandra Rose (General Counsel & Company Secretary) recommends that you review the Target's Statement in full before taking any action in respect of the Offer.

To follow your independent director's recommendation in respect of the Offer, Thorn Shareholders must simply do nothing, take no action, and ignore all documents received from Somers in relation to the Offer.

The Target's Statement will be served on Somers and lodged with the Australian Securities and Investments Commission today. The Target's Statement will also be dispatched later today to Thorn shareholders.

This release has been authorised by the Company Secretary.

For further information, please contact:

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ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)

Thorn is a diversified financial services company providing financial solutions to consumers and businesses. Thorn's consumer leasing business, Radio Rentals (RR Rentlo Reinvented in South Australia), is a leader in the household goods consumer leasing market, operating since 1937. Thorn Business Finance is a provider of leasing and other financial services to small and medium enterprises. Thorn has been listed on the ASX since 2006, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.

Thorn Group Limited
ACN 072 507 147

Target's Statement

in relation to the on-market takeover bid made by Somers Limited for all of your ordinary shares in Thorn Group Limited for A$0.21 per share

The Independent Director recommends that you

REJECT

the Offer as it materially undervalues your Thorn Shares

TO REJECT THE OFFER

DO NOTHING - TAKE NO ACTION

IGNORE ALL DOCUMENTS FROM SOMERS LIMITED

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this document, please contact your legal, financial, taxation or other professional adviser. If you have any questions about the Offer or this document, please call the Offer Information Line on 1300 145 429 (callers in Australia) or +61 03 9415 4835 (callers outside Australia) Monday to Friday between 9.00am and 5.00pm (Sydney time).

Legal Adviser

MinterEllison

Financial Adviser

Lewis Corporate Advisory

Target's Statement

Important Notices

Target's Statement

This document is a Target's Statement dated 16 July 2021 and is issued by Thorn Group Limited ACN 072 507 147 (**Thorn**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given by Thorn in response to the on-market takeover offer made by Somers Limited (Bermuda Company Number 46441) (**Somers**) in its Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and ASX on 16 July 2021. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

Defined terms

Capitalised terms used in this Target's Statement are defined in Section 8 of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. The recommendations and other information contained in this Target's Statement should not be taken as personal, financial or taxation advice, as each Shareholder's deliberations and decision will depend on their own financial situation, tax position, investment objectives and particular needs.

Thorn is not licensed to provide financial product advice in relation to Thorn Shares or any other financial products. The recommendations and other information contained in this Target's Statement do not constitute financial product advice.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to Thorn Shares or the Offer generally. The Independent Committee encourages you to obtain independent legal, financial, taxation or other professional advice before deciding whether or not to accept the Offer.

Forward looking statements

Some statements in this Target's Statement (including in the Independent Expert's Report) are in the nature of forward looking statements. Forward looking statements generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Thorn as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of Thorn and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Thorn, or its subsidiaries, or any of their respective officers, employees or advisers or any other person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Thorn has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Responsibility for information about Somers

The information in this Target’s Statement in relation to Somers has been compiled from or is otherwise based on information obtained from publicly available sources, including information in the Bidder’s Statement, and should not be considered comprehensive. This information has not been independently audited or verified by Thorn or its advisers. Accordingly, to the maximum extent permitted by law, Thorn does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

Independent Expert's Report

The Independent Expert has prepared and is responsible for the Independent Expert's Report for the purposes of this Target's Statement and takes responsibility for that report. None of Thorn, or its subsidiaries, or any of their respective officers, employees or advisers (other than the Independent Expert) assume responsibility for the accuracy or completeness of the Independent Expert's Report, except in the case of Thorn, in relation to the historical information which it has provided to the Independent Expert.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Target's Statement.

Discrepancies between totals in tables and or in calculations are due to rounding.

Privacy

Thorn has collected your information from the Thorn share registry for the purpose of providing you with this Target's Statement. The type of information Thorn has collected about you includes your name, contact details and information on your Thorn shareholding. The Corporations Act requires the name and address of Shareholders to be held in a public register. For further information about the information about you held by Thorn, please contact Thorn’s share registry on 1300 145 429 (callers in Australia) or +61 03 9415 4835 (callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Thorn's privacy policy is available at: www.thorn.com.au/site/privacy.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Diagrams and charts

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. Thorn maintains an internet site (www.thorn.com.au/site/content/). Any references in this Target's Statement to this internet site are textual references only and the information contained on the site does not form part of this Target's Statement.

Independent Director's Letter

16 July 2021

Dear fellow Thorn Shareholder

REJECT THE OFFER FOR YOUR THORN SHARES – DO NOTHING – TAKE NO ACTION – IGNORE ALL DOCUMENTS FROM SOMERS LIMITED

On 18 June 2021, Somers Limited (Bermuda Company Number 46441) (**Somers**) announced an unsolicited unconditional on-market takeover offer to acquire all Thorn Shares that it or its associates do not already own for A$0.21 cash per Share (**Offer**).

Somers is the largest shareholder of Thorn, with voting power in Thorn of approximately 34.49% immediately prior to the announcement of the Offer. Since then, Somers has increased its voting power to approximately 37.86%.[1] Somers is managed by ICM Limited, a Bermuda based global fund manager and corporate finance adviser which currently manages approximately US$2.7 billion in funds.

Independent Committee formed to respond to the Offer

The Thorn Board is comprised of three directors, being myself (Independent Non-Executive Director and Deputy Chair), Mr Warren McLeland (Chairman and Non-Executive Director) and Dr Allan Sullivan (Non-Executive Director). Mr McLeland and Dr Sullivan were nominated to act as directors of Thorn by Somers in July 2019 and elected by the shareholders at the next Annual General Meeting on 30 August 2019. Accordingly, the Board established an Independent Committee to oversee Thorn's evaluation and response to the Offer. The Independent Committee is comprised of myself, Mr Pete Lirantzis (Chief Executive Officer) and Ms Alexandra Rose (General Counsel and Company Secretary).

This document is Thorn's Target's Statement which sets out my recommendation to Thorn Shareholders in response to the Offer and the reasons for that recommendation. Due to their conflicting interests, Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should accept the Offer.

Independent Expert's conclusion

To assist the Independent Director to determine whether the Offer Price of A$0.21 fully reflects the underlying value of Thorn Shares, Grant Thornton was engaged to prepare an Independent Expert's Report and express an opinion on whether or not the Offer is fair and reasonable for Thorn Shareholders not associated with Somers.[2]

Grant Thornton, as the Independent Expert, has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** for Thorn Shareholders not associated with Somers. The Independent Expert has estimated the fair market value of Thorn Shares to be in the range of A$0.28 to A$0.31. This is well above the Offer Price of A$0.21 per Thorn Share. Thorn Shareholders are encouraged to read the Independent Expert's Report in full, a copy of which accompanies this Target's Statement in Annexure A.

Why you should REJECT the Offer

The Independent Director recommends that you **REJECT** the Offer. In summary, the reasons for this recommendation to **REJECT** are as follows:

- The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**
- The Offer does not reflect fair value for your Thorn Shares
- The Offer does not include a premium for control
- By accepting the Offer or selling your Thorn Shares on market, you will lose the opportunity to participate in any subsequent higher offer that may arise from Somers or any other third party

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[1] As at Last Practicable Date on 12 July, based on a notice of change of interests of substantial holder lodged with ASX on 7 July 2021.

[2] In any event, the Independent Expert's Report was required by law to be included in this Target's Statement as Somers' shareholding immediately prior to the Offer was above 30%.

These reasons to **REJECT** are discussed in more detail in Section 1.2 of this Target's Statement. Reasons why you may nevertheless wish to accept the Offer are set out in Section 1.3 of this Target's Statement and should be considered before you make any decision in relation to the Offer.

Further information

You should read this Target's Statement in its entirety. You should also carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position. You may also wish to seek independent legal, financial, taxation or other professional advice in relation to your overall assessment of the Offer.

The Independent Committee will continue to keep you updated on all material developments relating to the Offer.

Yours sincerely

Paul Oneile
Independent Director of Thorn Group Limited

Independent Director's recommendation

REJECT THE OFFER

TO REJECT THE OFFER DO NOTHING – TAKE NO ACTION – IGNORE ALL DOCUMENTS SENT TO YOU BY SOMERS LIMITED

Independent Director's reasons to **REJECT** the Offer

1	The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**	Section 1.2(a)
2	The Offer does not reflect fair value for your Thorn Shares	Section 1.2(b)
3	The Offer does not include a premium for control	Section 1.2(c)
4	By accepting the Offer or selling your Thorn Shares on market, you will lose the opportunity to participate in any subsequent higher offer that may arise from Somers or any other third party	Section 1.2(d)

Section 1.2 of this Target's Statement elaborates on these reasons to **REJECT** the Offer. Reasons why you may nevertheless wish to accept the Offer are set out in Section 1.3 of this Target's Statement.

Key dates

Offer announced and Bidder's Statement lodged with ASIC and ASX	18 June 2021
Bidder's appointed broker commences standing in the market	18 June 2021
Offer Period commenced	5 July 2021
Date of this Target's Statement	16 July 2021
Offer Period closes (unless Offer is extended or withdrawn)	6 August 2021

1. The Independent Director's evaluation of the Offer

1.1 Recommendation and intentions

(a) Recommendation

The Independent Director recommends that you **REJECT** the Offer, for the reasons set out in Section 1.2 of this Target's Statement.

After taking into account the matters in this Target's Statement, the Bidder's Statement, and the Independent Expert's Report, the Independent Director has identified possible reasons why a Thorn Shareholder may nevertheless wish to accept the Offer. Those reasons are set out in Section 1.3 of this Target's Statement.

The Independent Director is mindful that the Offer may affect Thorn Shareholders in different ways depending on their individual circumstances. Therefore, in evaluating the Offer, the Independent Committee encourages you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the choices available to you and ensure you understand the consequences of those choices, as outlined in this Target's Statement;
- carefully consider Section 1.2 (Reasons why you should **REJECT** the Offer), Section 1.3 (Possible reasons why you may wish to accept the Offer) and Section 4 (Information about the Offer and other important issues) of this Target's Statement; and
- seek independent financial, legal, taxation or other professional advice if you are in any doubt as to what you should do in response to the Offer.

The Independent Committee will keep you informed of any material developments relating to the Offer.

(b) Directors' interests in Thorn securities and intentions in relation to the Offer

The Directors of Thorn and their Relevant Interests in Thorn Shares and interests in Thorn Performance Rights as at the date of this Target's Statement are set out in the table below:

Name	Position	Number of Thorn Shares	Number of Thorn Performance Rights
Warren McLeland	Non-Executive Chairman	Nil	Nil
Allan Sullivan	Non-Executive Director	247,540	Nil
Paul Oneile	Independent Non-Executive Director	235,000	Nil
Total		**482,540**	**Nil**

Your Independent Director intends to **REJECT** the Offer in respect of all Thorn Shares that he owns or controls.

Warren McLeland and Allan Sullivan were nominated to act as directors of Thorn by Somers. Due to their conflicting interests, they do not make a recommendation on whether or not the Offer should be accepted and have not disclosed how they intend to respond to the Offer in respect of the Thorn Shares they own or control (if any).

(c) Non-Director Independent Committee members' interests in Thorn securities

The non-Director members of the Independent Committee and their Relevant Interests in Thorn Shares and interests in Thorn Performance Rights as at the date of this Target's Statement are set out in the table below:

Name	Position	Number of Thorn Shares	Number of Thorn Performance Rights
Pete Lirantzis	Chief Executive Officer	Nil	464,253
Alexandra Rose	General Counsel & Company Secretary	Nil	Nil
Total		**Nil**	**464,253**

1.2 Reasons why you should REJECT the Offer

Your Independent Director believes ***the Offer Price is inadequate and does not reflect the true value of a Thorn Share***. This is supported by the reasons set out below.

(a) Reason 1 - The Independent Expert has concluded that the Offer is NEITHER FAIR NOR REASONABLE

The Independent Committee engaged Grant Thornton as the Independent Expert to prepare a report expressing an opinion as to whether the Offer is fair and reasonable to Thorn Shareholders.

The Independent Expert has assessed the value of your Thorn Shares in the range of A$0.28 to A$0.31 per Thorn Share and notes that the Offer Price of A$0.21 is materially below its assessed valuation range. The Independent Expert's valuation is 33.3% higher at the low end of the valuation range and 47.6% higher at the high end of the valuation range relative to the Somers Offer Price of A$0.21 per Thorn Share.

The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** to Thorn Shareholders.

The Independent Expert has utilised the net asset approach for its valuation assessment which values the net assets recorded on Thorn's balance sheet. The Independent Expert has noted that its valuation does not adjust for various balances which are not recorded on Thorn's balance sheet, including the following:

- **Growth opportunities**: Thorn is continuing to implement and invest in its business strategy, including transforming the traditional bricks and mortar model for the Consumer Finance division into a digital pure play operation, and re-entering the business finance segment via the launch of a debtor finance product.

  The Independent Expert considered that the projections prepared by management for these growth opportunities may not meet the reasonable test basis required by ASIC RG 111. The Independent Expert's Report states that this should not be taken as an indication that the Independent Expert values the new initiative at $nil.

  Further information on Thorn's strategy is outlined in detail in Section 5.4.

- **Intangible assets**: Thorn does not record any intangible assets or goodwill on its balance sheet. Therefore, potential assets such as the 80-year-old Radio Rentals brand and existing customer relationships and goodwill are not adjusted for in the valuation.

- **Deferred tax assets**: Thorn has gross tax losses of A$48.4 million or A$14.5 million tax effected as at 31 March 2021 which can be utilised to offset against future taxable income. These are not recognised on the balance sheet in accordance with the relevant accounting standards.

(b) Reason 2 – The Offer does not reflect fair value for your Thorn Shares

The key reasons why your Independent Director believes the Offer Price is inadequate and does not reflect the true value of Thorn shares are:

- **The offer only reflects Thorn's free cash at bank as at 30 June 2021**. As at 30 June 2021, Thorn's free cash at bank was A$72.5 million or A$0.215 per share, up from A$68.3 million or A$0.202 per share at 31 March 2021. After payment of the recently declared 1 cent dividend on 21 July 2021 this is expected to be A$69.1 million or A$0.205 per share, which is just A$0.005 per share lower than the Somers offer.
- **Thorn has a clear strategy and the offer does not reflect the potential upside from the delivery of this strategy**. Thorn is continuing to implement and invest in its business strategy, including transforming the traditional bricks and mortar model for the Consumer Finance division into a digital pure play operation, and re-entering the business finance segment via the launch of a debtor finance product.

  The Independent Director believes the Radio Rental brand, customer base, distribution channels, proprietary credit risk data and funding relationships developed over Thorn's 80 year history positions Thorn uniquely to deliver on its strategy.

  Thorn's strategy is outlined in detail in Section 5.4.
- **Thorn's franking credit balance is a potential source of future value for shareholders**. Thorn has a large franking credit balance of A$28.3 million (A$0.084 per share) as at 30 June 2021. This is expected to reduce to A$26.9 million (A$0.080 per share) post payment of the 1 cent declared dividend on 21 July 2021. This balance represents a large pool of potential value for Thorn Shareholders if the Thorn Board determines future capital management initiatives are appropriate.

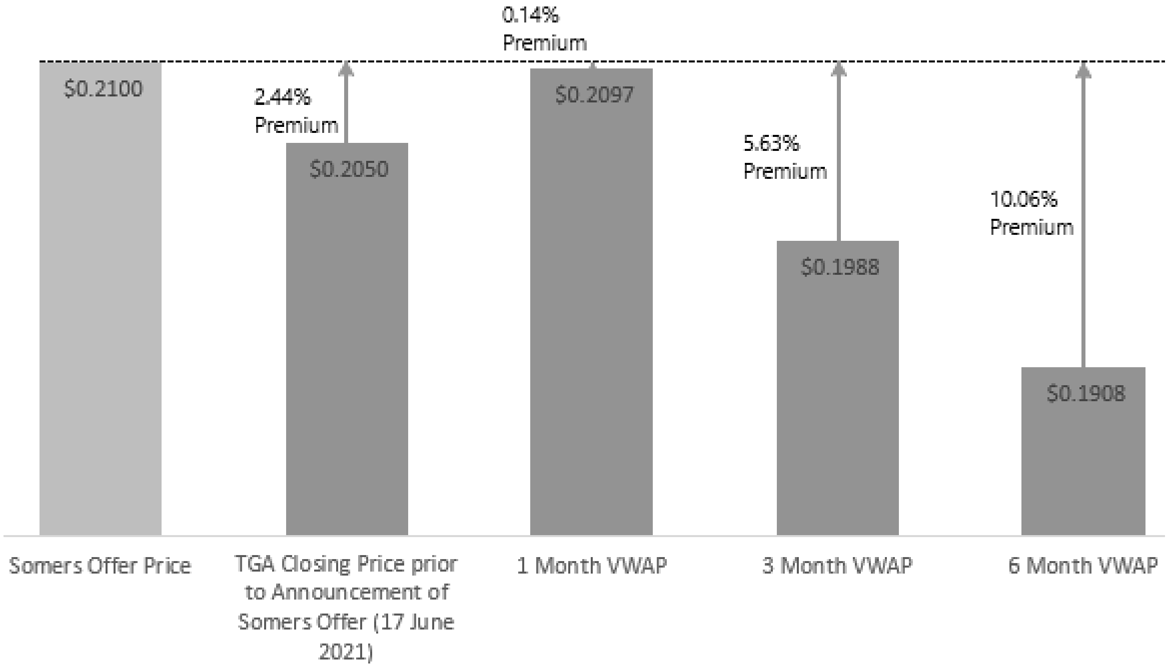
(c) Reason 3 - The Offer does not include a premium for control

It is usual for an acquirer to pay a premium to the trading value of a company when seeking to obtain control. The Independent Director's view is that Somers is seeking to achieve control or partial control of Thorn without paying Thorn Shareholders a fair premium for control.

The Independent Director believes that Thorn Shareholders should have regard to longer term as well as shorter term share prices when calculating the premium implied by the Offer. There is a minimal premium for control implied in the Offer Price compared to the reference points in the chart presented below.

The Offer Price of A$0.21 per share represents the following:

- 2.44% premium to the closing price of A$0.205 on the day prior to the announcement of the Offer;
- 0.14% premium to the 1 month VWAP up to 17 June 2021 of A$0.2097;
- 5.63% premium to the 3 month VWAP up to 17 June 2021 of A$0.1988; and
- 10.06% premium to the 6 month VWAP up to 17 June 2021 of A$0.1908.



Source: Computershare

(d) Reason 4 - By accepting the Offer or selling your Thorn Shares on market, you will lose the opportunity to participate in any subsequent higher offer that may arise from Somers or any other third party

By accepting the Offer or by selling all of your Thorn Shares on market, you will not benefit from any increased offer from Somers, should one be forthcoming, or from any higher offer from any third party, should one emerge.

As at the date of this Target's Statement, the Independent Director is not aware of any proposal by Somers to increase its Offer or by any third party that may develop into a superior offer.

1.3 Possible reasons why you may wish to accept the Offer

This section outlines possible reasons why you may choose to ignore the Independent Director's recommendation and accept the Offer.

As Somers has Voting Power of more than 30% of Thorn, the Independent Director recognises that some Thorn Shareholders may not wish to accept the risks and uncertainties associated with being a minority shareholder of Thorn, and instead choose to take the opportunity to liquidate their shareholding in a low liquidity environment.

(a) Reason 1 - The Offer Price represents cash certain value now for your Thorn Shares

The all-cash Offer Price of A$0.21 per Thorn Share provides you with the opportunity to realise certain value for your Thorn Shares. Although the Independent Director remains confident in the potential of Thorn and its underlying growth strategy, there are a number of general and specific risks associated with remaining a Thorn Shareholder. These risks are described in Section 5.12 of this Target's Statement. Shareholders who accept the Offer will cease to be exposed to those risks.

The Offer is also unconditional, meaning that you can sell your Thorn Shares at A$0.21 per Thorn Share on-market immediately. You will also be paid cash expeditiously on a T+2 basis (being two Trading Days after your acceptance).

If Thorn Shareholders do not accept the Somers offer, there is a risk that Thorn's share price may also reduce below the offer price in the future.

(b) Reason 2 - Possible liquidity constraints following Offer

Thorn has historically been a relatively illiquid stock with low volumes of Thorn Shares being traded on a daily basis.

As at the Last Practicable Date, Somers already has Voting Power of 37.86% in Thorn. If Somers increases its Voting Power further under the Offer, the market for Thorn Shares following completion of the Offer may become even more illiquid than prior to the Offer.

Depending on the number of Thorn Shares Somers acquires under the Offer, including whether it increases its Voting Power above 50%, the effect on liquidity may be substantial. A reduction to liquidity may make it more difficult for you to sell your Thorn Shares in the future and may adversely affect the value at which you are able to dispose of your Thorn Shares by selling them on-market. In contrast, the Offer presents an opportunity for Shareholders who accept it to receive price and liquidity certainty.

(c) Reason 3 - Avoid the risks of being a minority Shareholder of Thorn

If Somers acquires Voting Power of more than 50% but less than 90% in Thorn Shares and you do not accept the Offer, you will be a minority shareholder of Thorn. Potential disadvantages of this include that:

- Somers will be in a position to cast the majority of votes at a general meeting of Thorn. This will enable Somers to control the composition of the Thorn Board and in turn (subject to the discharge of the Thorn Board members of their directors' duties), the composition of Thorn's management team, the strategic direction of Thorn and Thorn's dividend and capital management policies. Somers has expressly acknowledged in its Bidder's Statement that it may become actively involved in determining Thorn's capital management policies and controlling the strategic direction of Thorn's business;
- Somers has stated in its Bidder's Statement that if it acquires 90% or more of Thorn Shares, it will seek to remove Thorn's listing on the official list of the ASX, and that if it acquires less than 90% of Thorn's Shares, where illiquidity and the ASX Listing Rules permit, it will seek to remove Thorn's listing on the official list of the ASX. Therefore, there is a possibility of Thorn being delisted following the Offer. If this occurs, Thorn Shares will not be able to be bought or sold on ASX;
- the liquidity of Thorn Shares may be lower than at present (refer to Section 1.3(b) above);
- there may be limited institutional support for Thorn Shares; and
- if Somers receives acceptances under the Offer that bring its Voting Power to more than 75% of Thorn's Shares, it will be in a position to cast the votes required for a "special resolution" at a meeting of Thorn Shareholders. This would enable it to pass important resolutions, for example, to amend Thorn's constitution.

The Independent Director further considers that Shareholders should not be unduly concerned by Somers' ownership interest in Thorn sitting at approximately 37.86% as at the Last Practicable Date. If Somers' ownership interest increases materially between the date of this Target's Statement and the close of the Offer, the Independent Director will monitor the position and reassess his view on the likelihood of Thorn being delisted.

(d) Reason 4 - No guarantee of the future performance of Thorn

Although the Independent Director remains confident in the potential of Thorn and its underlying strategy, there are material general and specific risks associated with remaining a Thorn Shareholder. These risks are set out at Section 5.12 of this Target's Statement. Shareholders who accept the Offer will cease to be exposed to those risks.

These risks include funding and going concern risks. In particular, the Independent Director draws your attention to Note 1 of the Notes to Thorn's Consolidated Financial Statements for the year ended 31 March 2021 as contained in the FY21 Annual Report, under the heading "*Financing and going concern basis for the financial report*" on page 27 stating, among other things, that:

> *"The Group is now effectively in a "start-up" phase. This involves a significant investment in technology and navigating through an increasingly competitive market with slow, continuing re-engineering of outdated business practices and processes. Further, the Group is operating in a challenging and increasing compliance and regulatory*

environment. These factors could significantly impact the Group's ability to generate profits and net cash inflows and therefore, there is a significant risk of the Group making an operating loss in the 12 month period from the date of this report.

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

Shareholders should also be aware that Thorn expects to make a material operating loss in FY22, reflecting the investment in rebuilding the Radio Rentals business, launching and growing new business finance products, building and integrating new capability, investing in transformation, and the reduced size of the Business and Consumer receivables books at the start of FY22 compared with the year prior. In addition, the strategy is expected to result in operating losses during the growth phase of the new businesses until they reach scale. See Section 5.6 for a more detailed explanation of Thorn's outlook.

There is significant uncertainty associated with the future performance of Thorn given the Group is effectively in a "start-up" phase. In particular, the success of the strategy outlined in Section 5.4 is uncertain, and if the strategy was to be unsuccessful there is a material risk of the following occurring:

- **The share price may reduce**. It is possible that the share price may reduce below the Somers Offer Price if Thorn is unsuccessful in executing its strategy.
- **A reduction in the value of Thorn's assets**. The strategy involves investment in rebuilding the Radio Rentals business, launching and growing new business finance products, building and integrating new capability and investment in transformation. If the strategy is unsuccessful, there is a real risk that the realisable value of Thorn's assets may materially reduce.

These risks are more fully described in Section 5.12 of this Target's Statement.

2. Frequently asked questions

This Section 2 answers some common questions you may have about the Offer. It is not intended to address all relevant issues for Thorn Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
What is this Target's Statement?	This Target's Statement has been prepared by Thorn and provides Thorn's response to the Offer, including the recommendation of your Independent Director to **REJECT** the Offer.
What is the Offer?	Somers is offering to purchase every Thorn Share you hold for A$0.21 in cash per Thorn Share as more fully described in the Bidder's Statement.
What is the Bidder's Statement?	The Bidder's Statement is the document issued by Somers and announced to ASX on 18 June 2021 that sets out information on Somers and the terms of its Offer to acquire Thorn Shares.
Who is Somers?	Somers and its associates are significant existing shareholders in Thorn. As at the Last Practicable Date, Somers together with its associates had Voting Power in Thorn of 37.86%. Somers describes itself as an investment holding company specializing in the financial services sector and invests in a range of finance entities, primarily in the banking, asset financing and wealth management sectors. Somers is listed on the Bermuda Stock Exchange (BSX:SOM.BH), with investments principally in Australia, Bermuda and the United Kingdom.
Is the Offer 'hostile'?	Yes. Takeover bids like the Offer are often labelled 'hostile' because the bidder (in this case Somers) is making an offer to the target's shareholders (in this case, Thorn Shareholders) without the endorsement or support of the directors of the target.
Did Thorn have any knowledge of Somers' intention to make its Offer?	No. The Offer was unsolicited and made without any prior notice to or consultation with Thorn.
What choices do I have in response to the Offer?	As a Shareholder you have the following three choices in respect of your Thorn Shares: • **REJECT** the Offer and remain a Thorn Shareholder – to reject the Offer simply do nothing – ignore all documents sent to you by Somers. This option is your Independent Director's recommendation; • sell some or all of your Thorn Shares on ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • accept the Offer by following the instructions set out in section 3.12 of the Bidder's Statement. There are implications for you in relation to each of these choices. An outline of these implications is set out in Section 4 of this Target's Statement and a general outline of the tax implications for Thorn Shareholders of accepting the Offer is set out in Section 6 of this Target's Statement.
Can I accept the Offer for only some of my Thorn Shares?	Yes. You may sell some or all of your Thorn Shares. You are able to choose the number of Thorn Shares you wish to sell until the end of the Offer Period.

Question	Answer
Will Thorn Shares remain listed on the ASX?	The continued listing of Thorn Shares on ASX depends on the outcome of the Offer. If the Offer is successful and Somers acquires 90% of Thorn Shares, Somers has said that it will proceed to compulsory acquisition, which will result in Thorn being delisted. If Somers controls more than 50% but less than 90% of Thorn Shares, Somers has said that it will, in circumstances where illiquidity and the ASX Listing Rules permit, seek to remove Thorn from the official list of ASX. See Section 7 of the Bidder's Statement in relation to Somers' intentions with respect to removing Thorn from the official list of ASX, and Section 4.12 of this Target's Statement for further details in relation to the ability of Somers to compulsorily acquire your Thorn Shares.
Does the Offer extend to Thorn Performance Rights?	The Offer extends to any Thorn Shares that exist or will exist at any time during the Offer Period. As at the date of this Target's Statement, there are 1,321,624 Thorn Performance Rights on issue. The impact of the Offer on Thorn Performance Rights is set out in Section 7.7 of this Target's Statement.
What does your Independent Director recommend?	Your Independent Director recommends that you **REJECT** the Offer. If there is a change to this recommendation or any material developments in relation to the Offer, Thorn will keep you fully informed. Mr Warren McLeland and Dr Allan Sullivan were nominated to act as directors of Thorn by Somers. Accordingly, they do not make a recommendation on whether or not the Offer should be accepted and have not disclosed how they intend to respond to the Offer in respect of the Thorn Shares they own or control (if any).
Why is the Independent Director recommending that I REJECT the Offer?	The Independent Director recommends that you **REJECT** the Offer because: • The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**; • The Offer does not reflect fair value for your Thorn Shares; • The Offer does not include a premium for control; and • By accepting the Offer or selling your Thorn Shares on market, you will lose the opportunity to participate in any subsequent higher offer that may arise from Somers or any other third party. Detailed reasons supporting this recommendation are set out in Section 1.2 of this Target's Statement.
What does your Independent Director intend to do with his own Thorn Shares?	Your Independent Director intends to **REJECT** the Offer for all Thorn Shares owned or controlled by him.
What does the Independent Expert say?	The Independent Expert has opined in the Independent Expert's Report that the Offer is **NEITHER FAIR NOR REASONABLE**. Further information in relation to the Independent Expert's opinion in respect of the Offer is set out in Section 1.2(a) of this Target's Statement and a copy of the Independent Expert's Report is included in Annexure A to this Target's Statement. The Independent Director recommends that you review the Independent Expert's Report in full before responding to the Offer.

Question	Answer
When do I have to make a decision?	If you wish to follow your Independent Director's recommendation to **REJECT** the Offer, you do not need to do anything. You should simply **IGNORE** all documents received from Somers. If you wish to accept the Offer, you must do so before its scheduled closing date. Somers has stated that its Offer remains open until 4.00pm (Sydney time) on 6 August 2021 (unless extended or withdrawn). Somers has reserved the right to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. See Section 4.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended, and Section 4.6 for details of the circumstances in which Somers may withdraw its Offer.
Will Somers improve its Offer?	Thorn cannot speculate on whether Somers will improve its Offer as this is fundamentally a matter for Somers. However, Thorn Shareholders should note that, as at the Last Practicable Date, Somers has not declared its Offer to be final. Accordingly, it remains open for Somers to improve its Offer if it chooses subject to the limitation that it is not permitted to increase the Offer Price during the last five Trading Days of the Offer Period.
What happens if I accept the Offer and Somers improves its Offer or another offer emerges?	If you accept the Offer, you will be legally bound to sell your Thorn Shares and will not be able to withdraw your acceptance. Accordingly, if you accept the Offer, you will be unable to accept any improved offer from Somers or any other offer that may emerge from a third party. As at the date of this Target's Statement, the Independent Director is not aware of any proposal by Somers to increase its Offer or by any third party that may develop into a superior offer.
If I accept the Offer now, can I withdraw my acceptance later?	If you accept the Offer you will have sold your Thorn Shares to Somers and you will not be able to withdraw your acceptance.
What happens if I do nothing?	You will remain a Thorn Shareholder and will continue to be subject to the risks associated with holding Thorn Shares as non-exhaustively summarised in Section 5.12 of this Target's Statement. If Somers acquires between 50% and 90% of Thorn Shares, you will be a minority shareholder in Thorn. The implications of this outcome are described in Section 1.3(c) of this Target's Statement. If Somers acquires 90% or more of Thorn's Shares, Somers states that it intends to compulsorily acquire your Thorn Shares. See Section 4.12 of this Target's Statement for further details in relation to when Somers may compulsorily acquire your Thorn Shares.
What are the risks associated with continuing to hold Thorn Shares?	Those risks are outlined in Section 5.12 of this Target's Statement.
Can Somers extend the closing date of its Offer?	Yes. Somers has stated that its Offer remains open until 4.00pm (Sydney time) on 6 August 2021 (unless extended or withdrawn). It is possible that Somers may choose to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. See Section 4.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.

Question	Answer
Can I be forced to sell my Thorn Shares?	You cannot be forced to sell your Thorn Shares unless Somers is legally allowed to proceed to compulsory acquisition of Thorn Shares. This requires Somers to acquire at least 90% of all Thorn Shares (under the Offer or otherwise) and to then elect to proceed to compulsorily acquire the outstanding Thorn Shares in accordance with the provisions under the Corporations Act. If Somers does compulsorily acquire the outstanding Thorn Shares following its acquisition of at least 90% of Thorn Shares under the Offer, you will receive the same Offer Price for your Thorn Shares that you would have received under the Offer. For more information about compulsory acquisition refer to Section 4.12 of this Target's Statement.
When will I receive the Offer Price if I accept the Offer?	The usual rules for settlement of on-market transactions on ASX will apply in respect of the Offer. This means that if you accept the Offer, Somers will pay you on a T+2 basis (being two Trading Days after the date of your acceptance).
Will I need to pay brokerage if I accept the Offer?	As the Offer is an on-market takeover bid, you may only accept the Offer through your broker or controlling participant, and you will be responsible for payment of any brokerage, fees or other costs that your broker or controlling participant may charge.
Are there any taxation implications of accepting the Offer?	A general outline of the tax implications for Thorn Shareholders of accepting the Offer is set out in Section 6 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances. You should seek your own independent advice on the taxation implications applicable to your specific circumstances.
Are there any conditions to the Offer?	No, the Offer is unconditional.
Am I entitled to the Final Dividend?	On 31 May 2021, Thorn declared a fully franked Final Dividend of A$0.01 per Thorn Share, which will be paid to all persons registered as Thorn Shareholders on the record date of 5 July 2021 at 7.00pm. If you held Thorn Shares on the record date, you will be paid by Thorn the Final Dividend of A$0.01 per Thorn Share on the Final Dividend Payment Date, being Wednesday, 21 July 2021, irrespective of the outcome of the Offer. If you elected to participate in the Dividend Reinvestment Plan with respect to the Final Dividend – refer to the question and answer immediately below.
I have elected to participate in the Dividend Reinvestment Plan with respect to the Final Dividend, will the Offer extend to Thorn Shares issued to me under that plan?	Yes. Thorn Shareholders who elected to participate in the Dividend Reinvestment Plan in respect of the Final Dividend announced to ASX on 31 May 2021 in lieu of receiving a cash payment will be issued their respective entitlement of Thorn Shares on Wednesday, 21 July 2021, irrespective of the outcome of the Offer. The Offer extends to those Thorn Shares issued under Thorn's Dividend Reinvestment Plan, so you can accept the Offer in respect of those Shares, once issued.
What if I have further questions?	You should contact your legal, financial, taxation or other professional adviser. If you have any questions about the Offer or this document please call the Offer Information Line on 1300 145 429 (callers in Australia) or +61 03 9415 4835 (callers outside Australia) Monday to Friday between 9.00am and 5.00pm (Sydney time).

3. Your choices as a Thorn Shareholder

The Independent Director recommends that you **REJECT** the Offer.

You have the following three choices available to you.

REJECT THE OFFER – DO NOTHING
To **REJECT** the Offer, you should do nothing. This is the course of action recommended by your Independent Director as at the date of this Target's Statement. You are not required to take any action to reject the Offer. In particular, you should not respond to any documentation sent to you by Somers or any other communication from Somers (including telephone solicitation or canvassing by Somers or its representatives). If you decide to do nothing, you should be aware of the risks associated with rejecting the Offer, including the rights of Somers to compulsorily acquire your Thorn Shares in certain circumstances. For further information on these risks, refer to Sections 4.11(a) and 5.12 of this Target's Statement.

SELL YOUR THORN SHARES ON ASX
During the Offer Period, you may sell your Thorn Shares on-market through ASX at the prevailing market price for cash (less any brokerage), provided you have not already accepted the Offer for those Shares. The latest trading price for Thorn Shares may be obtained from the ASX website at www.asx.com.au using the code TGA. You should contact your broker for information on how to sell your Thorn Shares through ASX and your tax adviser to determine your tax implications from such a sale.

ACCEPT THIS OFFER
To accept the Offer you should refer to Section 3.12 of the Bidder's Statement for how to do so. Once you accept, you are precluded from accepting any superior offer from a third party that may emerge or any improved offer from Somers (noting that Somers has not declared its Offer Price of A$0.21 cash per Thorn Share to be final). If you accept the Offer for all of your Thorn Shares, you will exit your investment in Thorn completely and will not benefit if the market price for Thorn Shares on ASX trades above the Offer Price.

4. Information about the Offer and other important issues

4.1 Summary of the Offer

On 18 June 2021, Somers announced an unsolicited on-market takeover bid to acquire all Thorn Shares that it does not already have a Relevant Interest in for A$0.21 cash per Share (**Offer**). The Offer extends to any Thorn Shares that exist or will exist at any time during the Offer Period.

The key terms of the Offer are set out in the Bidder's Statement filed by Somers with ASX on 18 June 2021 and are summarised in the following paragraphs.

4.2 Offer Price

The consideration being offered by Somers is A$0.21 cash for each Thorn Share that it does not already have a Relevant Interest in.

4.3 Offer conditions

The Offer is not subject to any conditions.

4.4 Offer Period

Somers appointed Bell Potter Securities Limited to stand in the market and purchase all Thorn Shares offered to it for sale on ASX at the Offer Price on and from the date of announcement of the Offer on 18 June 2021. However, the Offer Period officially commenced at the start of trading on 5 July 2021. The Offer is scheduled to close at 4.00pm (Sydney time) on 6 August 2021 unless extended or withdrawn.

Sections 4.5 and 4.6 of this Target's Statement describe the circumstances in which Somers can extend or withdraw its Offer respectively.

The maximum duration of the Offer Period is 12 months.

4.5 Extension of Offer Period

Somers may extend the Offer Period at any time up until five Trading Days before the end of the Offer Period. Based on the scheduled end of the Offer Period of Friday, 6 August 2021, the last day on which Somers is able to do this (subject to the exception below) is Friday, 30 July 2021.

An extension to the Offer Period may only be announced <u>during</u> the last five Trading Days of the Offer Period in limited circumstances prescribed by the Corporations Act, including where another person makes an offer under a takeover bid for Thorn Shares or where the consideration offered under another takeover bid for Thorn Shares is improved.

The Offer Period will be automatically extended under the Corporations Act if Somers' Voting Power in Thorn increases to more than 50% in the last seven days of the Offer Period. In that circumstance, the extension of the Offer Period shall be for 14 days from the date that Somers' Voting Power first increased to more than 50%.

4.6 Withdrawal of Offer

Somers may only withdraw its Offer in respect of any unaccepted Offers in the following limited circumstances:

- with the written consent of ASIC and subject to the conditions (if any) specified in ASIC's consent;
- if one of the following events occurs during the Offer Period and at that time Somers' Voting Power in Thorn is at or below 50%:
  - Thorn converts all or any of its shares into a larger or smaller number of shares;
  - Thorn or a subsidiary resolves to reduce its share capital in any way;
  - Thorn or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;

- Thorn or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- Thorn or a subsidiary issues, or agrees to issue, convertible notes;
- Thorn or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- Thorn or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property; or
- Thorn or a subsidiary resolves to be wound up; or

- on the occurrence of an Insolvency Event in relation to Thorn (regardless of Somers' Voting Power in Thorn).

Somers may not withdraw the Offer to you if you have already accepted it.

4.7 Somers has not yet declared its Offer final

As at the Last Practicable Date, Somers has not declared its Offer final. Accordingly, it remains open for Somers to increase the Offer Price, which Somers may at its discretion choose to do, including (but not limited to) following any negotiation with the Independent Committee or in response to any competing takeover bid or other similar proposal being announced by a third party. As at the date of this Target's Statement, the Independent Director is not aware of any proposal by Somers to increase its Offer or by any third party that may develop into a superior offer.

Somers is not allowed by law to increase its Offer Price during the last five Trading Days of the Offer Period.

Thorn cannot speculate on whether Somers will improve its Offer as this is fundamentally a matter for Somers.

4.8 Effect of acceptance – no ability to withdraw acceptance or participate in superior offer

If you accept the Offer, you will be legally bound to sell your Thorn Shares and you cannot later withdraw your acceptance. If you accept the Offer then you will give up your right to sell your Thorn Shares on market or to sell your Thorn Shares to any other person that may make a takeover bid or similar proposal for Thorn Shares or to otherwise deal with your Thorn Shares in any manner.

If Somers increases its Offer Price, any Thorn Shareholders who have already accepted the Offer before then will not be entitled to that increase.

4.9 Timing for receipt of Offer Price if you accept

The usual ASX rules for settlement of on-market transactions on ASX apply to the Offer. This means that if you accept the Offer, Somers will pay you on a T+2 basis (being the second Trading Day after the date of your acceptance).

4.10 Brokerage

As the Offer is an on-market takeover bid, you may only accept the Offer through your broker or controlling participant, and you will be responsible for payment of any brokerage, fees or other costs that your broker or controlling participant may charge.

4.11 Risks associated with the Offer

Thorn Shareholders should be aware of the following key risks associated with the Offer.

(a) Risks associated with rejecting the Offer

If you choose to reject the Offer, you will not receive the Offer Price for your Thorn Shares. Instead you will remain a Thorn Shareholder and will continue to be subject to the risks associated with holding Thorn Shares. A non-exhaustive summary of those risks is set out in Section 5.12 of this Target's Statement.

In addition, the Offer has potential change in control implications on Thorn's material contracts and Thorn Performance Rights (Sections 7.6 and 7.7 of this Target's Statement describe these implications in further detail) which should also be considered before you reject the Offer.

If you choose to reject the Offer and Somers and its associates acquire less than 90% of Thorn Shares, you will also be exposed to the risks associated with being a minority shareholder described in Section 1.3(c) of this Target's Statement.

(b) Risks associated with accepting the Offer

If you choose to accept the Offer, you will immediately become bound to sell your Thorn Shares for A$0.21 each and will be paid on a T+2 basis. You will be responsible for brokerage and any other transaction costs, which may affect the total cash amount that you ultimately receive for your Thorn Shares. You may also be liable to pay tax on the disposal of your Thorn Shares which may have financial consequences for some Thorn Shareholders. See Section 6 of this Target's Statement for further details of the tax consequences of accepting the Offer.

If you accept the Offer, you will be unable to withdraw your acceptance and you will no longer be eligible to access the benefits of remaining a Thorn Shareholder. Those benefits may include the opportunity to participate in:

- the future potential value that may be derived from the successful implementation of Thorn's business strategy, including transforming the traditional bricks and mortar model for the Consumer Finance division into a digital pure play operation, and re-entering the business finance segment via the launch of a debtor finance product due by the end of August 2021. Thorn's strategy is outlined in detail in Section 5.4. The Independent Director believes the Radio Rental brand, customer base, distribution channels, proprietary credit risk data and funding relationships developed over Thorn's 80 year history positions Thorn uniquely to deliver on its strategy;
- any potential increase in the Thorn Share price above the Offer Price;
- any potential increase in the Offer Price (noting that Somers has not declared that its Offer Price of A$0.21 is final and therefore it is possible that Somers may increase the Offer Price) or in the benefits of any competing proposal of a third party that may emerge after the date of this Target's Statement; and
- any future dividends declared by the Thorn Board, noting Thorn's history of regularly declaring fully franked dividends in line with its dividend policy as described in Section 5.10.

4.12 Compulsory acquisition

(a) Compulsory acquisition following the Offer

Somers states in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding Thorn Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act, it intends to do so.

If you choose to reject the Offer, your Thorn Shares may be compulsorily acquired by Somers if, by the end of the Offer Period:

- Somers and its associates increase their Relevant Interest in Thorn Shares to at least 90%; and
- Somers and its associates acquire at least 75% of all of the Thorn Shares they have offered to acquire under the current Offer.

(b) Future compulsory acquisition by Somers

Even if Somers does not satisfy the compulsory acquisition threshold referred to in Section 4.12(a) of this Target's Statement, it is possible that Somers and its associates may, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Thorn Shares. Somers would then have rights to compulsorily acquire Thorn Shares not owned by it within six months of becoming the holder of 90% of Thorn Shares. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert at the relevant time.

(c) Challenging compulsory acquisition

Thorn Shareholders have statutory rights to challenge any compulsory acquisition. However, a successful challenge will require the relevant Thorn Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for the Thorn Shares. If Thorn Shares are compulsorily acquired, Shareholders who have their Thorn Shares compulsorily acquired are not likely to receive payment for their Thorn Shares until at least one month after the compulsory acquisition notices are dispatched to them.

5. Profile of Thorn

5.1 Overview

Thorn is a diversified financial services organisation that provides real financing alternatives for everyday Australians to access all-encompassing household essentials and to enable small and medium-sized enterprises (**SMEs**) to grow.

Thorn operates across the regulated consumer and commercial markets	We have been offering alternative lending options to the underserviced markets for over 80 years
Thorn is the combination of both a financier and a retailer in the consumer segment	**Our Brands** Radio Rentals; THORN BUSINESS FINANCE

5.2 Business activities

Thorn operates two divisions within its business:

- Consumer Finance, which provides a real alternative for everyday Australians to access all-encompassing household essentials; and
- Business Finance currently operates under the Thorn Business Finance brand and consists of a closed equipment finance business that provided asset financing to SMEs. The division's strategy is to provide a suite of technically enabled real funding alternatives for everyday Australian SMEs enabling them to grow.

5.3 Directors

Name	Title
Warren McLeland	Non-Executive Chairman
Paul Oneile	Independent Non-Executive Director and Deputy Chair
Allan Sullivan	Non-Executive Director

A biography of each Director is provided in the FY21 Annual Report.

The ASX Corporate Governance Principles and Recommendations provide that a majority of the board of a listed company should be independent directors. Thorn recognises that the Thorn Board does not currently comprise of a majority of independent directors, that the present composition of the Thorn Board is undersized and is continuing the process to recruit a further independent, suitably qualified non-executive director.

5.4 Company strategy

Thorn's strategy for the Consumer and Business Finance divisions is to provide real financing alternatives for everyday Australians to access all-encompassing household essentials and to enable SMEs to grow. This section summarises the strategy for each of our divisions.

(a) Consumer Finance

The Consumer Finance division currently operates under the Radio Rentals, RR and Rentlo Reinvented brands and provides consumer leases to allow everyday Australians to access household essentials. The Consumer Finance division has:

- a long history of providing consumer leasing solutions with a loyal customer base;
- core competencies across underwriting and collections and the strategy to focus and lead with compliance;
- transitioned from bricks and mortar to a digital pure play business model in FY21; and
- a A$77.3 million portfolio of gross receivables as at March 2021.

The focus for FY22 is to rebuild the Radio Rentals brand and regain a leadership position in the consumer leasing market while building critical capabilities across credit, collections and customer experience, and to leverage these capabilities to build new financial propositions targeting adjacent markets.

The division's strategic roadmap is outlined in the graphic below.

Radio Rentals

Rebuild our RR brand to a leadership position in our traditional customer segment

- Deliver a distinctive value proposition, optimising our combination of both the financier & retailer, leveraging personalisation across credit, our product range, collections and service
- Leverage the value of our loyal customer base and 80+ year old brand
- Deliver a market leading digital customer experience supported by an experienced customer support team

Expand to serve a broader range of everyday consumers

- Utilise our extensive experience and capabilities in consumer finance to offer adjacent financial propositions for the under-serviced customer segments
- Attract new customer segments with adjacent products and financial propositions
- Leverage deep retail partnerships to expand "go to market" channels

The customer profiles for the key segments of our Consumer Finance division are shown in the graphic below. The current Radio Rentals business is primarily focused on the 'Essential' and 'Occasional' segments. New products targeting the lower credit risk Tech and Family segments are planned to be developed as part of an expanding offering to serve a broader range of everyday consumers.

Tech

I want a variety of ways to access the latest technology, keeping me up to date with the latest products

Family

My finance options need to be personalised and flexible as and when my life circumstances change

Essential

For many Australians, gaining access to everyday household essentials can be tough.

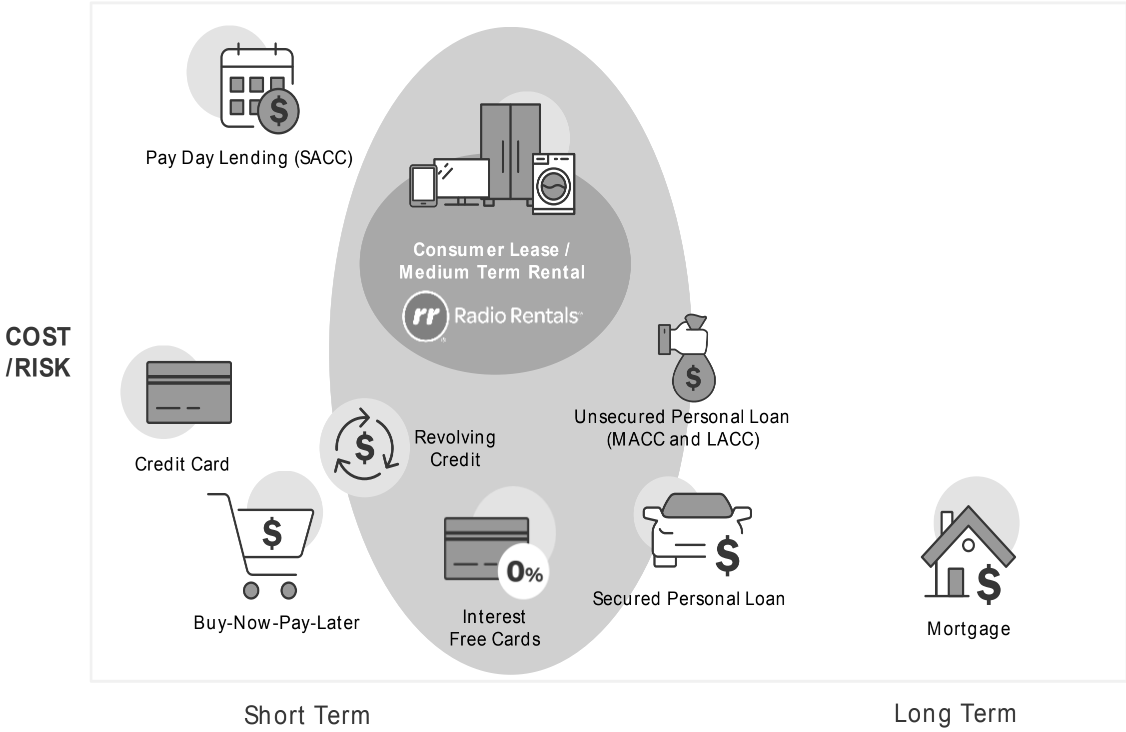
Occasional

Sometimes in life, things occur that you just weren't expecting.

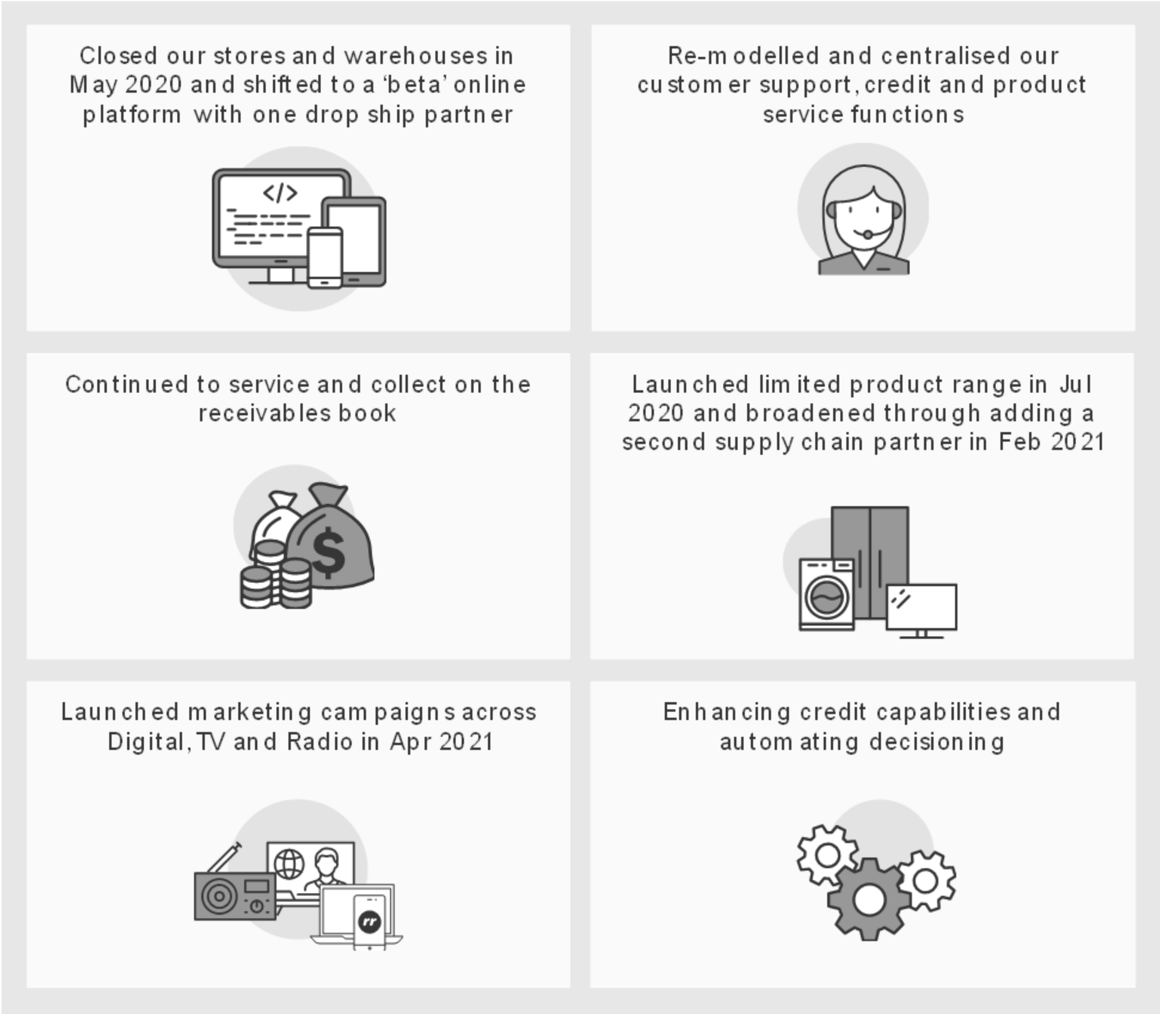
Thorn's strategy targets everyday Australians underserviced by the major banks and other financial Point of Sale (POS) institutions as the future market segment for the Consumer Finance division.

Thorn plans to utilise its extensive experience of this segment’s needs to develop new financial products for the Consumer market. This is expected to entail Thorn utilising its proprietary data on the characteristics and behaviour of everyday Australians to accurately assess credit risk and leverage the capabilities built for the core consumer leasing business to deliver a leading customer experience.

This potential target segment and Thorn’s current market positioning are identified through the different shaded ovals in the graphic below. Thorn’s business model, being the combination of a financier and the retailer, provides an opportunity to expand financial offerings to the potential target segment in the future.



The Consumer Finance division has made notable progress towards delivering this strategy with highlights shown in the graphic below.



(b) Business Finance

The Business Finance division currently operates under the Thorn Business Finance brand and its strategy is to provide a suite of technically enabled real funding alternatives for everyday Australian SMEs enabling them to grow. The current closed equipment finance business provided asset financing to SMEs. The Business Finance division consists of:

- equipment finance business (closed) supported by a financing warehouse;
- secured customer base and existing distribution relationships;
- re-modelled and recalibrated collections and recoveries functions; and
- a A$192.5 million portfolio of gross receivables as at 31 March 2021.

The strategy for the Business Finance division builds upon these foundations and our existing knowledge of the SME segment. The division's strategic roadmap is outlined in the graphic below.

Solve immediate cashflow needs for SMEs through a fast, digital low-touch, customer experience

- Debtor Finance delivered through a digital low-touch experience
- Integrate with SME accounting software to build a digital profile of customer's performance and risk
- Customer-specific pricing structure
- Flexible financing that scales with business activity

Increasing SMEs access to funding through digitally linked working capital and equipment finance solutions

- Diversify and grow the product offering into adjacent SME working capital products through partnerships with tech platforms
- Leverage customer's digital profiles to seamlessly offer personalised finance options
- Broaden and expand distribution channels

The profiles of the four key target customer segments of our Business Finance division strategy are shown in the graphic below.

Sales Growth

I won significant orders and need to buy raw materials to manufacture and fulfill orders.

Investment

I need to upgrade my trucks to remain competitive.

Seasonality

I need to build-up inventory ahead of the Christmas period.

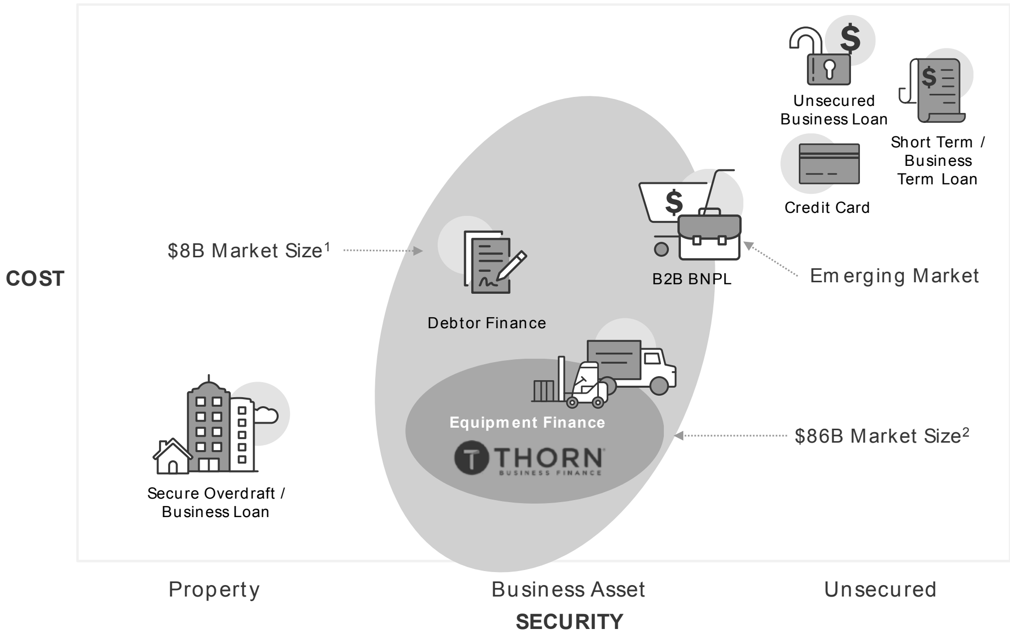
Flexibility

I want my contracts to be simple without onerous conditions and covenant reporting.

The strategy targets everyday SMEs who want access to working capital or equipment finance underserved by banks as the future market segment for the Business Finance division.

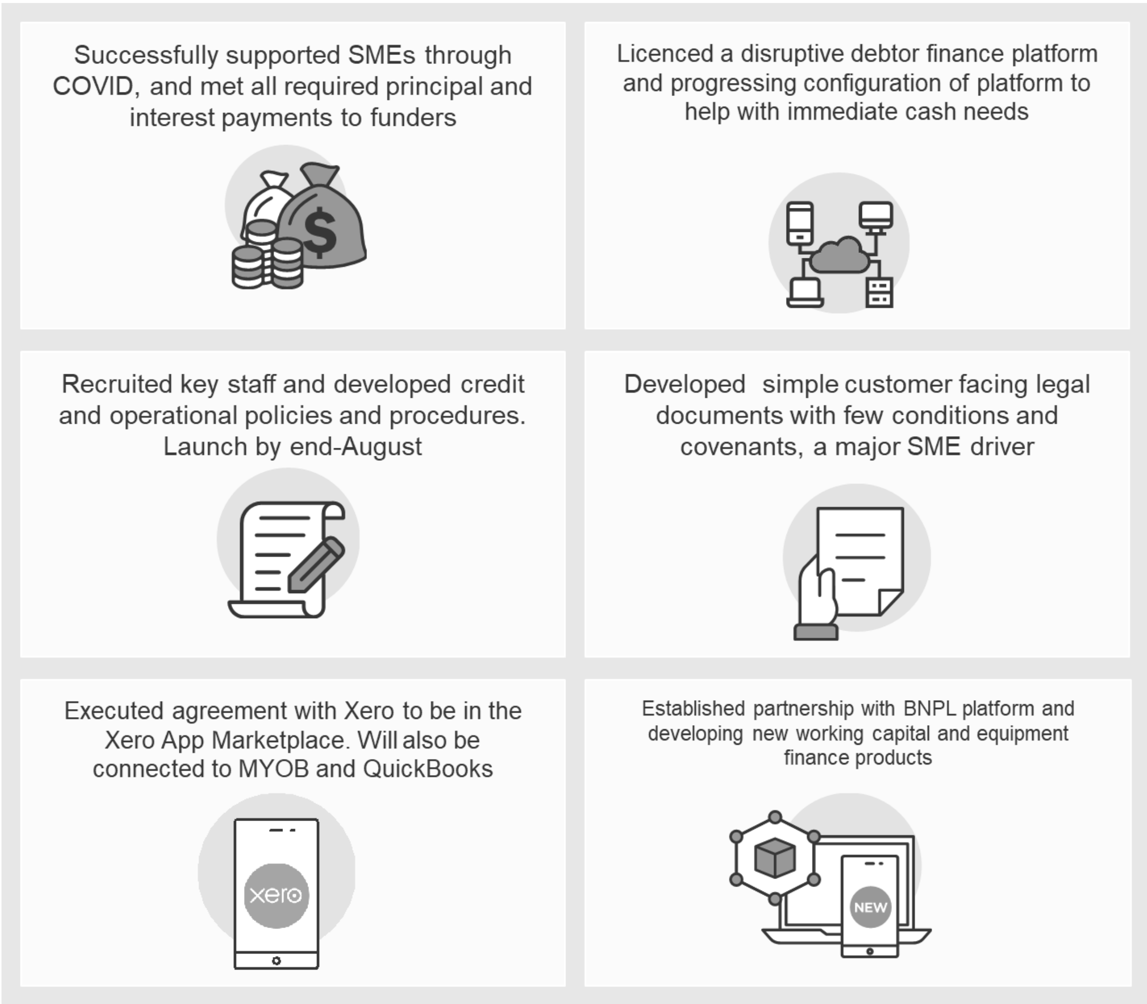
Thorn plans to utilise its experience of this segment's needs to develop new financial products for the SME sector. This is expected to entail Thorn utilising its proprietary and external data on the characteristics and behaviour of this market to accurately assess credit risk and leverage capabilities across the Group and partnerships with technology platforms to deliver a leading customer experience.

This potential target segment and Thorn's historic market positioning are identified through the different shaded ovals in the graphic below.



[1] Factoring & Discounting Receivables, DIFA Dec 2015. [2] Net Receivables, AFIA, Jan 2020

The Business Finance division has made significant progress towards delivering this strategy with highlights shown in the graphic below. The new debtor finance product is expected to be launched by the end of August 2021.



5.5 FY21 annual results summary

After bringing on a new CEO in February 2020, Thorn has delivered in a difficult FY21 by focusing on cash, cost reduction, strengthening capability and developing a clear growth vision for the future. Thorn has developed a business strategy in response to the COVID-19 pandemic, designing and executing the shift for both divisions to new digital business models. Thorn is implementing new operational processes to ensure customer service levels and life-time management of existing operations are executed to a high standard, guaranteeing the business has options in the future and developing capabilities.

Thorn focused on generating and preserving cash in FY21 and key highlights are shown in the graphic below.

Focus on cash

- $68m of free cash at bank in March 21
- Strong cashflows from collections on Radio Rentals receivables book
- Strong collections and recoveries in TBF to preserve the value of the book during COVID

Cost savings

- Closure of Radio Rentals stores, warehouses & logistics network
- Reduced headcount by more than 300+ across both business divisions
- Successfully exited ~100 property leases, vehicle leases and technology contracts

Managing through COVID

- Successfully shifted entire workforce to remote working during COVID
- Supported impacted consumer and SME customers through COVID
- All principal and interest payments fulfilled to warehouse funders

Shifted RR model and set up business finance ready to launch

- Shifted from a bricks and mortar business with retail stores / warehouse / trucks to digital originations and a drop-ship supply chain
- Licensed disruptive debtor platform, established new distribution and progressing to launch

Shareholder returns

- 7.5c fully franked dividend paid
- Share price increased from 5c on 31/3/20 to 18c on 31/3/21
- 1.0c fully franked dividend announced in May 2021
- NPAT of $8.4 million for FY21

5.6 FY22 outlook

Thorn is effectively in a ‘start-up’ phase with a focus in FY22 on rebuilding Consumer Finance’s Radio Rentals brand to regain a leading market position, launching new Business Finance products to market and continuing to manage the existing customer base. Thorn is relocating to new offices in South Eveleigh Precinct, also known as the Australian Technology Park, in August 2021. This will provide a single well-located site that is expected to assist in the attraction and retention of key staff.

Thorn expects to make a material operating loss in FY22, reflecting the investment in progressing the strategy through rebuilding the Radio Rentals business; launching and growing new business finance products; building and integrating new capability; investment in transformation; and the reduced size of the Business and Consumer receivables books at the start of FY22 compared with the year prior.

The strategy is expected to result in operating losses during the growth phase of the new businesses until they reach scale.

(a) Consumer Finance

The focus of the Consumer Finance division in FY22 is on growing origination volumes, expanding supplier partnerships and transforming the business model focusing on digital experience, and proprietary origination and credit capabilities. Specifically, the Consumer Finance division is focused on:

- rebuilding the Radio Rentals brand through investment in marketing;
- offering customers more choice through significantly expanding the product range with existing and onboarding new dropship suppliers;
- rebuilding the application experience;
- automating credit decisioning; and
- enhancing digital self-service capabilities.

(b) Business Finance

The focus of the Business Finance division in FY22 is on bringing highly scalable financial products to market and growing originations. Specifically, the Business Finance division is focused on:

- launching various new debtor finance products to market by the end of August 2021;
- delivering a differentiated customer experience;
- developing distribution channels; and
- rebuilding sales, marketing and operational capabilities.

5.7 Capital structure

As at the date of this Target's Statement, Thorn has the following securities on issue:

- 337,494,233 Thorn Shares quoted on ASX; and
- 1,311,624 unvested and unlisted Thorn Performance Rights.

Additionally, further Thorn Shares will be issued on the Final Dividend Record Date, being 21 July 2021, to those Thorn Shareholders that elected to receive Thorn Shares under the Dividend Reinvestment Plan (**DRP**) in respect of the Final Dividend. Thorn Shareholders that receive Thorn Shares under the DRP may accept the Offer with respect to those shares once issued. The precise number of Thorn Shares that will be issued under the DRP will be announced to ASX on 22 July 2021. For further information, refer to Section 5.11.

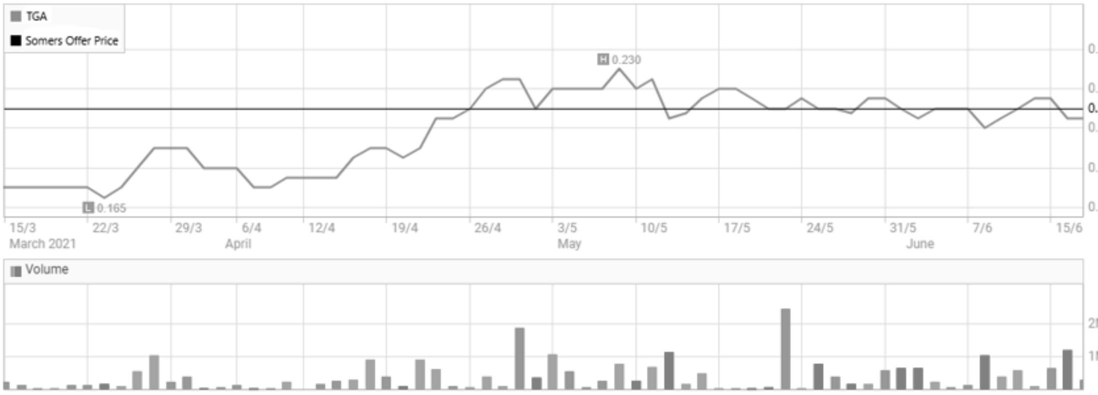
5.8 Substantial holders

As at the Last Practicable Date, Thorn had been notified that the following persons have Voting Power in 5% or more of Thorn Shares:

Substantial holder[3]	Number of Thorn Shares	Voting Power
Somers Limited and its associates (ICM Limited, UIL Limited, ICM Investment Management Limited, General Provincial Life Pension Fund, Union Mutual Pension Fund, Somers Isle Private Trust Company and Duncan Saville)	127,770,491	37.86%
Jason Alan Carroll	16,875,702	5.00%

5.9 Historical trading price

Thorn's trading price performance between 17 March 2021 and 17 June 2021 is outlined in the graphic below.



Source: www2.asx.com.au/markets/company/tga (Graph modified to include Somers Offer Price)

As at the Last Practicable Date, the last recorded trading price of Thorn Shares was A$0.21.

As at 17 June 2021, being the last Trading Day before the Offer was announced:

- the last recorded trading price of Thorn Shares was A$0.205;
- the one-month VWAP of Thorn Shares was A$0.2097;
- the three-month VWAP of Thorn Shares was A$0.1988; and
- the lowest and highest closing prices of Thorn Shares during the preceding three months were A$0.1650 and A$0.23 respectively.

5.10 Dividend payment history

Thorn's historical dividend policy has been to pay 50% of net profit to shareholders (where franking credits have been available). A summary of the dividends declared by Thorn and paid or payable since 17 June 2014 are set out in the table below.

[3] Forager Funds Management Pty Ltd was a substantial holder on 18 June 2021, being the date of the Offer. It lodged a notice of ceasing to be a substantial holder with ASX on 7 July 2021.

Ex-Date	Amount	Franking	Gross	Type	Payable
02/07/2021	$0.01	100%	$0.0143	Final	21/07/2021
16/10/2020	$0.075	100%	$0.1071	Interim	03/11/2020
04/01/2018	$0.01	100%	$0.0143	Interim	19/01/2018
03/07/2017	$0.025	100%	$0.0357	Final	18/07/2017
04/01/2017	$0.055	100%	$0.0786	Interim	20/01/2017
30/06/2016	$0.06	100%	$0.0857	Final	18/07/2016
05/01/2016	$0.055	100%	$0.0786	Interim	21/01/2016
30/06/2015	$0.0675	100%	$0.0964	Final	16/07/2015
06/01/2015	$0.05	100%	$0.0714	Interim	22/01/2015
17/06/2014	$0.065	100%	$0.0929	Final	17/07/2014

5.11 Dividend Reinvestment Plan (DRP)

Thorn's DRP provides a means by which Thorn Shareholders may elect to receive Thorn Shares instead of cash dividends declared by Thorn, in respect of all or part of their holdings of Thorn Shares without paying brokerage, commission, stamp duty or other transaction costs. Since the DRP came into effect in 2012, Thorn's shareholders have been offered to participate in the DRP each time Thorn has declared a final dividend.

Under the DRP, eligible Thorn Shareholders can elect to take up Thorn Shares at a price determined in accordance with the DRP. Any Thorn Share allotted under the DRP is required to be allotted in accordance with the ASX Listing Rules and will rank equally in all respects with existing fully paid ordinary Thorn Shares.

Thorn's DRP applies to the Final Dividend that was declared and announced to ASX on 31 May 2021. Accordingly, new Thorn Shares will be issued to eligible participating Thorn Shareholders on 21 July 2021. Eligible shareholders who elect to participate in the DRP will receive Thorn Shares issued at a discount of 2.5% to the volume weighted average price per Thorn Share traded over the five day trading period ending on Tuesday, 13 July 2021.

The total number of Thorn Shares to be issued to Thorn Shareholders under the DRP on 21 July 2021 will be notified to ASX the following day. The Offer extends to any Thorn Shares issued during the Offer Period under the DRP, other than those Thorn Shares issued to Somers and its associates.

If you intend to accept the Offer, and you are entitled to receive Thorn Shares under the DRP, you may wish to delay your acceptance of the Offer until after your new Thorn Shares have been issued and allotted to you on 21 July 2021 to avoid the need to accept the Offer for your original parcel of Thorn Shares, and then again later for your new Thorn Shares issued under the DRP. This approach may avoid the risk of potentially higher aggregate brokerage fees if you accept the Offer with respect to multiple parcels of Thorn Shares.

5.12 Key risks faced by Thorn

Set out below is a summary of the key risks that Thorn Shareholders will continue to be exposed to if they reject the Offer and retain their current investment in Thorn Shares. The risks identified in this Section are not exhaustive. No assurances or guarantees are given as to Thorn's future performance, profitability or dividend payments.

Company specific risks	
Funding and going concern risks	The Directors of Thorn are of the opinion that there are reasonable grounds to believe that the collection from the two receivables books will provide sufficient incoming cash flows and remain confident that the business will, longer term, be successful in achieving its strategic objectives. However, the success of the

Company specific risks	
	recently launched Radio Rentals online business and revitalisation of the business finance division are not guaranteed and along with continuing COVID-19 uncertainty, and the challenging compliance and regulatory environment, multiple material uncertainties exist that cast significant doubt as to the ability of Thorn to continue as a going concern and therefore whether Thorn will be able to realise its assets and discharge its liabilities in the normal course of business. The Group undertook a significant transformation strategy by permanently closing Radio Rentals stores and warehouses with the consumer leasing business moving online and the launch of a new digital business model. The digital business model is not fully operational and is still in Beta testing. The consumer finance originations have been behind expectations due to limited marketing activity during the launch of the new business model, the slower than expected on-boarding of new dropship suppliers and the macro-economic factors that have made assessing credit more difficult. The Business Finance division also faced challenges. On 5 May 2020, the equipment finance warehouse was determined to have breached one of its warehouse parameters as a result of customers affected by COVID-19 progressively going into arrears. In September 2020, Thorn reached agreement with its funders to provide relief to some of its COVID-19 affected customers in the form of contract variations which were finalised in early 2021. Thorn also ceased equipment finance originations in the Business Finance division but continues to discuss future options with funders in the securitised warehouse facility. Thorn is revitalising the Business Finance division, including launching the new debtor finance product. The Group is effectively in a “start-up” phase. This involves a significant investment in technology and navigating through an increasingly competitive market with slow, continuing re-engineering of outdated business practices and processes. Further, the Group is operating in a challenging compliance and regulatory environment. These factors along with continuing COVID-19 uncertainty could significantly impact Thorn's ability to generate profits and net cash inflows.
Credit / payment risk	Thorn and its subsidiaries accept credit risk when leasing goods through Radio Rentals or providing similar credit through Thorn Business Finance to or on behalf of customers. Credit risk, being the risk that customers may not fulfil their contractual obligations in a timely manner or at all, causing Thorn financial loss. Credit risk is a significant risk to Thorn's business and has been exacerbated by the prevailing impacts of COVID-19 (see below).
COVID-19	Numerous industries and the Australian economy as a whole have been significantly affected by COVID-19 which has had a direct impact on Thorn's business. Thorn provides financing to both consumers and SMEs across a range of industries, many of which have been impacted by COVID-19. Thorn has seen increasing numbers of COVID-19 impacted customers requesting payment moratoriums and having arrears balances over 30 days. Uncertainty exists regarding the duration and severity around COVID-19 or a future new pandemic and the impacts to the domestic and global economy.
Strategy execution risk	Thorn's strategy as outlined in Section 5.4 above underpins Thorn's growth prospects. There is a 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. Failure to successfully execute Thorn's strategy may result in an inability to achieve business objectives and may lead to loss of market share and an adverse impact on expected future financial results.

Company specific risks	
Loss of key business relationships	Thorn has a number of key business relationships governed by contracts and arrangements, including written, unwritten, current and being managed on terms that have expired. Thorn has a key business relationship for Radio Rentals with Services Australia in relation to the use of Centrepay services. Radio Rentals offers Centrepay as one of the automated payment methods for customers to make their contractual payments under their consumer leases. This is governed by the Centrepay Policy and Terms. The termination or amendment of any of these key contracts or arrangements may have a material adverse effect on the financial performance and prospects of Thorn.
Changes to key licences / authorisations	Thorn's businesses operate in highly regulated sectors and are subject to various legislative and compliance requirements, including the *National Consumer Credit Protection Act 2009* (Cth). This regulatory regime is complex and is presently undergoing significant change. Any failure to comply with regulatory or legislative requirements may result in breaches, fines, payments of compensation to customers, regulatory action and reputational effects, the ability of Thorn to obtain or retain key licenses, which could have a material adverse effect on the financial performance and prospects of Thorn. These factors may have a material adverse effect on the financial performance and prospects of Thorn. Thorn is also subject to oversight by regulators regarding compliance with legislative and regulatory requirements.
Potential acquisitions and divestments	As part of its business strategy, Thorn may make acquisitions of, or significant investments in, complementary companies, products or technologies and may make asset divestments. Any such transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, and any divestment activity could result in realizing values less than fair value, a decrease in revenue and stranded costs.
Fraud	Thorn is exposed to risks of fraudulent conduct, the external and internal risks associated with customers attempting to circumvent Thorn's system and repayment capability assessments. There is a risk that Thorn and its technology partners may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted cost of fraud and end-customer non-payment.
Failure to retain key management personnel, employees	Thorn relies on key staff and its ability to attract and retain key staff is a fundamental driver of its performance. Thorn has in place employment contracts with key employees and has the objective of providing attractive employment conditions to assist in retaining key employees. However, there is no guarantee that Thorn can or will retain its key employees. The loss of key employees or the inability to attract key employees may have a material adverse effect on the financial performance and prospects of Thorn, its ability to operate and/or achieve its growth strategies or prospects.

Company specific risks	
Technology / IT Systems risk	Thorn relies on the ability of its operations and customers to access the internet. Thorn's business is dependent on maintaining relationships with key third party vendors, information technology suppliers and software and infrastructure providers. For example, Thorn uses a third party software provider to store and maintain its client files and business data. There is a risk that these systems may fall to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of Thorn, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking or denial-of service attacks. Events of that nature may cause part or all of Thorn’s or its vendors technology systems and/or the communication networks used by Thorn to become unavailable. Thorn's or its vendors’ operational processes and contingency plans may not adequately address every potential event. This may cause disruption to Thorn’s operations and adversely impact Thorn’s financial performance and reputation. Thorn could face significant additional costs from business disruption if the availability of or access to its file management system was adversely affected. Thorn participates in a competitive environment. IT systems are continuing to develop and are subject to rapid change, while business practices continue to evolve. Thorn’s success will in part depend on its ability to offer services and systems that remain current with the continuing changes in technology, evolving industry standards and changing consumer preferences. There is a risk that Thorn will not be successful in addressing these developments effectively, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the technology in use by Thorn.
Loss of reputation	Thorn's core businesses rely on Thorn's strong reputation which has been built on good client relationships and core branding. Damage to Thorn's reputation may have a material adverse effect on the financial performance and prospects of Thorn.

Business risks	
Economic and market risks	The operating and financial performance of Thorn is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, foreign exchange rates, access to debt and capital markets, fiscal policy, monetary policy, retail conditions and regulatory policies. A prolonged deterioration in any number of the above factors, including due to the ongoing effects of the COVID-19 pandemic, may have a material adverse effect on the financial performance and prospects of Thorn, including its ability to fund its activities, particularly if it is unable to reduce costs to match any decrease in revenues. A major systemic shock could occur which causes an adverse impact on the Australian or other financial systems. The financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and global economic conditions. Any such market disruptions could have a material adverse effect on the financial position and prospects of Thorn.
Concentration of shareholding	After the Offer is completed, the existing major Shareholder in Thorn will hold a significant holding of total shares on issue in Thorn and may be able to exert significant influence over Thorn, including in relation to the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of shareholders. There is a risk that the interests of the major Shareholder may be different from the interests of investors who reject the on-market takeover. There is also a risk that the continued shareholding of the major Shareholder may cause or contribute to a limited liquidity in the market for shares, which could affect the market price at which other shareholders are able to sell in the future.

Business risks	
Investment risk	The ability of Thorn to pay dividends is dependent on its profitability and other factors. The price at which Thorn Shares trade on ASX will fluctuate due to Thorn specific factors such as the liquidity of Thorn shares, profitability and dividends, and other general market factors, not directly related to the performance of Thorn.
Changes in accounting standards	Accounting standards may change. This may affect the reported earnings of Thorn and its financial position from time to time.
Taxation	Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Thorn Shares or the holding and disposal of those shares or may impact the future tax liabilities of Thorn.
Litigation	Thorn is subject to the usual business risk that litigation or disputes may arise from time to time in the ordinary course of its business activities. Thorn is not involved in any material litigation (see Section 7.8).

6. Taxation consequences

6.1 Introduction

This section provides a summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications for Thorn Shareholders on disposing of their Thorn Shares (through acceptance of the Offer or having them compulsorily acquired by Somers) in return for cash consideration.

This information relates only to Thorn Shares, and not to other rights held over Thorn Shares. This Section does not consider the Australian tax consequences for Thorn Shareholders:

- who hold their Thorn Shares as trading stock;
- who hold their Thorn Shares as assets used in carrying on a business or as part of a profit making undertaking or scheme;
- who acquired their Thorn Shares through an employee share scheme;
- who are Australian tax residents but who hold their Thorn Shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country;
- that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their Thorn Shares; or
- are taken to have acquired their Thorn Shares before 20 September 1985.

The information in this Section is based on the Australian taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Thorn Shareholder. Thorn Shareholders should seek independent professional advice regarding the taxation consequences of accepting the Offer and disposing of their Thorn Shares relevant to their own particular circumstances.

6.2 Taxation consequences of disposal of Thorn Shares by Australian residents

A summary of the income tax consequences relevant for Australian resident Thorn Shareholders who dispose of their Thorn Shares by way of transfer to Somers is outlined below. Under the Offer, Thorn Shareholders will dispose of their Thorn Shares to Somers in exchange for the Offer Price.

Disposal of shares held on revenue account

The disposal of Thorn Shares under the Offer by Thorn Shareholders who hold the shares on revenue account (i.e. the Thorn Shares were acquired for the predominant purpose of making a profit upon resale) should treat any gain or loss arising from the disposal as either assessable income or an allowable deduction.

Any gain or loss on the disposal of the Thorn shares should be calculated by comparing the value of the consideration received and the cost of acquiring the Thorn Shares.

Disposal of shares held on capital account

The disposal of Thorn Shares to Somers under the Offer will constitute a capital gains tax (**CGT**) event for Thorn Shareholders that hold their Thorn Shares on capital account. The CGT event will happen:

- at the time Thorn Shareholders accept the Offer; or
- if the Thorn Shareholder does not accept the Offer and the Thorn Shares are compulsorily acquired by Somers, the time at which the Thorn Shares are acquired.

Thorn Shareholders who acquired their Thorn Shares on or after 20 September 1985 will:

- make a capital gain if the capital proceeds received on the disposal of their Thorn Shares are more than the cost base of those Thorn Shares; or

- make a capital loss if the capital proceeds received on the disposal of their Thorn Shares are less than the reduced cost base of those Thorn Shares.

The capital proceeds received by a Thorn Shareholder that accepts the Offer (or has their Thorn Shares compulsorily acquired by Somers) will be equal to the Offer Price. The cost base of Thorn Shares in the hands of the Thorn Shareholders will be broadly the original amount paid to acquire their Thorn Shares, any non-deductible incidental costs associated with the acquisition of the Thorn Shares (such as brokerage or stamp duty) and any non-deductible incidental costs associated with the disposal of the Thorn Shares to Somers. The reduced cost base of a Thorn Share is calculated in a similar, but not identical, manner.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain (or loss).

A net capital gain may be further reduced by other concessions (particularly the CGT discount rules as discussed below). If so, that net capital gain after applying any CGT concessions is included in assessable income and subject to Australian income tax.

CGT Discount

The CGT discount should be available to Thorn Shareholders who are individuals, trusts or complying superannuation funds and have held their Thorn Shares for at least 12 months before the time of the CGT event resulting in the disposal of the Thorn Shares by accepting the Offer (or having their Thorn Shares compulsorily acquired).

Broadly, the CGT discount rules enable the Thorn Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds.

The CGT discount is not available to Thorn Shareholders that are companies. The application of the CGT discount rules to a Thorn Shareholder that is a trustee of a trust is complex, particularly where distributions to beneficiaries of the trust are attributable to discounted capital gains. Thorn Shareholders that are trustees of trusts should obtain specific tax advice.

The CGT discount is not relevant for the purposes of calculating a capital loss.

Capital losses

A capital loss will arise where the capital proceeds received by the Thorn Shareholders on the disposal of their Thorn Shares are less than the reduced cost base of those Thorn Shares. A capital loss may be used to offset any other capital gains made by the Thorn Shareholders for the relevant year of income or may be carried forward to offset capital gains made in future income years. Specific loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Thorn Shareholders should seek their own tax advice in relation to the operation of these rules.

Indexation

Thorn Shareholders who acquired the Thorn Shares on or before 21 September 1999 and are either an individual, a complying superannuation fund or a trust, can choose to adjust the cost base of their Thorn Shares by including indexation by reference to changes in the consumer price index from, broadly, the calendar quarter in which the expenditure was incurred until the quarter ended 30 September 1999. Indexation adjustments are taken into account for calculating a capital gain and not in calculating a capital loss.

Making a choice to adjust the cost base to include indexation precludes the Thorn Shareholder from applying the CGT discount.

6.3 Taxation consequences of disposal of Thorn Shares by foreign residents

Disposal of shares held on revenue account

Foreign resident Thorn Shareholders who hold their shares on revenue account, whether any gain arising from the disposal of the Thorn Shares could be taxed in Australia as assessable income will depend on whether the gain has an Australian source. This position may be modified where a Foreign resident Thorn Shareholder is resident of a country with which Australia has concluded a double tax treaty. Any foreign resident Thorn Shareholder that holds their Thorn Shares on revenue account should seek their own specific Australian tax advice.

Disposal of shares held on capital account

Generally, a Thorn Shareholder who is a foreign resident for Australian income tax purposes and who does not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their Thorn Shares, unless, broadly:

- the foreign resident Thorn Shareholder (together with its associates) hold 10% or more of the issued shares in Thorn at the time of the CGT event resulting from the disposal of the Thorn Shares or for any continuous twelve month period within two years preceding the time of the CGT event; and
- at the time of the disposal, more than 50% of the market value of Thorn is represented directly or indirectly by 'taxable Australian real property'. This includes interests in Australian land (including leases), and mining, quarrying and prospecting rights over minerals petroleum or quarry materials situated in Australia.

Importantly, foreign resident Thorn Shareholders must assess whether they are subject to CGT at the time of the CGT event resulting from the disposal of their Thorn Shares. Foreign resident Thorn Shareholders who are subject to CGT on the disposal of their Thorn Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which relates to the period after 8 May 2012. Thorn Shareholders who are not resident in Australia for income tax purposes should note that the Australian tax consequences from the disposal of Thorn Shares may be affected by any double tax agreement between Australia and their country of residence. Foreign resident Thorn Shareholders should obtain specific tax advice.

6.4 Foreign resident CGT payment rules

In respect of certain types of transactions entered into on or after 1 July 2016, and subject to certain exceptions, purchasers are required to pay an amount equal to 12.5% of the offer consideration to the ATO (broadly referred to as the foreign resident CGT payment rules).

Relevantly, an exception to these rules is where the transaction occurs on an approved stock exchange. On the basis that Somers' Offer is an on-market takeover offer, the foreign resident CGT payment rules should not apply in respect of a transfer of Thorn Shares to Somers under Somers' Offer.

6.5 Stamp duty

Somers will pay the stamp duty (if any) payable in Australia on the transfers of Thorn Shares under the Offer.

6.6 GST

The disposal of Thorn Shares by a Thorn Shareholder to Somers pursuant to Somers' Offer should either be an input taxed financial supply (if the Thorn Shareholder is registered for GST), or an out-of- scope supply (if the Thorn Shareholder is not registered for GST). In either case, no GST should be payable.

Thorn Shareholders may be charged GST on costs (such as brokerage and advisor fees) that relate to their participation in Somers' Offer. Thorn Shareholders may not be entitled to claim full input tax credits for the GST included in such costs that relate to the disposal of their Thorn Shares. Thorn Shareholders should seek independent advice in relation to the impact of GST in their individual circumstances.

7. Additional information

7.1 Independent Committee members' interests in Thorn securities

The interest of each member of the Independent Committee in Thorn securities as at the date of this Target's Statement is set out in Sections 1.1(b) and 1.1(c) of this Target's Statement.

7.2 Independent Committee members' dealings in Thorn securities

No member of the Independent Committee has acquired or disposed of a Relevant Interest in any Thorn Shares, Thorn Performance Rights or other Thorn securities in the four months ending on the date immediately before the date of this Target's Statement.

7.3 Independent Committee members' interests in Somers securities

As at the date of this Target's Statement, no member of the Independent Committee has a Relevant Interest in any securities of Somers.

7.4 Independent Committee members' dealings in Somers securities

No member of the Independent Committee has acquired or disposed of a Relevant Interest in any securities of Somers in the four months ending on the date immediately before the date of this Target's Statement.

7.5 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Thorn or a Related Body Corporate of Thorn.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any member of the Independent Committee and any other person in connection with, or conditional on, the outcome of the Offer other than in their capacity as a holder of Thorn Shares.

(c) Benefits from Somers

No member of the Independent Committee has agreed to receive, or is entitled to receive, any benefit from Somers which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Thorn Shares.

(d) Interests of Independent Committee members in contracts with Somers

No member of the Independent Committee has any interest in any contract entered into by Somers.

7.6 Effect of Offer on Thorn's material contracts with change of control provisions

Thorn Business Finance is financed by a securitised warehouse facility with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class F notes held by Thorn. The warehouse facility is secured by rentals and payments receivable from the underlying receivable contracts and is non-recourse to Thorn and its subsidiaries by which it is meant that Thorn's liability is limited to its class F notes unless it is liable in damages for breach of the documents or it is required to buy back an ineligible receivable (defined as one that breached Thorn's initial sale representations and not merely that it goes into arrears or defaults).

As noted in the FY21 Annual Report, it was determined in May 2020 that there was a breach of one of the compliance parameters in the warehouse facility which requires not more than 6% of the balances to be in arrears by more than 30 days. This was attributable to the increasing presence of COVID-19 affected customers, many of whom had requested a payment holiday and had stopped repayments. This was considered an Amortisation Event under the warehouse facility agreements and put the warehouse facility into run-off. During FY21, Thorn reached an agreement with its funders under the warehouse facility to provide variations to certain COVID-19 affected customers although as part of that agreement Thorn cannot originate new deals through the warehouse facility until a further agreement is reached.

The warehouse facility agreements contain change of control provisions which are triggered if there is a change of control of Thorn, where “control” means having:

- more than 50% of the votes eligible to be cast in the election of directors or any similar matter; or
- the right to appoint or remove directors (or members of a governing body having functions similar to a board of directors) representing more than 50% of the votes exercisable by the directors (or persons having similar functions),

and includes the acquisition by any means of a person of a relevant interest (whether actual or deemed within the meaning of the Corporations Act) in shares in Thorn sufficient to allow that person either alone or jointly to exercise the control referred to above. Accordingly, this change in control may be enlivened if Somers obtains a Relevant Interest in more than 50% of Thorn Shares under the Offer. Such a change of control would constitute a new Amortisation Event under the warehouse agreements (defined above). As the warehouse facility is already in amortisation, this is not expected to have a material commercial impact.

7.7 Effect of Offer on Thorn Performance Rights

Thorn’s CEO is entitled to 464,253 performance share rights (**Performance Share Rights**) as his sign-on incentive, effective from 10 February 2020 and subject to a service period of two years with automatic vesting and a two year holding lock on the resulting shares.

Thorn operates a legacy long term executive and employee incentive plan for financial years 2018 and 2019 (**Legacy LTI Plan**) as part of its remuneration strategy for three executives.

Under the Legacy LTI Plan, these executives may be offered 847,371 performance rights to acquire Thorn Shares where certain performance, service or other vesting conditions determined by the Board are satisfied (**Performance Rights**).

In total, as at the date of this Target's Statement, 1,321,624 Performance Share Rights and Performance Rights remain on issue. Each of these rights that vests entitles the holder to receive one Thorn Share. These rights have no exercise price and vest between 1 September 2021 and 1 September 2022 subject to the fulfilment of the relevant vesting conditions.

The Offer does not extend to the acquisition of any Thorn Performance Rights. However, the Offer does extend to Thorn Shares that are issued and listed for quotation on ASX during the Offer Period, including as a result of the vesting and exercise of Thorn Performance Rights. Refer to Section 3.1 of the Bidder's Statement. In light of this, Thorn expects that Somers will not rely on its right to withdraw the Offer in accordance with its statutory rights under section 652C(1)(d) of the Corporations Act in the event that any new Thorn Shares are issued during the Offer Period as a result of the vesting and exercise of Thorn Performance Rights.

Performance Rights may vest and be exercised in the ordinary course of business during the Offer Period. In addition, under the rules of the Legacy LTI Plan, the Board has discretion to accelerate the vesting of Thorn Performance Rights if a takeover bid is made in respect of the Thorn Shares or any other corporate control event occurs. As at the date of this Target's Statement, the Board has not yet made a decision on the exercise of this discretion in light of the Offer.

7.8 Material litigation

As at the date of this Target's Statement, Thorn is not involved in any litigation or dispute that could have a material financial or reputational risk exposure for Thorn.

7.9 Prospects for an improvement in either the Offer or an alternate offer

As at the date of this Target's Statement, the Independent Director is not aware of any proposal by Somers to increase its Offer or by any third party that may develop into a superior offer.

7.10 ASX announcements

Thorn is a disclosing entity under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules. Thorn is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of Thorn's Shares.

Thorn is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Thorn's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: TGA).

The most recent financial information regarding Thorn is set out in the Thorn FY21 Annual Report. A copy of this document is also available free of charge from Thorn on request and is also available on Thorn's website at www.thorn.com.au.

7.11 Material change in financial position of Thorn

So far as is known by any Director or member of the Independent Committee, there have been no material changes to the financial position of Thorn since 30 June 2021, being the date of release of Thorn's FY21 Annual Report, except as disclosed in this Target's Statement.

Since the balance date, the Federal Court of Australia has appointed liquidators to wind up Forum Finance Pty Ltd (**Forum Finance**) following the discovery of significant potential fraudulent conduct. Thorn has potential exposure of up to A$2.2 million relating to certain equipment finance loans. Thorn is investigating this matter.

7.12 Takeover response costs

The Offer will result in Thorn incurring expenses that would not otherwise have arisen in FY22. These include expenses payable to the Independent Expert for preparing the Independent Expert's Report, payable to the legal and financial advisers engaged by Thorn to assist in responding to the Offer and payable to Thorn’s share register for administrative and mailing costs. The total cost of the takeover response depends on the outcome of the Offer, the duration of the Offer and required response activities, and the complexity of the issues addressed in the response. Therefore it is difficult to estimate the likely total cost to Thorn.

7.13 Consents

The persons identified in the table below have given, and have not, before the date of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements as noted next to their names in the table below and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of person	Named as	Reports or statements
Grant Thornton	Independent Expert	Independent Expert's Report included as Annexure A to this Target's Statement
MinterEllison	Legal adviser	N/A
Charlie Lewis	Financial adviser	N/A
Computershare Investor Services Pty Ltd	Share registry	N/A

Each person named in this Section 7.13 of this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person as noted above; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.14 ASIC declarations

As announced to ASX on 1 July 2021, ASIC issued a declaration on 1 July 2021 modifying items 10 and 13 of section 635(1) of the Corporations Act to enable Thorn to lodge this Target's Statement with ASIC and ASX and send a copy to Thorn Shareholders and Somers within 28 days after the Bidder's Statement was announced.

7.15 ASX Listing Rule waivers

Thorn did not apply for, and has not been granted, any waivers by the ASX in relation to the Offer.

7.16 Reliance on ASIC class orders

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. In accordance with this Class Order, the consent of Somers or ASX (respectively) is not required for the inclusion of such statements in this Target's Statement. Any Thorn Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Thorn's share registry on 1300 145 429 (callers in Australia) or +61 03 9415 4835 (callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Instrument, the makers of those statements are not required to consent to, and have not consented to, the inclusion of such statements (if any) in this Target's Statement.

7.17 No other material information

This Target's Statement is required to include all the information that Thorn Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept the Offer but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to the Independent Director.

The Independent Director is of the opinion that the only information that Thorn Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in releases by Thorn to ASX and ASIC before the date of this Target's Statement, including the information contained in the FY21 Annual Report; and
- the information contained in this Target's Statement.

The Independent Director has assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However, the Independent Director does not take any responsibility for the contents of the Bidder's Statement and is not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Committee has had regard to:

- the nature of Thorn Shares;
- the matters Thorn Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers to Thorn Shareholders;
- the nature of the Offer; and
- the time available to Thorn to prepare this Target's Statement.

7.18 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Thorn Board. Mr McLeland and Dr Sullivan did not vote on the resolution.

Signed for and on behalf of Thorn by:

Paul Oneile
Independent Director
Date: 16 July 2021

8. Glossary and interpretation

8.1 Glossary

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time).
ASX	ASX Limited ABN 98 008 624 691 or, where the context otherwise requires, a financial market operated by it known as the Australian Securities Exchange.
ASX Listing Rules	the listing rules of ASX, as amended or replaced.
Bidder's Statement	the bidder's statement by Somers dated 18 June 2021 setting out the terms and other information in relation to the Offer.
CGT	capital gains tax.
Corporations Act	the Corporations Act 2001 (Cth).
Director	a director of Thorn.
Dividend Reinvestment Plan or DRP	Thorn's Dividend Reinvestment Plan, a copy of which is available for download at: www.thorn.com.au/site/about-us/corporate-governance.
EBITDA	earnings before interest, tax, depreciation and amortization.
Final Dividend	a fully franked cash dividend of A$0.01 for each Thorn Share held by a Thorn Shareholder on the Final Dividend Record Date.
Final Dividend Payment Date	the date on which the Final Dividend will be paid, or Thorn Shares will be issued under the Dividend Reinvestment Plan, to those Thorn Shareholders who held Thorn Shares on the Final Dividend Record Date, being Wednesday, 21 July 2021.
Final Dividend Record Date	the record date for determining entitlements to the Final Dividend, being 7.00pm on Monday, 5 July 2021.
FY20	the financial year from 31 March 2019 to 1 April 2020.
FY21	the financial year from 31 March 2020 to 1 April 2021.
FY21 Annual Report	Thorn's Annual Report issued in respect of the financial year ended 31 March 2021, released to the ASX on 30 June 2021.
FY22	the financial year from 31 March 2021 to 1 April 2022.
Group	the corporate group comprised of Thorn and each of its subsidiaries.
GST	goods and services tax.
Independent Committee	the independent committee of Thorn formed to respond to the Offer, comprising Paul Oneile (Independent Director), Pete Lirantzis (Chief Executive Officer) and Alexandra Rose (General Counsel and Company Secretary).
Independent Expert or Grant Thornton	Grant Thornton Corporate Finance Pty Ltd.
Insolvency Event	any of the events set out in section 652C(2) of the Corporations Act.
Last Practicable Date	the last practicable date for determining certain information in this Target's Statement, being the close of trading on the ASX on Monday, 12 July 2021.
Legacy LTI Plan	has the meaning given in Section 7.7 of this Target's Statement.
Offer	the on market takeover bid by Somers for all Thorn Shares other than those already owned by Somers or its associates, as described in the Bidder's Statement.

Term	Meaning
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 3.6 of the Bidder's Statement.
Offer Price	the consideration offered by Somers under the Offer. As at the date of this Target's Statement, the Offer Price is A$0.21 cash for each Thorn Share.
Performance Right	has the meaning given in Section 7.7 of this Target's Statement.
Performance Share Right	has the meaning given in Section 7.7 of this Target's Statement.
Related Body Corporate	has the meaning given in section 50 of the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Somers	Somers Limited (Bermuda Company Number 46441).
Target's Statement	this document (including Annexure A), being the statement of Thorn issued under Part 6.5, Division 3 of the Corporations Act in response to the Offer.
Thorn	Thorn Group Limited ACN 072 507 147.
Thorn Board or Board	the board of directors of Thorn.
Thorn Performance Right	a Performance Right or Performance Share Right.
Thorn Share or Share	a fully paid ordinary share in the capital of Thorn.
Thorn Shareholder or Shareholder	a holder of Thorn Shares.
Trading Day	has the meaning given in the ASX Listing Rules.
Voting Power	has the meaning given in section 610 of the Corporations Act.
VWAP	volume weighted average price.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- the singular includes the plural and vice versa and words importing one gender include other genders;
- terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the Corporations Act 2001 (Cth) at that date;
- a reference to dollars, A$, AUD, $ and cents is a reference to Australian currency;
- a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a Section is a reference to a section of this Target's Statement;
- a reference to time is a reference to Sydney time; and
- headings and bold type are used for reference only.

Annexure A – Independent Expert's Report

Thorn Group Limited

Independent Expert's Report and Financial Services Guide

16 July 2021

#5735142v1

Independent Director
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16 July 2021

Dear Sir

Independent Expert's Report and Financial Services Guide

Introduction

Thorn Group Limited ("Thorn" or the "Company") is a diversified financial services company providing financial solutions to consumers and small and medium enterprises ("SME"). The Company is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$71 million as at 5 July 2021. The Company operates via two divisions:

- *Consumer Finance division* – It provides alternative financing solutions to consumers[1] to access household all-encompassing essentials and it operates primarily under the Radio Rentals[2] brand. The division is currently transitioning from bricks and mortar to a digital pure play business model[3] and it is partway through this transformation plan. As at 31 March 2021, the net receivable book was c. A$48.0 million with a provision for credit losses of A$29.3 million or c. 38% of the gross receivables amount of A$77.3 million. The book is 100% equity funded. Currently, new originations are limited even if they are growing on a monthly basis.

- *Business Finance division* – It provides funding alternatives to SME. The existing equipment finance business provided asset financing to SMEs but it closed for new originations at the beginning of 2021 due to the inability to continue to sell new business into the securitised warehouse facility ("Warehouse Facility"), which is held in a Special Purpose Vehicle ("SPV"). The Warehouse Facility has been in amortisation since May 2020[4]. The net receivable book was A$147.5 million with a provision of A$45.0 million and the outstanding balance on the Warehouse Facility was of A$166.3

[1] Mainly in the lower income demographic cohorts.
[2] Trading as Rentlo Reinvented in South Australia.
[3] From April 2020, Thorn permanently closed its network of 62 physical stores and re-focused its distribution to 100% digital/web based.
[4] On 5 May 2020, due to the adverse impact of the outbreak of COVID-19 on its customers, the 30 days arrears were at c. 10% and exceeded the agreed cap of 6% of the receivable balance of the Warehouse Facility. This represented an amortisation event which did put the facility in run-off mode and no new origination could be sold into the Warehouse Facility.

million as at 31 March 2021. The division is currently finalising the launch of a debtors financing product by the end of August 2021.

On 18 June 2021, Somers Limited ("Somers" or "the Bidder") announced an on market takeover offer ("Takeover Offer") to acquire all the fully paid ordinary shares of the Company ("Thorn Shares") which it did not already own at a cash price of A$0.21 per share ("Offer Price"). The Takeover Offer is on-market and accordingly unconditional. The Bidder is allowed to purchase Thorn Shares from the announcement of the Takeover Offer until the end of the offer period (currently 6 August 2021 unless extended). The Company declared a fully franked dividend of 1c per share, which is payable on 21 July 2021[5] ("Final Dividend"). The Offer Price will not be reduced for the Final Dividend, however Thorn shareholders ("Thorn Shareholders" or "Shareholders") who accepted the Takeover Offer before the Final Dividend record date[6] will not be entitled to receive it.

Somers is a listed financial services investment holding company incorporated in Bermuda whose shares are traded on the Bermuda Stock Exchange[7]. As at 18 June 2021, Somers and its associates held a relevant interests of 34.49% of the issued capital of the Company however this increased to 37.86% as at 6 July 2021.

Purpose of the report and approach

Before launching the Takeover Offer, Somers owned a relevant interest in 34.49% of the issued capital of the Company (37.86% as at 6 July 2021). Accordingly, there is a legal requirement for the preparation of an independent expert's report in conjunction with the Takeover Offer. When preparing this Report, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112").

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Takeover Offer is NOT FAIR and NOT REASONABLE to Thorn Shareholders.

Notwithstanding our opinion above, Shareholders should continue to monitor Somers' shareholding[8] in the Company to see if it is able to increase it to greater than 50% as this will give Somers effective control of the Company and Somers has indicated in the Bidder's Statement that it may become actively involved in determining Thorn's capital management policies and controlling the strategic direction of Thorn's business. Further, Somers' Bidder Statement states that if ASX Listing Rules permit, Somers may seek to remove Thorn's listing from the ASX which will materially affect the ability of Shareholders to sell their shares at fair market value. Under these circumstances, Thorn Shareholders may wish to reconsider their position in relation to the Takeover Offer.

As part of our process for the preparation of the IER, we have held several discussions with members of the Senior Management Team, including CEO and CFO, to understand the transformation plan of the business, the current performance of the two divisions and the underlying receivables and the growth opportunities.

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[5] Record date is 5 July 2021 at 7pm.
[6] 5 July 2021
7 Refer to section 4 of the Bidder's Statement for additional details.
[8] 37.86% as at 6 July 2021.

Fairness assessment

In forming our opinion in relation to the fairness of the Takeover Offer, Grant Thornton Corporate Finance has compared the fair market value per share of Thorn on a controlling and 100% basis to the Offer Price of A$0.21 per Thorn Share. The following table summarises our fairness assessment:

Fairness assessment A$ per share	*Section* *Reference*	Low	High
Fair market value of Thorn Shares on a control basis	*5*	0.28	0.31
Offer Price		0.21	0.21
Premium/(discount)		**(0.07)**	**(0.10)**
Premium/(discount) (%)		**(25.4%)**	**(32.7%)**
FAIRNESS ASSESSMENT		**NOT FAIR**	

Source: GTCF analysis

The Offer Price of A$0.21 per Thorn Share is materially below our assessed valuation range of Thorn Share on a control and 100% basis. Accordingly, we conclude that the Takeover Offer is **NOT FAIR** to Thorn Shareholders.

Thorn Shareholders should be aware that our assessment of the value per Thorn Share does not reflect the price at which Thorn Shares will trade if the Takeover Offer lapses. The price at which Thorn Shares will ultimately trade depends on a range of factors including the future performance of the business, the success of the transformation plan, liquidity of Thorn Shares, macro-economic conditions, the impact of the current lockdown in NSW and future lockdowns and other factors.

Valuation assessment

Grant Thornton Corporate Finance has adopted the market value of net assets methodology to assess the equity value of Thorn and we have cross checked our valuation assessment having regard to the quoted securities price method and price net tangible assets multiple (“P/NTA Multiple”) of comparable companies and comparable transactions.

Net assets approach - valuation summary A$ '000 (except where stated otherwise)	*Section* *Reference*	Low	High
Net assets	*4, 5*	94,371	95,134
Value sensitivity on the net receivables book	*5.8*	-	8,571
Add SPV deficit		4,000	5,000
Less - Final Dividend	*5.8*	(3,375)	(3,375)
Adjusted equity value		**94,996**	**105,330**
Number of outstanding shares ('000s) (fully diluted)	*3.5.4*	337,958	337,958
Value per share (control basis) (A$ per Share)		**0.28**	**0.31**

Source: GTCF analysis

We have undertaken our valuation assessment based on a net assets approach as the main value components of RDC are the large cash balance as at 31 May 2021 of c. A$90[9] million and the existing receivable books for the two divisions which are assessed at fair value on the balance sheet and they are

[9] Free cash balance of A$73.5 million excluding the cash tied in the Warehouse Facility.

expected to be realised over the next few years and generate significant cash flows[10]. We note that the realisation of the existing receivables book is not without risk and cost.

The net receivables on the balance sheets as at 31 March 2021 (audited) and 31 May 2021 (Management accounts) appear conservative as the provisions for credit losses are materially in excess of the historical losses (largely due to specific provisions for the potential impact of the store network closure and COVID-19) which may indicate latent value on the balance sheet. We have outlined below observations that we have considered in our valuation assessment.

The receivables book for the Consumer Finance division performed well in FY21 with relatively low arrears and strong collections driven in part by the fiscal and monetary support policies put in place by the Australian Government and the RBA, which benefited households on a lower income. A further contributing factor was the increased focus on collections and improvements realised through centralising the function. Since the end/tapering of the Government support in March 2021, greater than 30 days arrears accounts increased from 15% in March 2021 to c. 17% in May 2021, however, based on management records, they have reduced materially to c. 15% as at 30 June 2021. In addition, Thorn management ("Thorn Management" or "Management") initially expected that the closure of the physical stores network would have had a significant negative impact on customer behaviour[11] and lead to an increase in arrears, which however has not yet manifested. Current provisions for credit losses are at 42.4% of the gross receivable at 31 May 2021 whilst historical losses were around 15% before COVID-19 and c. 18.7% in FY21[12].

Similar circumstances exist for the Business Finance division. At 31 March 2021 A$73 million of Business Finance receivables were identified as COVID-19 impacted which was a significant reduction compared with 30 September 2020 (A$99.4 million). While the arrears have improved significantly, this has been mainly driven by variations to contracts (A$44.9 million received a variation in the second half of FY21) with holiday repayment periods allowed. These contracts have had positive payment patterns post variation however they have not had a sufficient period of repayments for management to consider them completely rehabilitated. The provision for credit losses stands at 25.6% of the gross receivable in May 2021 which compares with historical lifetime losses of c. 6.1%.

As a result of the credit provision required under the relevant accounting standard and the impact of COVID-19, the net asset value of the SPV consolidated on the balance sheet was a deficit between c. A$4 million and c. A$5 million as at 31 March 2021 and 31 May 2021[13]. This is because the outstanding Warehouse Facility exceeds the gross receivable less the provision plus the cash balance in the SPV. However, the outstanding liabilities of the SPV are non-recourse to Thorn and accordingly the Company will not be required to fund the deficit while the SPV remains in amortisation. We have considered this in our valuation assessment. In addition, Thorn holds subordinated notes in the SPV ("Thorn Subordinated Notes")[14] totalling c. A$25.5 million as at May 2021 and the balance sheets as at 31 March 2021 and 31 May 2021 do not ascribe any value to them.

Overall, Management has incorporated into the assessment of the provision for credit losses a material deterioration of the current market conditions as they have not had the benefit to observe the performance of the book for a sufficient period of time (at least 6 months) under normal trading conditions and the

[10] This is mainly in relation to the Radio Rentals book which is ungeared.
[11] We note that Management to mitigate this risk, initially relaunched a limited product range for the Consumer Finance division.
[12] Credit losses computed as losses for the period over average book value for the corresponding period.
[13] Excluding amount related to the derivatives.
[14] The Business Finance is financed by the Warehouse Facility with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company and equity class F note held by Thorn.

current and recent lockdowns in NSW and Victoria respectively make the assessment of future losses even more difficult. We have considered this conservativism in our assessment.

The net assets considered for the purpose of our valuation assessment are a static representation of the business at a point in time and they incorporate neither the value of future business/growth opportunities, including the launch of new products, nor the value of intangible/other assets not captured on the balance sheet. In our opinion, this approach is conservative and there could be some latent value on the balance sheet which may be realised in the future as outlined below.

- *Growth opportunities* – Thorn continues to implement and invest in its new business strategy, including transforming the traditional bricks and mortar model for the Consumer Finance division into a digital pure play operation and re-entering the business finance segment via the launch of a debtor finance product due by the end of August 2021. Once the new offering is up and running, the Company may benefit from an expedited pathway to scale and profitability given it can leverage-off the existing customer base and supplier network. Regarding the Consumer Finance division, since the repositioning of the business in April 2020, the Company has made significant progress in implementing the strategy and it is still generating limited but growing new monthly originations. Whilst, we have not considered the value of the new growth opportunities in our valuation as in our opinion the projections prepared by Management may not meet the reasonable test basis required by ASIC RG 111[15], it should not be taken as an indication that Grant Thornton values the new initiative at $nil.

- *Intangible assets* – We have not adjusted the balance sheet to include the fair market value of any goodwill or other intangible assets (if any) currently not recognised on the balance sheet in accordance with the accounting standard, due to the following:

  - The Radio Rentals brand is well known and it has been around for a long period of time, however it requires, in our opinion, some marketing investments to be re-invigorated in line with the new market repositioning (pure digital player).

  - Whilst there is certainly some value in the existing customer relationships, it is not feasible to quantify it as at the date of this report due to the run-off of the existing receivable book in both divisions and the limited new originations across the business.

  - As set out in the FY21 annual report, the Directors have noted that the Company is now effectively in a “start-up” phase and accordingly it is not reasonable to recognise any goodwill in our valuation assessment.

- *Other assets* – The balance sheet as at 30 June 2021 does not present any PP&E[16], software and right of use of leased assets as they were fully impaired in previous years. The fair/residual value of these assets may be limited, nonetheless the balance sheet is presented on a conservative basis and under normal trading circumstances these would have been included in the reported net assets and increase our valuation assessment on a $ for $ basis, all other things being the same.

- *Deferred Tax Assets* – The Company has gross tax losses of A$48.4 million or A$14.5 million tax effected as at 31 March 2021 which can be utilised to offset against future taxable income. These are

[15] Paragraphs 112 to 118 of RG 111.
[16] Property, plant and equipment.

not recognised on the balance sheet in accordance with the relevant accounting standard, however it is not unreasonable to assume that the Company may be able to utilise (a component of the tax losses and accordingly attribute value to them) if the growth opportunities are successfully executed or if it continues to generate profit as occurred in FY21.

Before finalising our valuation assessment, we have also considered whether or not it would be appropriate for us to reduce the value of the net assets for the costs to be incurred to manage the receivables in run-off or to fund future growth opportunities. We are of the opinion that this is not required given that under an orderly realisation of the balance sheet the Company will continue to incur the costs to manage the receivables and corporate expenses which we expect to be fully covered by the interest and other income. In addition, the cost base will reduce as receivables are collected and the current cost structure includes costs associated with growing the businesses, which is not factored in our valuation assessment. Finally, a pool of potential purchasers are likely to already have in place a cost structure to collect the existing receivables and accordingly the marginal cost uplift will be minimal if any.

Under a growth scenario, the Company plans to invest in capabilities, technology, working capital, IT, marketing and operations to progress the digital transformation of the Consumer Finance division and to launch a number of new products in the Business Finance division. These investments aim to grow the Company's receivables book of the Consumer and Business Finance divisions. However, most of the cash outflows are due to investment in the working capital rather than one-off upfront costs and accordingly the Company will be able to quickly cut working capital outflows if the demand is not sufficient to generate a market return. Further, as at the date of this Report, a pool of potential purchasers will be able to reassess and amend the strategy going forward before the existing cash balance is materially depleted if they believe the risk/return of the investment is not appropriate or justifiable.

In conclusion, in our valuation assessment based on the net assets approach, we have adopted the following adjustments:

- We have added back the net assets deficit of the SPV (between A$4 million to A$5 million)[17] in accordance with the non-recourse nature of the Warehouse Facility. This is still a conservative assumption as it ascribes no value to the Thorn Subordinated Notes[18] that it holds in the SPV totalling c. A$25.5 million as at May 2021.

- At the high end of our valuation range, we have assumed an uplift of 5% (A$8.5 million uplift) of the receivable balance to take into account some of the conservativism in the credit loss provisioning and the balance sheet in general.

We have also set out below a sensitivity analysis to show the impact on our valuation assessment in conjunction with alternative scenarios/assumptions.

[17] Excluding the derivatives amount.

[18] The Business Finance is financed by the Warehouse Facility with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company and equity class F note held by Thorn ("Thorn Subordinated Notes")

Sensitivity analysis A$ per share	Low	High	Change % Low	High
GT assessed value	0.28	0.31		
Thorn Subordinated Notes A$25.5 million				
Recovered 50%	0.32	0.35	13%	12%
Recovered 100%	0.36	0.39	27%	24%
Provision for Business Finance				
Provision as 6.0% of gross receivables (historical losses)	0.38	0.41	35%	32%
Provision for Consumer Finance				
Provision as 12.0% of the gross receivables	0.34	0.37	22%	18%
Provision as 15.0% of the gross receivables	0.33	0.36	20%	16%
Tax losses A$14.5 million (net amount)				
50% recognised as DTA	0.30	0.33	8%	7%
100% recognised as DTA	0.32	0.35	15%	14%
Actual credit losses				
Losses 10% greater than total provisions	0.26	0.29	(7.6%)	(7.0%)
Losses 20% greater than total provisions	0.24	0.27	(15.3%)	(14.0%)
Non recoverable outflows to grow the business				
Upfront non-recoverable cash outflow of A$10m	0.25	0.28	(10.5%)	(9.5%)
Upfront non-recoverable cash outflow of A$20m	0.22	0.25	(21.1%)	(19.0%)

Source: GTCF analysis

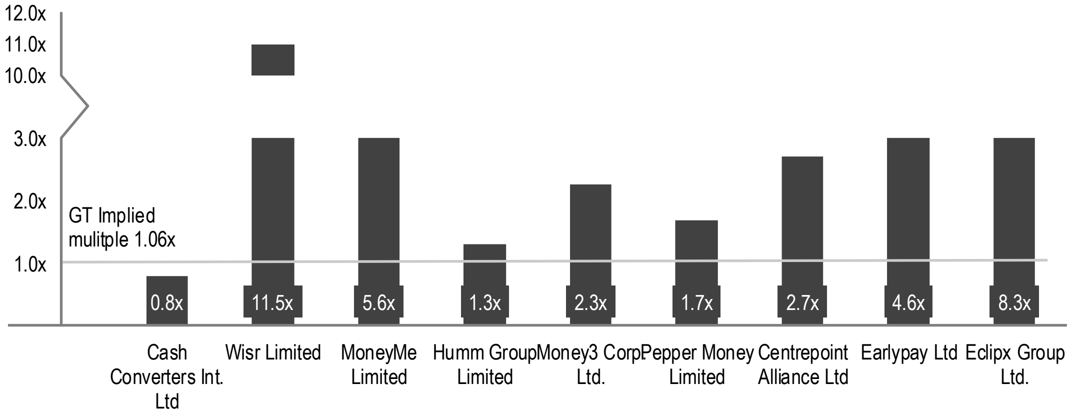
Whilst the valuation assessment of Thorn presents some challenges given the wide range of credible assumptions that could be adopted in relation to the valuation assessment of the existing receivables book, the uncertainty and volatile conditions brought by COVID-19, including the recent outbreak and lockdown in NSW, and the growth opportunities pursued by the business, we are of the opinion that the upside potential outlined in the table above outweighs the downside risks. In particular, if current market conditions do not deteriorate materially, it is not unreasonable to foresee a potential scenario where the control value of Thorn is materially in excess of our valuation assessment if the Company is able to recover some or all of the invested value of the Thorn Subordinated Notes and if the credit losses realised are closer to historical levels rather than the current provisioning.

However, the sensitivity analysis and our valuation assessment should be considered with caution given the additional uncertainty caused by COVID-19, including the recent outbreak and lockdown in NSW, and the volatile and continuously evolving circumstances which are affecting the recovery of the economy and the performance of the Company.

Cross check based on the P/NTA Multiple

Our valuation assessment implies a P/NTA multiple between 1.0x and 1.1x. We have compared it with selected listed comparable companies in the graph below.

Comparable companies – P/NTA Multiples



Source: Companies' annual reports, GTCF analysis

We draw the following observations from the above graph:

- Whilst none of the listed peers are particularly comparable to Thorn, the majority of the P/NTA multiples are materially higher and provide support to the conservative nature of our valuation assessment.

- The P/NTA Multiple implied in our valuation assessment is at the low-end of the trading multiples of listed peers on a minority basis. This appears reasonable as we have not incorporated into our valuation assessment the value of future business/growth opportunities and of the other tangible and intangible assets which are instead included in the trading prices of the listed peers.

- Among the listed peers, Cash Converters International Limited ("Cash Converters") is the only entity that is trading at a P/NTA Multiple closer to our valuation assessment. Cash Converters is a diverse group generating revenues from franchising, store operations, personal finance and vehicle finance. It is comparable to Thorn in terms of the size of the loan book, cash balance, market segments and challenges faced in the past, however it runs an extensive franchise network which somehow reduces the level of comparability. It is trading at a P/NTA Multiple of c. 0.8x on a minority basis which is substantially in line with the P/NTA Multiple implied in our valuation assessment once a premium for control is added.

Cross check based on trading prices

We have undertaken an extensive discussion and analysis of the trading prices and liquidity of the Company in section 6 of this Report. Set out below is a summary of the VWAP of Thorn Shares over the last three months up to 17 June 2021 before the Takeover Offer.

Thorn Group VWAP analysis	Low	High	VWAP
Up to 17 Jun 2021			
1 day	0.205	0.220	0.213
5 day	0.200	0.220	0.211
10 day	0.200	0.220	0.208
1 month	0.195	0.220	0.209
2 month	0.185	0.245	0.210
3 month	0.165	0.245	0.204

Source: S&P Global and GTCF calculations

We have assessed the fair market value of Thorn Shares based on the trading price between A$0.210 and A$0.215 on a minority basis and cum-divided basis. We have mainly relied on the trading prices following the release of the Preliminary Final Report on 31 May 2021 as after this date the market is fully informed on the most recent financial performance of the business.

We note that between 31 May 2021 and 17 June 2021, Thorn Shares have traded on a cum-dividend basis as a result of the Final Dividend announced on 31 May 2021 (record date 5 July 2021). Accordingly, we have undertaken our valuation assessment on a cum-div and ex-div basis.

The trading prices presented above reflect the value of Thorn on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed at an average and median control premium between 34% and 29%, respectively (Refer to Appendix D for an overview of this control premium study). Therefore in our cross-check based on the trading prices, we have applied a range of 30% to 40% for control premium. Set out in the table below is a summary of our assessed valuation range on a control basis.

Quoted Security Price Method	*Section*	Cum-dividend		Ex-dividend	
A$ per share	*Reference*	Low	High	Low	High
Value per share (on a minority basis)	*6.0*	0.210	0.215	0.200	0.205
Control premium	*Appendix C*	30.0%	40.0%	30.0%	40.0%
Value per share (on a control basis)		**0.27**	**0.30**	**0.26**	**0.29**

Source: S&P Global; GTCF analysis

The trading prices on a control basis broadly support our valuation assessment based on the net asset approach.

Reasonable assessment

For the purpose of assessing whether or not the Takeover Offer is reasonable to Thorn Shareholders, we have considered the following likely advantages, disadvantages and other factors associated with the Takeover Offer.

Advantages

We believe that the Takeover Offer does not reflect the fair market value of Thorn on a control basis. However, we have outlined below certain benefits from the Takeover Offer that Shareholders may want to take into account:

- Thorn Shareholders accepting the Takeover Offer will have the opportunity to receive a certain cash amount at a price substantially in line with recent trading prices. Whilst Thorn Shareholders may be able to realise the same price by selling their Thorn Shares on market rather than by accepting the Takeover Offer, the average daily liquidity in Thorn Shares was 0.2% of the free float over the last six weeks. Accordingly, Thorn Shareholders with a sizeable interest in the Company may find it beneficial to sell their Thorn Shares on market[19] during the offer period as the Offer Price represents a floor to their sale price. However, Shareholders should be mindful that any acceptances of the Takeover Offer would have adverse consequences for all remaining Shareholders as it will allow Somers to increase its degree of control without paying a premium for control.

[19] And Somers may buy all or part of them depending on the number of other investors and the trading prices of the Company.

- Thorn Shareholders accepting the Takeover Offer will no longer be exposed to the ongoing risks associated with holding an investment in the Company including those relating to the performance of the existing receivables book and the risks attached to the implementation of the growth opportunities. However, as discussed extensively in the report, while holding Thorn Shares is certainly not a risk free investment, there are mitigating factors to these risks that have been put in place by the Directors and Management Team and upside potential to the value recognised on the balance sheet.

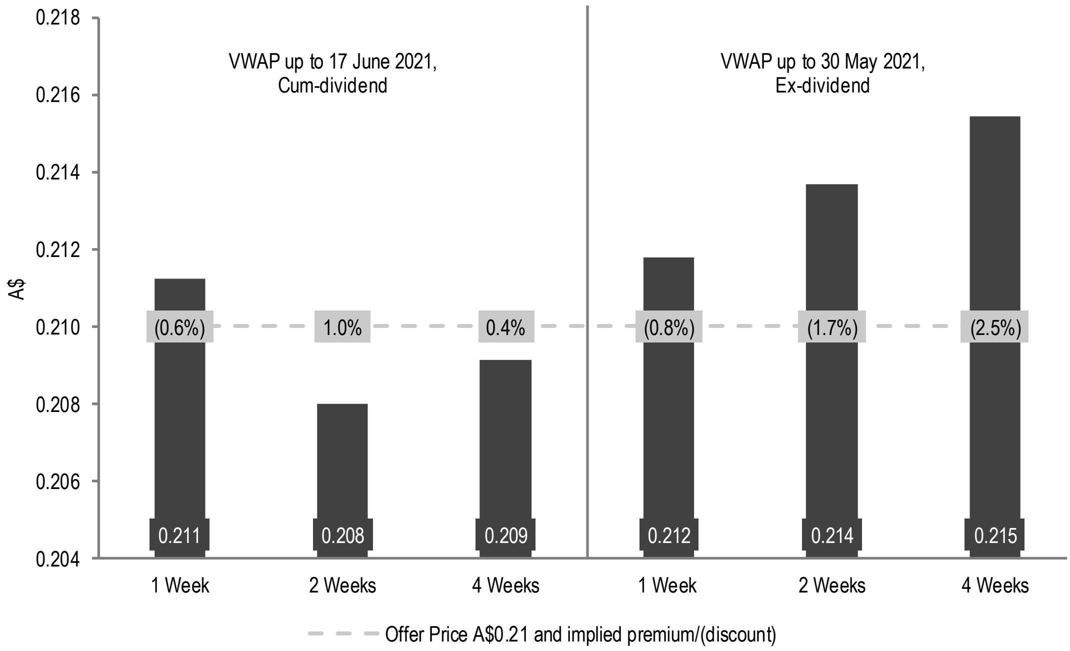
- Future COVID-19 related lockdowns may adversely affect the Company's customers and their ability to service their liabilities over and above the current provisions for credit losses. In addition, the potential impact of the current lockdown in NSW is unknown at this point in time.

- The performance of Thorn trading prices has suffered in the past from reputational issues and losses incurred by the Company in conjunction with several events like a customer class actions in March 2017 in connection with past lending practices and an enforceable undertaking with ASIC in relation to historic breaches of its responsible lending obligation. These led to several and recurring changes in the Directors and Management Team which contributed to exacerbate relationships with investors. Further, the customers of the Company are part of a low socio-income demographic cohort which is more prone to potentially commit financial frauds which may further expose the Company financially and reputationally.

Disadvantages

The Takeover Offer does not reflect the fair market value of Thorn on a control basis. We have set out below the premium for control implied in the Offer Price before the announcement of the Takeover Offer on a cum and ex dividend basis[20].

Offer Price implied premium/(discount) to VWAP



Source: S&P Global, GTCF analysis

[20] The Offer Price will not be reduced for the Final Dividend, however Shareholders who accepted the Takeover Offer before the Final Dividend record date will not be entitled to receive the final dividend.

Evidence from studies suggests that successful takeovers in Australia have completed at an average and median control premium between 34% and 29%, respectively (Refer to Appendix D for an overview of this control premium study). However, Shareholders should take into account that the application of a premium for control is an outcome of value and it is subject to the specific circumstances of the business, the level of shareholding held by the bidder and the potential for competing offers.

Whilst, Somers may already be able to exert significant influence on the business as a result of its 37.86% interest as at 6 July 2021 and the fact that two out of three current directors are Somers' nominees[21], we are of the opinion that it will be able to extract significant additional benefits from acquiring 100% of the Thorn Shares[22] including:

- The ability to control the large free cash balance held by the business (A$73.5 million as at 31 May 2021 excluding the cash held in the SPV).
- Any potential upside in the current receivables book and the ability to accelerate, delay or withdraw the growth opportunities.
- Opportunity to streamline the workforce in conjunction with the transformation plan embarked by the business and hence achieving operating cost savings.
- Further cost savings could be achieved by delisting the Company from ASX and eliminating all the compliance requirements for a public listed company.

As discussed in our valuation assessment, we are of the opinion that there may be potential upside in the fair value of the existing receivables book for both the Consumer Finance and Business Finance divisions, the other assets not included in the balance sheet and the growth opportunities of the business. Shareholders will forgo their exposure to this potential upside if they accept the Takeover Offer. Shareholders should consider our sensitivity analysis in our fairness section.

Other factors

Thorn's share price if the Takeover Offer lapses

As discussed above, the Takeover Offer is substantially in line with trading prices before the announcement. Accordingly, we are of the opinion that the current trading prices may not be materially impacted if the Takeover Offer lapses, all other things being the same. This statement does not take into account potential deterioration of the current trading conditions as a result of the current outbreak of COVID-19 and lockdown on Thorn's customers.

Reduced liquidity in trading prices

Should Somers acquire a greater than 50% interest in the share capital of Thorn, Somers will gain effective control (other than special resolutions) of the Company. This may reduce the appeal of the Company to the market resulting in a reduction of trading volume and free float which may diminish the ability of Thorn Shareholders to sell their shares at fair market value.

[21] As outlined in the FY21 Annual Report, Thorn's Board has recognised that the present composition of the Board is undersized and is continuing the process to recruit a further independent Director.

[22] Several of the benefits outlined may also be obtained, at least to a certain extent, even if Somers acquires a controlling interest greater than 50% of Thorn Shares.

Prospect of a superior proposal and takeover contestability

Given that Somers owns 37.86% of the Company as at 6 July 2021, the prospects of an alternative proposal are limited. In addition, Somers' shareholding reduces the takeover contestability of the Company as it is not feasible for interested parties to complete an acquisition of the Company without the agreement of Somers.

Tax implications

Thorn Shareholders accepting the Takeover Offer may crystallise a capital gains tax expense, however the taxation consequences for shareholders will vary according to their individual circumstances. If appropriate or required, Thorn Shareholders should seek independent financial and tax advice on the implications of approving the Takeover Offer.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Takeover Offer is **NOT REASONABLE** to Thorn Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Takeover Offer is **NOT FAIR AND NOT REASONABLE** to Thorn Shareholders.

Each Thorn Shareholder should decide whether or not to accept the Takeover Offer based on their own views of the value of Thorn and expectations about future market conditions, Thorn's performance, and their individual risk profile and investment strategy.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section. The decision as to whether or not to approve the Takeover Offer is a matter for each shareholder of Thorn based on their own views of value of Thorn and expectations about future market conditions, Thorn's performance, risk profile and investment strategy. If the Thorn Shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

16 July 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Thorn to provide general financial product advice in the form of an independent expert's report in relation to the Takeover Offer. This report is included in the Target Statement outlining the Takeover Offer.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the report, Grant Thornton Corporate Finance will receive from Thorn a fee of around A$170,000 plus goods and services tax ("GST"), which is based on commercial rates plus reimbursement of out-of-pocket expenses in relation to the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Thorn and Somers in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Thorn and Somers (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report. Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by ASIC.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Purpose and scope of the report

1.1 Purpose

Section 640 of the Corporations Act requires that a target's statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; and
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

Given that Somers held c. 34.49% of the issued capital of Thorn as at 18 June 2021, there is a legal requirement to prepare an independent expert's report in relation to the Takeover Offer.

1.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to RG 111 which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer.

As the Takeover Offer is a takeover bid, Regulatory Guide 111 "Content of expert reports" requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.

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- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover Offer is fair to the Thorn Shareholders by comparing the fair market value range of Thorn Shares on a 100% basis compared to the value of the Offer Price, being A$0.21 per Thorn Share.

In considering whether the Takeover Offer is reasonable to the Thorn Shareholders, we have considered a number of factors, including:

- Whether the Takeover Offer is fair.
- The implications to Thorn and Thorn Shareholders if the Takeover Offer lapses.
- Other likely advantages and disadvantages associated with the Takeover Offer as required by RG111.
- Other costs and risks associated with the Takeover Offer that could potentially affect the Thorn Shareholders.

1.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Takeover Offer with reference to the ASIC Regulatory Guide 112 “Independence of Experts” (“RG112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Takeover Offer other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of these fees is in no way contingent upon the success or failure of the Takeover Offer.

1.4 Consent and other matters

Our report is to be read in conjunction with the Target’s Statement dated on or around 16 July 2021 in which this report is included, and is prepared for the exclusive purpose of assisting the Thorn Shareholders in their consideration of the Takeover Offer. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover Offer on Thorn Shareholders as a whole. We have not considered the potential impact of the Takeover Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover Offer on individual shareholders.

The decision of whether or not to accept the Takeover Offer is a matter for each Thorn Shareholder based on their own views of the value of Thorn, expectations about future market conditions, Thorn's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

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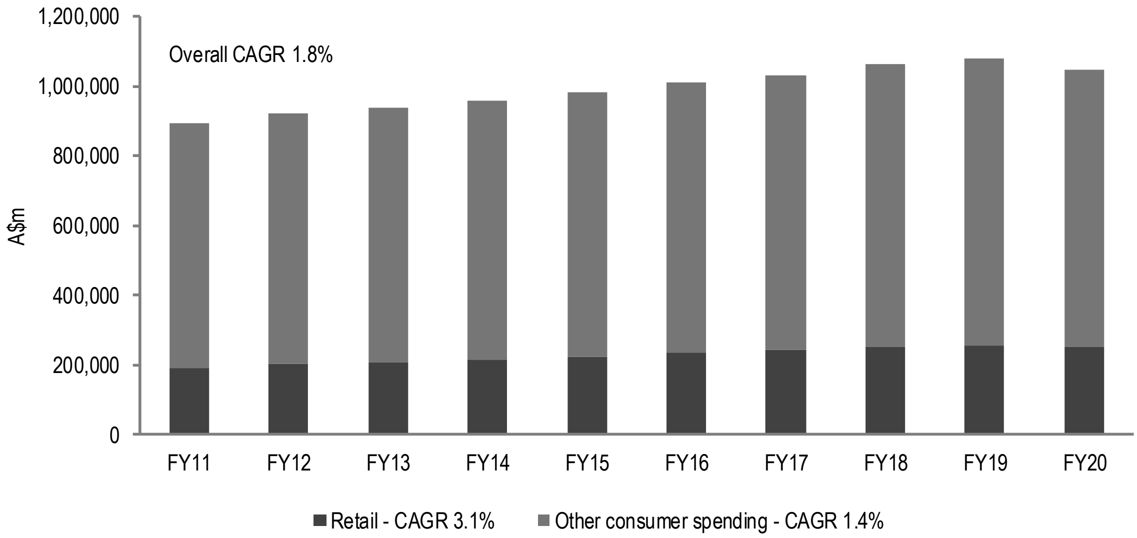
2 Industry overview

The Company operates as a non-bank financier in the consumer and SME finance markets. More specifically, the Consumer Finance division currently operates in the consumer leasing market providing households with access to household essentials such as televisions, fridges, whitegoods, mobile phones and furniture. The equipment finance business of the Business Finance division provided asset financing to SME prior to originations ceasing at the beginning of 2021.

2.1 Consumer credit sector and online shopping

The rental offering of the Company in the Consumer Finance division is part of the broader consumer credit sector and we have briefly analysed some of the key trends below. Consumer credit demand is driven, among other things, by overall consumer spending and particularly in the area of retail spending. Total consumer spending in Australia has increased significantly over the last 10 years evidenced by the compound average growth rate ("CAGR") of 1.8% as set out in the graphs below.

Consumer consumption in Australia



Source: ABS, GTCF analysis

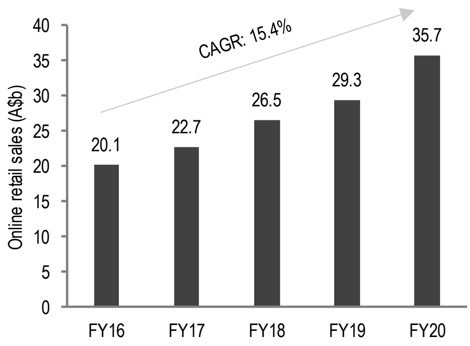
The majority of retail sales in Australia are made in physical stores. However, in recent years and more prominently since the outbreak of COVID-19, there has been an acceleration of the shift towards online sales, which has increased materially as a share of total retail sales. This shift is in line with the Company's strategy as it decided to permanently close down its 62 Radio Rentals stores to completely focus on the online distribution channel. However, in order to be competitive online, companies in the rental industry are required to improve their online stores to make it easier for consumers to choose products, pay online and have the products delivered. Well maintained websites are essential as commercial customers increasingly want to view furniture stock lists prior to renting.

According to the NAB Online Retail Sales Index ("NAB Index")[23], April 2021 online sales growth slowed to c. 1.4% year and on year growth, which reflected the materially higher base for online sales since the outbreak of COVID-19 in March 2020. NAB estimates that in the 12 months to April, Australians spent

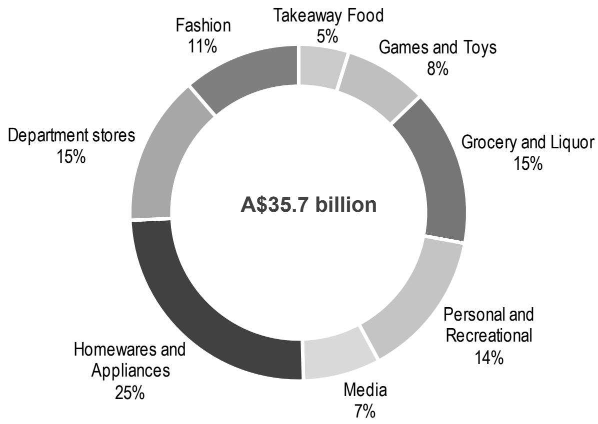
[23] The NAB Online Retail Sales Index measures all online retail spending by consumers using various electronic payment methods such as credit cards, BPAY and PayPal. The Index is derived from personal transaction data from NAB platforms and it is then scaled up to be representative of the economy.

A$46.7 billion on online retail which is c. 12.9% of the total retail trade estimate and about 39.6% higher than the 12 months to April 2020 which really highlights the shift towards online sales.

Online Retail Sales, Australia (A$ billions)



Australian Online Retail Sales (FY20)



Source: NAB Online Sales Index June 2020, GTCF analysis

The share of online sales of the total retail sales is expected to continue to grow. Online sales events like Black Friday and Cyber Monday are becoming catalysts for significant increases in online shopping, in particular in the media and appliance categories where the Company operates, and an opportunity to attract a large number of first time online shoppers. This is further supported by the fact that there are currently c. 6 million millennials in Australia and c. 3.7 million Gen Z representing ~40% of the adult population[24] which currently account for 37% of total retail spending[25]. Millennials and Gen Z have become increasingly demanding of rapid, seamless digital services provided over mobile or desktop devices. Finance providers are not only required to offer technologically savvy products but also to have in place automated processes heavily relying on data analytics in order to assess the credit worthiness of potential customers expeditely.

In terms of payment methods, rental companies have suffered the emergence of buy now pay later (“BNPL”) offerings and retail competition offering long-term interest-free shopping, which is often available with no deposit. These have enabled consumers to purchase goods from retailers instead of renting these items. In response, some rental equipment operators offer rent-to-buy options, which allow consumers to purchase the product at the end of the rental period for a nominal amount. However, consumers can usually only purchase rental equipment at a low price after a rental period of between 36 and 48 months. Nonetheless, competition from retail operators is expected to remain high as consumer sentiment increases and furniture and home appliances prices remain low due to cheap imports.

2.2 Consumer Rentals

The consumer rentals industry[26] is focused on the rental of a variety of commercial and household goods such as appliances, machineries and furniture to SMEs and consumers and it is usually considered anti-cyclical as it benefits from weak economic conditions such as a high household debt-to-assets ratio, declines in household discretionary income and high level of unemployment and inflation.

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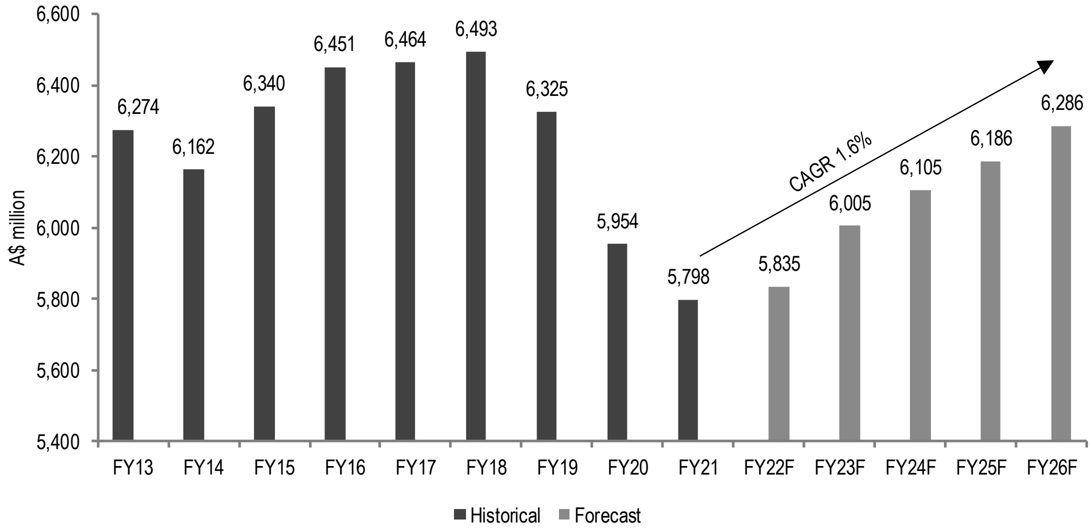
[24] ABS
[25] Roy Morgan survey September 2019, RBC Capital Markets
[26] We note that the industry commentary and figures in the exhibits within this section include certain markets segment that the Company does not currently participate in, such as rental of sporting equipment, office/machinery, artwork, pallets, party equipment, clothing products and rentals to SMEs.

Under these circumstances, the cost of goods increases due to inflation and customers may not necessarily have the funding necessary to buy the goods outright or access to more traditional financing options. Nonetheless, during the outbreak of COVID-19, demand in the industry has been adversely affected with several businesses exiting the industry.

Industry revenue is expected to decline by 2.6% in FY21 on the back of a further 6% decrease in FY20. However, revenue growth is expected to re-emerge, even if modestly, from FY22 onwards with an annualised growth rate of 1.6% over the five years to FY26. This is expected to be driven by a rapid advancement in technology, which favours the rental market, in conjunction with an increase in household discretionary income and inflation expectations.

Revenue - Furniture, Appliance and Equipment Rental industry in Australia



Source: IBIS World, Industry report L6639, March 2021

The rental industry mainly revolves around three category of products as outlined below:

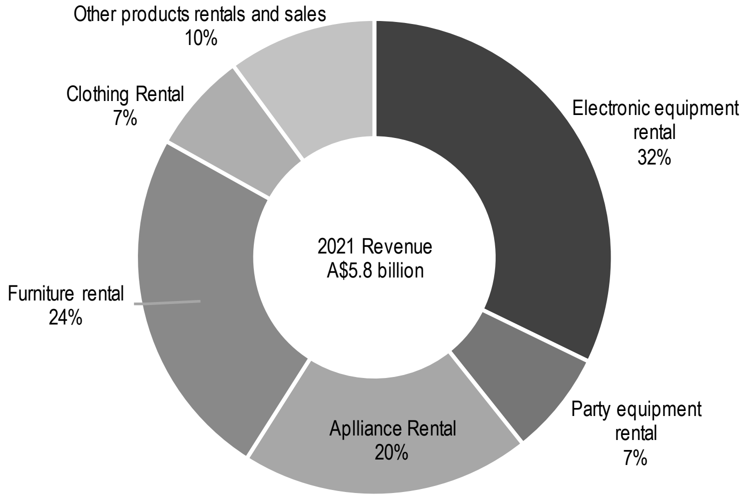
- *Electronic equipment rental* – This segment has grown as a proportion of industry revenue over the past five years, due to an increase in the number of products available for hire and technological improvements with several new products released to the market on a regular basis. This favours the rental vs the buying options as customers can remain at the forefront of technology upgrades. However, going forward, the continued decrease in the cost of electronic goods and cheap imports from Asian markets may reduce the market share of the industry as it may become more cost effective to buy the item outright rather than to rent it.

- *Furniture rental* – This segment has declined as a proportion of industry revenue over the past five years, due to increasing industry competition reducing rental prices, and cheaper import furniture. Furniture rental includes furnishings supplied on a short-term lease for use in real estate selling campaigns.

- *Appliance rental* – Businesses, people renting houses and apartments, and households requiring appliances for a short period of time represent the major markets for products in this segment. Consumers purchase many of these goods at the end of the rental period.

A breakdown of FY21 industry revenue by product category is outlined in the chart below.

Industry revenue breakdown by products and services



Source: IBIS World, Industry report L6639, March 2021

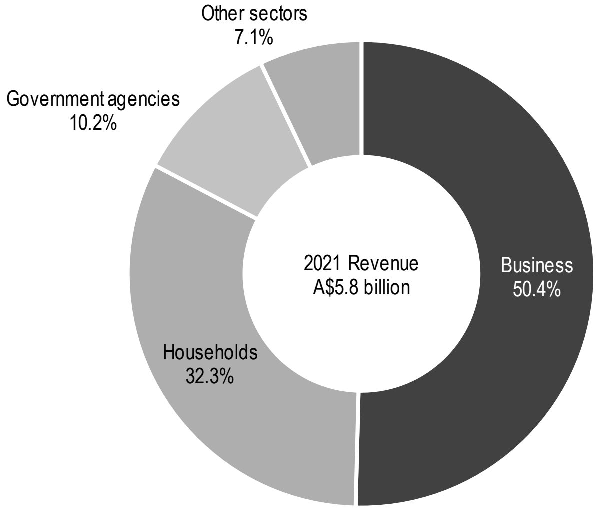
Industry demand arises mainly from three type of customers being:

- *Households* – This category mainly rents durable goods, whitegoods, electrical equipment and furniture. The main market for TVs and other media-playing equipment is middle to lower income households that prefer to rent these goods over purchasing. The market for computers, home theatre systems and other high-value products is middle to high income households, mainly due to products that are frequently updated after becoming obsolete.

- *SMEs* – The main products rented by this market include computer products and electronic goods such as photocopiers and printers; appliances for office fit-outs; and long-term rentals of office equipment, furniture and furnishings. Whilst the economic recovery is underway in Australia and it is flowing through to an improvement in conditions for businesses of all sizes, SMEs are lagging behind larger businesses as they are more likely to be in industries that have been harder hit by the associated restrictions on movements. The Company does not materially participate in this market segment.

- *Government* – Local, state and federal government agencies and institutions rent a range of goods from the industry. This includes electrical goods, computers, appliances and office furniture on long-term contracts, in addition to party equipment rentals and other items for short-term rental. The Company does not participate in this market segment.

Industry revenue breakdown by sector

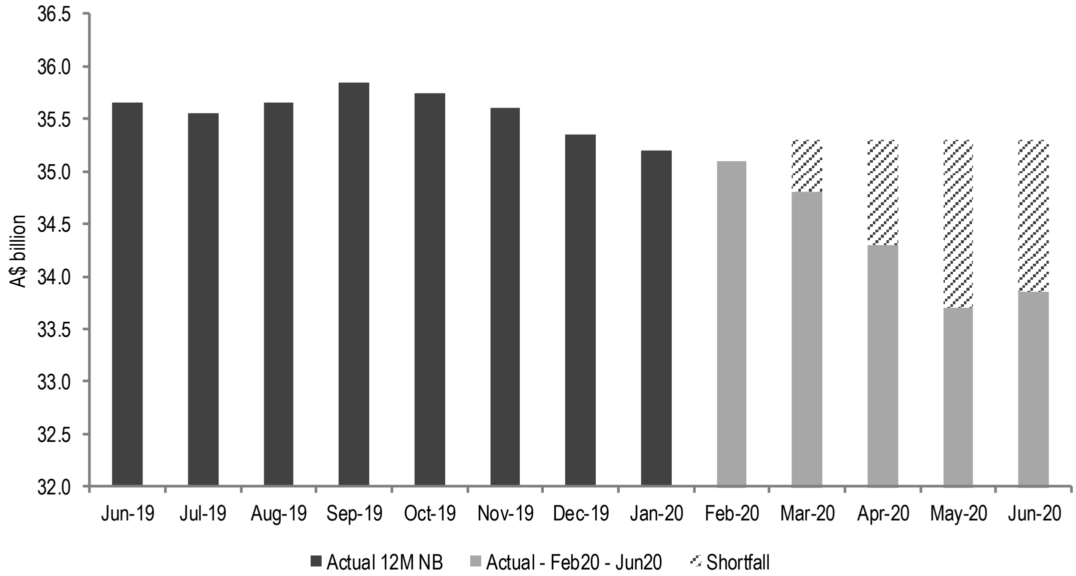


Source: IBIS World, Industry report L6639, March 2021

2.3 Equipment finance

Equipment finance can be used to acquire vehicles, electronics, machinery, office fit-outs and many other types of business equipment and involves commercial customers. Equipment loans, including rental options, have always been popular in Australia due to the high number of businesses in the construction industry and the high costs of commercial equipment. The market size was estimated at c. A$86 billion at the beginning of 2020. However, the pandemic has adversely affected the monthly originations due to the decrease of the borrowing ability of several SMEs as outlined in the graph below.

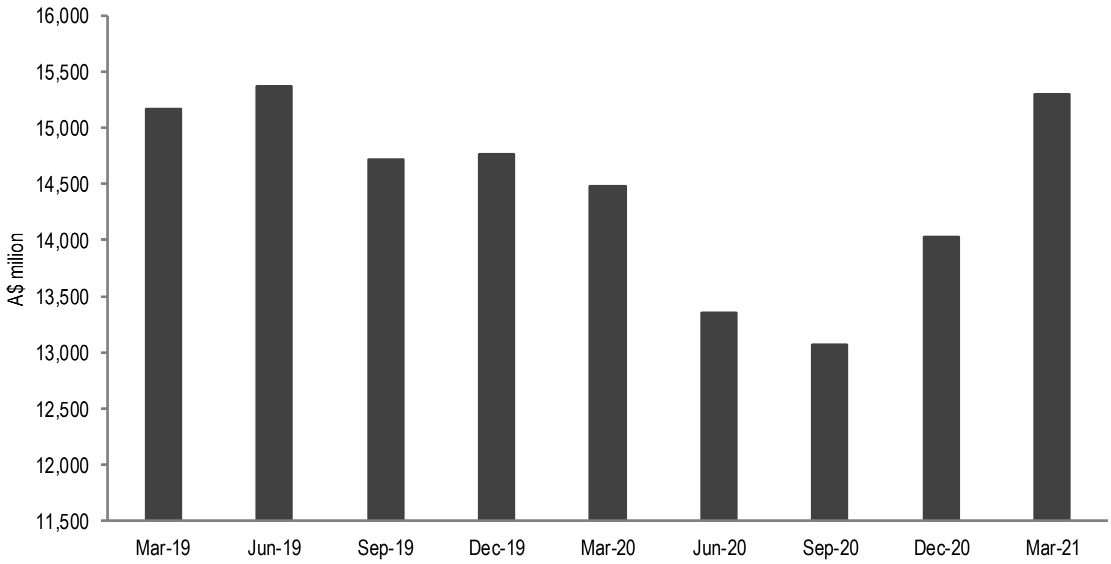
Equipment finance – Monthly new business



Source: AFIA annual review FY20

A key driver for the industry is the capital expenditure of businesses for equipment, plant and machinery, which is summarised below for the two year period to March 2021.

Private capital expenditure – Equipment and machinery



Source: ABS (seasonally adjusted)

As shown in the graph above, the plunge in capital expenditure between March 2020 and September 2020 is a result of the businesses suddenly reducing their capital expenditures as a precautionary move in response to the pandemic. Subsequently, in line with the economic recovery, capital expenditures have significantly increased which is expected to impact the level of originations.

2.4 Macro-economic environment affecting the consumer rental and equipment finance industries

The level of activity in the consumer and SMEs finance industry is influenced by certain key macro-economic fundamentals which are briefly discussed below.

At the beginning of June 2021, Q1 GDP figures were released showing economic growth of 1.8% which indicates that Australian economic activity has recovered to be above pre-pandemic levels and has grown by a net 1.1% through the year. The economic outlook has materially improved as a result of virus containment measures and the commencement of the vaccination program, the re-opening of the State borders and continued signs of recovery in consumption. In the near term, growth is expected to be driven by household consumption and public demand. Households are expected to consume a larger share of their income than they did in 2020, when the savings ratio was unusually high as discussed below.

Whilst the most recent lockdowns in Victoria and NSW would constrain spending on services in the June quarter, which may affect the SMEs sectors where the Company operates, over the following couple of years household consumption is expected to be strong, especially in per capita terms, supported by higher employment, rising net wealth and lower levels of uncertainty. The unemployment rate also reduced to 5.1% in May 2021 and it reverted back to pre-COVID levels after having spiked at c. 7.4% in July 2020. The rate of participation also increased to 66.2%. The prospect of future higher employment or wages can result in consumers investing in the purchase of industry products, rather than renting them.

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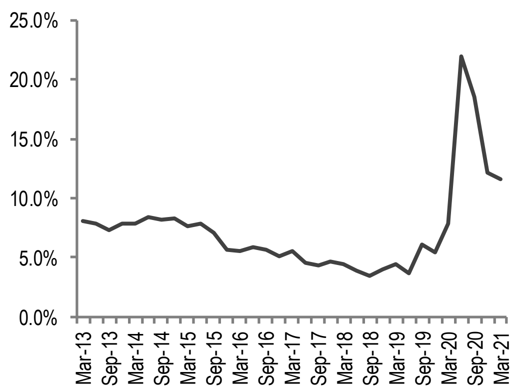
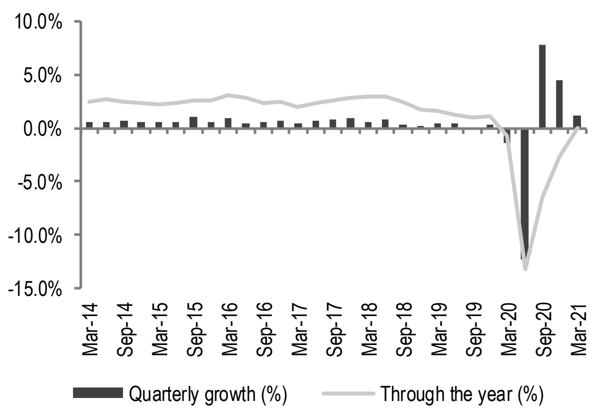
Despite the recovery in the economy and employment level, inflation currently remains subdued, however the RBA expects that in the short term, CPI[27] inflation will rise temporarily to be above 3% in the June quarter. In the US, the annual inflation rate increased to 5% in May 2021 from 4.2% in April and above market forecasts of 4.7%. The increase in inflation (actual or expected) in Australia and the US is driven by low base comparison with last year when the economies were adversely affected by the outbreak of the pandemic. Rising consumer demand as economies reopen, increasing commodity prices, supply constraints and higher wages as companies deal with labour shortages are all expected to contribute to an increase in the inflation. Higher inflationary expectations tend to make the price of goods dearer and accordingly favour rental options, all other things being the same.

In the first part of 2020, as a result of the economic uncertainty brought by COVID-19, the household saving ratio peaked to 19.8% of income from 6% in June 2019 and there was an unprecedented decrease in household consumption as set out in the graphs below which adversely affected new originations in the rental industry and the consumer credit industry more generally, but it positively affected collections of existing receivables. More recently, with the ease of restrictions and economy gaining momentum, household consumption expenditure has seen an improvement which was complemented by a reduction in the savings ratio as well.

Household savings Ratio (%)



Household final consumption expenditure (%)



Source: ABS, GTCF analysis

Contrary to initial expectations, household income rose by A$7.1 billion during the pandemic reflecting the rise in non-wage income from sources such as government stimulus payments. This increase together with the rise in the saving ratio enabled households to reduce liabilities. This also positively affected the performance of the Radio Rentals receivable book as the low-socio demographic cohorts in which the Company operates received significant Government funding which assisted in their repayments. However, this is not an ideal macro-environment for new originations for rental companies as consumers with lower level of historical debts tend to purchase the goods outright rather than rent them.

To support the recovery of businesses after easing the COVID-19-related restrictions, the RBA reduced the cash rate to 0.10% in early November 2020 from 0.75% at the start of the year. However, we note that more recently, as a result of the large fiscal and monetary measures implemented, which has driven expectations for an increase in inflation, the yield curve for government bonds has increased in recent times which may lead to higher long term interest rates and may potentially benefit the rental industry. A low interest rate environment is not ideal for rental companies as household debts tend to decrease and disposable income to increase, all other things being the same.

[27] Consumer Price Index.

3 Profile of Thorn

3.1 Company overview

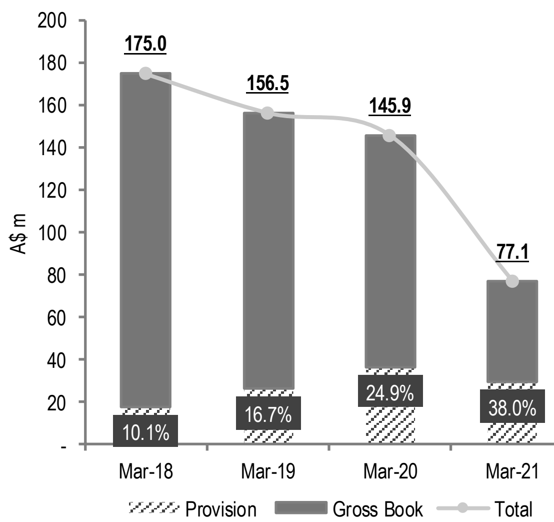
Thorn is a specialised alternative lending business in the consumer and SMEs sectors. The Company operates via 2 divisions as set out below:

- *Consumer Finance division* – Provides an alternative to customers to access household all-encompassing essentials and operates primarily under the Radio Rentals[28] brand. The Radio Rentals customers and target market are primarily consumers in the lower income demographic who do not have access to more traditional lending products. The business is currently transitioning from bricks and mortar to a digital pure play business model[29]. The division is at the beginning of this transformation plan with limited new originations as at the date of this report. As at 31 March 2021, the net receivable book was c. A$48.0 million with a provision for credit losses of A$29.3 million or c. 38% of the gross receivables amount of A$77.3 million. There is no gearing attached to the receivable book which accordingly is expected to generate significant cash flows over the next few years.

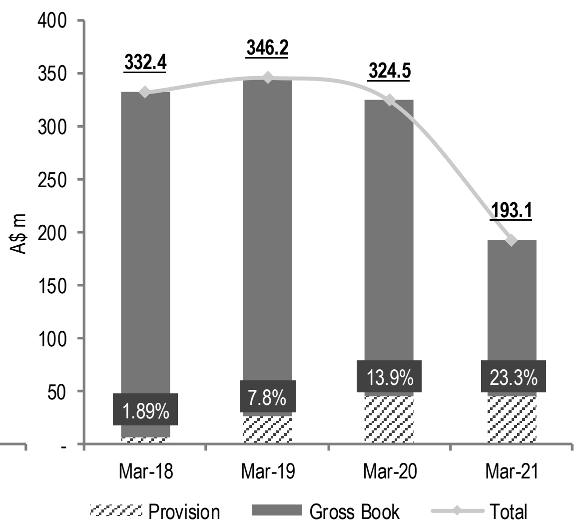
- *Business Finance division* – The existing equipment finance business provided asset financing to SMEs and was closed for new originations at the beginning of 2021 due to the inability to continue to sell new business into the securitised warehouse facility, which was held in a Special Purpose Vehicle with the Warehouse Facility in amortisation since May 2020[30]. The net receivable book was A$147.5 million with a provision of A$45.0 million and the outstanding balance on the Warehouse Facility of A$166.3 million as at 31 March 2021. The division is currently finalising the launch of a debtors financing product by the end of August 2021.

A breakdown of the gross receivables and provision levels of the two divisions is set out in the graph below.

Consumer Finance Division



Business Finance Division



Sources: Management, GTCF analysis

28 Trading as Rentlo Reinvented in South Australia.
29 From April 2020, Thorn permanently closed its network of 62 physical stores and re-focused its distribution to 100% digital/web based.
30 On 5 May 2020, due to the adverse impact of the outbreak of COVID-19 on its customers, the 30 days arrears were at c. 10% and exceeded the agreed cap of 6% of the receivable balance of the Warehouse Facility. This represented an amortisation event which did put the facility in run-off mode and no new origination could be sold into the Warehouse Facility.

Given that the Consumer Finance division is at the beginning of its digital transformation and the Business Finance division announced the ceasing of origination for equipment finance and it is focusing on the launch of new products, the Directors have noted that the Company is now effectively in a “start-up” phase but with an existing receivable book which is expected to unwind over the next few years to generate significant cash flows[31]. Overall, the realisation of the existing receivable books is not without cost, particularly related to people, systems and operational risk.

Over the years, the Company has faced a number of challenges which have adversely affected the performance of the business, its reputation in the marketplace and the trust of the investors. Some of the key events are outlined below in a non-exhaustive manner:

- *Customer Class action* – In March 2017, Thorn received a statement of claim in connection with past lending practices which the Company agreed to settle in September 2019 with the payment of c. A$25 million to the applicant on behalf of the class members, with the insurer making a separate contribution towards the settlement and hence releasing the Company from any further liability.

- *Enforceable Undertaking* – In 2018, the Company reached an agreement with ASIC for an Enforceable Undertaking (“EU”) in relation to historic breaches of its responsible lending obligation in its Consumer Finance division. The Company agreed to a total remediation of A$6.1 million for certain fees and expenses paid by customers who entered into relevant leases from 1 January 2012 to 1 May 2015 plus the payment of a civil penalty of A$2 million. The EU ended at the end of FY20.

- *Business Finance division* – At the beginning of 2019, the Company identified an issue in the Business Finance division whereby the majority of the individual lessees for certain products, introduced via agency arrangements, defaulted on their lease payments and challenged the enforceability of the leases. Thorn’s total exposure was A$10.5 million.

- *Strategic Review* – In the first half of 2019, following a further downgrade in the profit guidance, from a loss of A$6 million to a loss of A$8 million for FY19, the Company announced a strategic review of its operations to protect and maximise shareholder value. This review culminated in a 1 for 1 fully underwritten offer of new fully paid ordinary shares at an offer price of A$0.24 per share to raise A$39 million.

- *Change in Management and Directors* – Over the last few years, the Company has experienced a high level of turnover in the senior management team and the Directors. In August 2019, the former chief executive officer announced his intention to leave the Company. Shortly after, the general counsel and company secretary also tendered his resignation. In late 2019, three new board members and a new general counsel and company secretary were appointed. The new chief executive officer commenced in February 2020 and a new chief financial officer was appointed in October 2020.

In the past 12 months, the Company, similarly to the broader industry, has experienced a challenging year and it focussed on preserving the cash balance, cost reduction, strengthening its core capabilities and developing a growth strategy for the future.

The Company also announced fully franked dividends totalling A$0.085 per share over his period.

[31] This is mainly in relation to the Radio Rentals book which is ungeared.

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- On 12 October 2020, the Directors declared a fully franked special dividend of 7.5 cents per share which was paid on 3 November 2020

- The Directors have also proposed a final dividend of 1.0 cent per share for an expected payment of A$3.4 million on 21 July 2021

Going forward, the Company intends to continue to provide finance to the under-serviced consumers and businesses but through a digital and data led business model. It is currently in discussion to obtain external funding facilities for both consumer and commercial businesses and has begun a strengthening process of key capabilities across strategy and transformation, data science, technology, digital product management and credit risk.

3.2 Business Finance division

The Business Finance division provides SMEs with funding to acquire capital equipment across different types of assets. Historically, the main distribution platform was via a network of brokers and key groups offering white label contracts with financing mainly provided for motor vehicles, machinery and furniture in the construction and infrastructure related service segments, hospitality and transport sectors.

Contracts range between 1 and 60 months however the majority of the contracts are between 24 and 48 months. Finance is provided in the form of lease, hire purchase or chattel mortgage contracts. The receivable book is diversified across several asset types and industries. Motor vehicles, machinery and furniture related receivables accounts for c. 40% of the book which is mainly exposed to the transport, construction and infrastructure related services segments and accommodation industries.

Funding for the Business Finance division was historically provided through a warehouse funding structure in which the Company has a subordinated investment. The Warehouse Facility is a special purpose vehicle where the borrowing advanced by the bank and the mezzanine financier are secured by the loan/rental payments from customers and are non-recourse to Thorn beyond the Thorn Subordinated Notes. The investment amount was c. A$25.5 million as at 31 March 2021.

In May 2020, due to the adverse impact of the outbreak of COVID-19 on its customers, the Company determined that it was in breach of one of its Warehouse Facility parameters as the greater than 30 days arrears were at c. 10%, which exceeded the agreed cap of 6% of the receivable balance. This resulted in an amortisation event under the terms of the Warehouse Facility and put the facility into amortisation and run-off mode so no new origination could be sold into the Warehouse Facility.

The Company focused on supporting customers during COVID-19 and collections and recoveries to preserve the value of the book, and fulfilled all principal and interest payments to warehouse funders. The Company also received requests from its customers for assistance, including reduction in repayments and repayment holiday periods. Due to this c. A$100 million of the receivables were impacted by COVID-19 with greater than 80% in more than 30 days arrears as at 30 September 2020.

In September 2020, Thorn reached an agreement with its financiers to provide relief in the form of contract variations for these customers. As at 31 March 2021, c. A$73 million of the receivables were identified as COVID-19 impacted and of these, c. 14.5% by value were greater than 30 days in arrears. However this should be treated with caution as the customers that did not self-remediate and instead executed variations with new terms resulted in the arrears being reset at the date of the variation. In addition, some

Melbourne based customers were not required to make payments at year end since they were still in holiday repayment period.

A breakdown of the KPIs of the receivable book is outlined in the table below

Business Finance - Net receivables and arrears			
Six months to	Mar-20	Sep-20	Mar-21
Net receivables book (A$m)	279.45	211.75	148.13
Average arrears (30+ days) across the period	7.0%	31.1%	15.3%

Source: Management, GTCF analysis

At the beginning of 2021, Thorn announced that it had ceased originations for equipment finance, which was only possible on balance sheet (i.e. 100% equity funded) since the Warehouse Facility was in run-off mode and announced the following key strategic initiatives

- *Investment in QuickaPay* – As part of its strategic re-positioning and to assist with the launch of new products, the Company announced in H1 2021 that it had completed a A$1 million strategic investment in Quicka Pty Ltd trading as "QuickaPay" which is a new payment platform for consumers and businesses providing BNPL services, flexible payment options and card processing.

- *Launch of new products* – In order to expand the product range and offer greater choice to its customers, Thorn announced the upcoming launch of a debtor finance product to assist its customer base with short-term working capital funding. This product is expected to be launched by the end of August 2021.

3.3 Consumer Finance division

The division is focused on providing consumer leasing for households essentials such as white goods, laundry, furniture, television and mobile phones. It used to operate 62 physical stores nationwide and serviced a client base of c. 85,000 customers back in 2019.

Given the impact of COVID-19, the costs associated with the stores network, and consumers preferences, in April 2020 the Company made the decision to change its business model from bricks and mortar to wholly online, and therefore permanently closed all Radio Rentals stores. As a result, the Company reduced their headcount by more than 300, successfully exited c. 100 property leases, vehicle leases and technology contracts, and switched its supply chain from an internal supply chain, with Company warehouses and delivery trucks and drivers, to a drop-shipping model. Furthermore, the Company also temporarily paused origination of new leases in June and July 2020 due to the transition in the business model. This transition of business model resulted in the number of units originated reducing from 74,503 in FY20 to 5,346 in FY21.

Since shifting the business model, the Company has re-modelled and centralised customer support, credit and product service functions, continued to service and collect on the receivables book, and launched a limited product range in July 2020, which was subsequently significantly broadened through the addition of a second supply chain partner in February 2021. In April 2021, the Company also launched marketing campaigns across digital, TV and radio.

The division is currently investing in technology to enhance and replace legacy technology systems in relation to credit assessment and customer experience and to improve overall the process, procedures

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and collections which are in the process of being transitioned from a manual to a digital business model. Further, in order to drive leads through the web site, the Company is ramping up its marketing expenditure in FY22 and utilising targeted campaigns to increase customer retention.

Contracts range between 12 and 48 months and revenue is a combination of sales revenue from originations under new contracts and the interest and fee income from past written contracts. The most common provided product category is furniture, which accounts for almost a third of the total receivable book, followed by multimedia devices. A breakdown of the KPIs of the current receivable book is outlined in the table below.

Consumer Finance - Net receivables and arrears			
Six months to	Mar-20	Sep-20	Mar-21
Net receivables book (A$m)	109.5	77.9	47.8
Average arrears (30+ days) across the period	14.6%	13.3%	14.9%

Sources: Management, GTCF analysis

3.4 Financial information

The Directors have prepared the FY21 accounts on a going concern basis, however they have noted that the Company is now effectively in a "start-up" phase which could significantly impact the future profitability and cash flows generation and the Directors have outlined that there is significant risk of the Company making an operating loss in FY22. The Directors have further highlighted that there is no guarantee that the strategic initiatives and repositioning of the Company will be successful and along with continuing COVID-19 uncertainty, and the challenging compliance and regulatory environment, multiple material uncertainties exist that cast significant doubt as the Company's ability to continue as a going concern.

3.4.1 Income Statement

The audited statement of profit or loss of Thorn for the periods ending 31 March 2019, 31 March 2020 and 31 March 2021 are set out in the table below.

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Consolidated statements of financial performance A$ '000	FY19 Audited	FY20 Audited	FY21 Audited
Sales revenue	78,512	74,873	6,037
Interest revenue	128,211	121,061	91,001
Other revenue	15,134	8,365	7,096
Revenue	**221,857**	**204,299**	**104,134**
Finance lease cost of sales	(66,695)	(59,993)	(8,414)
Employee benefit expense	(53,268)	(48,194)	(29,295)
Impairment losses on loans and receivables	(47,852)	(88,893)	(26,136)
Marketing expenses	(9,220)	(8,499)	(1,223)
Property expenses	(10,666)	(5,266)	(1,408)
Transport expenses	(5,519)	(3,252)	(1,239)
Communication & IT expenses	(7,502)	(6,240)	(6,753)
Printing, stationery and postage	(2,051)	(1,429)	(1,229)
Insurance expenses	-	(1,897)	(1,628)
Impairment of inventory	-	(2,297)	(2,527)
Legal expenses	-	(1,242)	(3,120)
Other expenses	(13,790)	(11,300)	(3,969)
Impairment of intangibles & property, plant and equipment	(9,977)	(1,925)	(216)
Net gain on modification of lease liability	-	-	1,433
Recovery of impaired loan	-	-	1,330
Depreciation & amortisation	(3,248)	-	-
Class action settlement and related expenses	(1,905)	(25,944)	-
Total operating expenses	**(231,693)**	**(266,371)**	**(84,394)**
Earnings before interest and tax ("EBIT")	**(9,836)**	**(62,072)**	**19,740**
Finance expenses	(15,392)	(16,253)	(11,344)
Profit/(Loss) before income tax	**(25,228)**	**(78,325)**	**8,396**
Income tax	7,081	(2,744)	-
Profit from discontinued operations, net of tax	3,182	-	-
Profit/(Loss) after tax for the year	**(14,965)**	**(81,069)**	**8,396**
Other comprehensive income	(2,784)	(2,996)	2,601
Income tax	835	(998)	-
Other comprehensive income for the year	**(1,949)**	**(3,994)**	**2,601**
Total comprehensive profit/(loss)	**(16,914)**	**(85,063)**	**10,997**

Sources: Thorn financial statements, GTCF analysis

We note the following in relation to the consolidated statement of profit and loss:

- The overall revenue of the business in FY21 substantially halved as a result of the decision to transition the Radio Rentals business model from bricks and mortar to wholly digital, the inability to sell new originations into the Warehouse Facility which was in run-off mode since May 2020 and the overall adverse impact of COVID-19 on the industry.

- Notwithstanding the significant reduction in revenue, the profitability of the business improved from a loss of A$81.1 million in FY20 to a profit of A$8.4 million due to significant cost reduction in the Consumer Finance division following the closure of the stores and c. 300 people being made redundant and the reduction in origination volumes. Costs, other than impairment, for the division

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reduced by c. A$90.2 million. The credit loss impairment expenses for the Group also reduced from A$88.9 million to A$26.1 million as a result of improved trading conditions and the material reduction of the receivables balance.

- In FY21, the Company incurred one-off expenses in connection with the closure of the stores network of A$3.5 million and IT related costs of A$0.6 million which were offset by A$1.4 million net gain on exiting lease obligations and A$2.9 million in JobKeeper grants.

- The financial performance in FY20 was affected by a large one-off expense in conjunction with the settlement of the Class Action (c. A$26 million) and the costs for the strategic review (c. A$0.7 million). The Company also took-up additional provisions driven by the outbreak of COVID-19 totalling A$35.6 million for the two divisions.

3.4.2 Balance Sheet

The audited statements of the financial position of Thorn as at 31 March 2020, 30 September 2020 and 31 March 2021 are set out in the table below.

Consolidated statements of financial position A$ '000	Mar-20 Audited	Sep-20 Audited	Mar-21 Audited
Assets			
Cash and cash equivalents	49,619	79,490	88,045
Trade and other receivables	129,297	104,142	67,093
Prepayments and other assets	2,895	1,287	2,935
Inventories	7,975	285	128
Income tax receivable	3,051	-	-
Total current assets	**192,837**	**185,204**	**158,201**
Trade and other receivables	260,546	186,430	129,549
Deferred tax assets	-	-	-
Property, plant and equipment	-	-	-
Financial assets at fair value through other comprehensive income	-	-	1,000
Right of use asset	-	-	-
Total non-current assets	**260,546**	**186,430**	**130,549**
Total assets	**453,383**	**371,634**	**288,750**
Liabilities			
Trade and other payables	14,576	15,159	15,723
Lease liability	6,142	2,487	507
Loans and borrowings	117,918	103,618	78,203
Employee benefits	5,053	2,741	3,951
Provisions	3,929	3,418	1,944
Total current liabilities	**147,618**	**127,423**	**100,328**
Loans and borrowings	187,627	132,428	88,100
Lease liability	5,578	516	427
Employee benefits	462	153	170
Derivative financial instruments	6,322	5,306	3,721
Provisions	-	-	870
Total non-current liabilities	**199,989**	**138,403**	**93,288**
Total liabilities	**347,607**	**265,826**	**193,616**
Net assets	**105,776**	**105,808**	**95,134**

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Source: Thorn annual and semi-annual financial statements, GTCF analysis

We note the following in relation to the consolidated statement of financial position as at 31 March 2021:

- The cash at bank materially increased as a result of the collections from previous written contracts being significantly in excess of new originations which were minimal for both divisions. The total cash balance at March 21 includes A$68.3 million of free available cash and A$19.7 million of cash in the Warehouse Facility SPV (a mixture of customer receipts collected in the last month and yet to be distributed to the note holders and cash reserves).

- The receivables are stated at their gross amount less unearned interest and provision for expected credit losses. Contracts are secured against the assets leased, with further security which may at time be obtained from the Business Finance division in the form of personal and director guarantees. The Consumer Finance net receivables balance reduced from A$109.7 million in FY20 to A$48.0 million in FY21. Over the same period, the Business Finance net receivable book reduced from A$278.4 million to A$147.5 million. We have set out below a breakdown of the key components in the table below.

Receivables breakdown A$'000	Mar-20	Mar-21
Trade receivables	10,568	6,970
Consumer Finance lease receivables	139,852	74,154
Business Finance lease receivables	97,640	56,062
Loan receivables	223,766	133,840
Total gross amount	**471,826**	**271,026**
Allowance for impairment	(81,983)	(74,384)
Net receivables	**389,843**	**196,642**

Source: Thorn annual financial reports

- In accordance with AASB 9, the Company estimates a provision for expected credit losses ("ECL") taking into account the time value of money, past events, current and forecast economic conditions. ECL is calculated separately for the two divisions. In assessing the ECL, the Company adopts the following criteria:

  - Receivables that are not in arrears or have arrears which are less than 30 days have a provision equal to 12 month estimated losses.

  - Receivables that are in arrears for more than 30 days are considered to have experienced a significant increase in the credit risk and have a lifetime loss estimate.

  - When an account is cured, it retains the high risk status for a period of 6 months.

  - Accounts are considered in default at 60 days past the due date for the Consumer Finance receivables book and 90 days for the Equipment Finance book.

  - To assess the provision for 31 March 2021, due to the expected impact of COVID-19 and the closure of the store network management have considered whether the current arrears based mode accurately captures the credit risk on the two receivables books.

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- For the year ending 31 March 2021, to capture the expected credit losses as a result of COVID-19 and store closures, Management have used an overlay model:

  - For the Consumer Finance division, the anticipated increase in the delinquencies level had not manifested as yet as at 31 March 2021. However, the COVID-19 pandemic and the withdrawal of the Government stimulus was expected to have a significant impact on the receivables book. As a result, a provision for A$14.9 million was maintained.

  - For the Business Finance division, a large number of contracts were varied in the second half of the year and given their limited payment history post variation their arrears status was not considered to fully reflect the credit risk on these accounts. As a result, a provision for A$31.7 million was maintained.

- Because the Company's existing revenue streams are running off while the transformation program is implemented and hence sufficient profits to support the carrying value of the intangible and tangible assets has not taken place, definitive life intangible assets and PP&E[32] are immediately impaired on acquisition. As at 31 March 2021, the Company had impairment on PP&E of A$5.5 million.

- Borrowing refers to the secured Warehouse Facility whereas the corporate facility was fully repaid during the course of FY21.

- The Company made a strategic A$1 million investment in Quicka Holdings Pty Ltd trading as QuickaPay in FY21 which is carried at fair value through other comprehensive income.

- During FY21, following the decision to permanently close all the Radio Rentals stores, the Company undertook negotiations with landlords which resulted in net payments for amounts that were A$1.4 million below the recognised lease liabilities, which were A$11.7 million in the FY20 accounts. We note that the corresponding right of use of the asset (A$16.4 million) was fully impaired in FY20 on the adoption of AASB 16. As at 31 March 2021, the lease liability was A$0.9 million, of which A$0.6 million related to property leases and A$0.3 million for vehicle commitments. However, the Company does not recognise the corresponding right of use asset on the balance sheet, as it would do if it was not considered in start-up mode.

- The Company has gross unrecognised tax losses of A$48.4 million or A$14.5 million tax effected as at 31 March 2021 which are not currently presented on the balance sheet.

3.4.3 Cash flows

The cash flows of Thorn for the periods ending 31 March 2019, 31 March 2020 and 31 March 2021 are set out in the table below.

[32] Property, plant and equipment.

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Consolidated statements of cash flow A$ '000	FY19 Audited	FY20 Audited	FY21 Audited
Cash flows from operating activities			
Cash receipts from customers (excluding interest)	246,117	243,947	204,312
Interest revenue received	123,037	117,525	90,342
Cash received from liquidation of inventory		-	5,691
Cash paid to suppliers and employees	(134,028)	(138,598)	(71,120)
Acquisition of inventories	(70,825)	(61,273)	(5,117)
Equipment finance originations	(155,447)	(155,784)	(5,452)
Cash generated from operations	**8,854**	**5,817**	**218,656**
Net borrowing costs	(15,168)	(16,117)	(11,803)
Income tax refund	(6,563)	1,145	3,051
Net cash flow from operating activities	**(12,877)**	**(9,155)**	**209,904**
Cash flow from investing activities			
Payments for property, plant and equipment	(4,060)	(809)	(107)
Acquisition of financial assets	-	-	(1,000)
Net cash outflow from investing activities	**(4,060)**	**(809)**	**(1,107)**
Cash flow from financing activities			
Proceeds from borrowings	192,898	154,458	11,339
Repayment of borrowings	(173,561)	(152,557)	(150,582)
Repayment of lease liabilities	-	(7,267)	(9,540)
Proceeds from issues of shares	-	34,323	2,588
Dividends paid	-	-	(24,176)
Net cash (outflow)/inflow from financing activities	**19,337**	**28,957**	**(170,371)**
Net increase / (decrease) in cash and cash equivalents	**2,400**	**18,993**	**38,426**
Cash and cash equivalents at the beginning of the financial year	28,227	30,627	49,620
Cash and cash equivalents at year end	**30,627**	**49,620**	**88,046**

Source: Thorn annual financial statements, GTCF analysis

We note the following in relation to the statement of cash flows:

- The Company generated significant operating cash flows in FY21 due to the collections of both receivables books, run-off mode of the books, the limited new originations and the significant cost cutting of the business.
- Cash outflows as a result of origination of new receivables were limited to A$5.1 million in the Consumer Finance division (the cost of inventory) and A$5.4 million in the Business Finance division.
- On 12 October 2020, the Directors declared a fully franked special dividend of 7.5 cents per share which was paid on 3 November 2020. A number of shareholders participated in the dividend reinvestment plan and the net cash outflow was A$21.6 million.
- The Directors have declared a final dividend of 1.0 cent per share for a payment of A$3.4 million on 21 July 2021 and which was not provided for in the balance sheet as at 31 March 2021. We have separately accounted for this in our valuation assessment.

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3.4.4 Capital Structure

As at the date of our report, Thorn has the following securities on issue:

- 337,494,233 fully paid ordinary shares.
- 1,311,624 outstanding performance rights ("Performance Rights") granted under the long term incentive plan ("LTI Plan") of the Company in 2018 and 2019 and as a part of the remuneration package on appointment as CEO of Peter Lirantzis.

Thorn - Perfomance Rights summary	N. Perfoamance Rights
Performance Rights granted under LTI Plan in 2018 and 2019	847,371
Perfomance Rights granted to Peter Lirantzis	464,253
Total Perfomance Rights	**1,311,624**

Source: Management, GTCF analysis

For the purpose of our valuation assessment, we have not attributed any value to the Performance Rights issued under the LTI Plan given their business performance based vesting conditions to be achieved, the limited residual life and the historical volatile performance of the business. On the contrary, we note that the Performance Rights granted to the CEO do not have any performance vesting conditions attached and they would automatically vest upon the completion of two years of continuous employment. Further, the Directors of the Company have the ability to accelerate the vesting of the Performance Rights in the event of a change of control transaction. Accordingly, we have included the Performance Rights issued to the CEO in the number of total number of Thorn Shares used in our valuation assessment.

The top 10 shareholders of Thorn are set out below as 7 July 2021.

Top ten ordinary shareholders		No. of shares	Interest (%)
1	HSBC Custody nominees (Australia) Lmited	117,007,261	34.67%
2	MR Jason Alan Carrol	16,875,702	5.00%
3	Citicorp Nominees Pty Limited	12,823,164	3.80%
4	JP Morgan Nominees Australia Pty Limited	11,916,144	3.53%
5	Moat investment Pty Ltd	9,515,026	2.82%
6	Mr Sean Patrick Martin	6,698,244	1.98%
7	ACE Property Holdings Pty Ltd	6,000,000	1.78%
8	HSBC Custody Nominees Limited-GSCO	5,742,481	1.70%
9	National Nominees Limited	5,353,478	1.59%
10	Jet Invest Ltd	3,746,127	1.11%
Top 10 shareholders		**195,677,627**	**57.98%**
Remaining shareholders		141,816,606	42.02%
Total ordinary shares outstanding		**337,494,233**	**100.00%**

Source: S&P Global, GTCF analysis
Note: As at 7 July 2021, Somers and its associates hold 37.86% interest in Thorn.

The daily movements in Thorn's share price and volumes for the period from 1 January 2020 are set out below:

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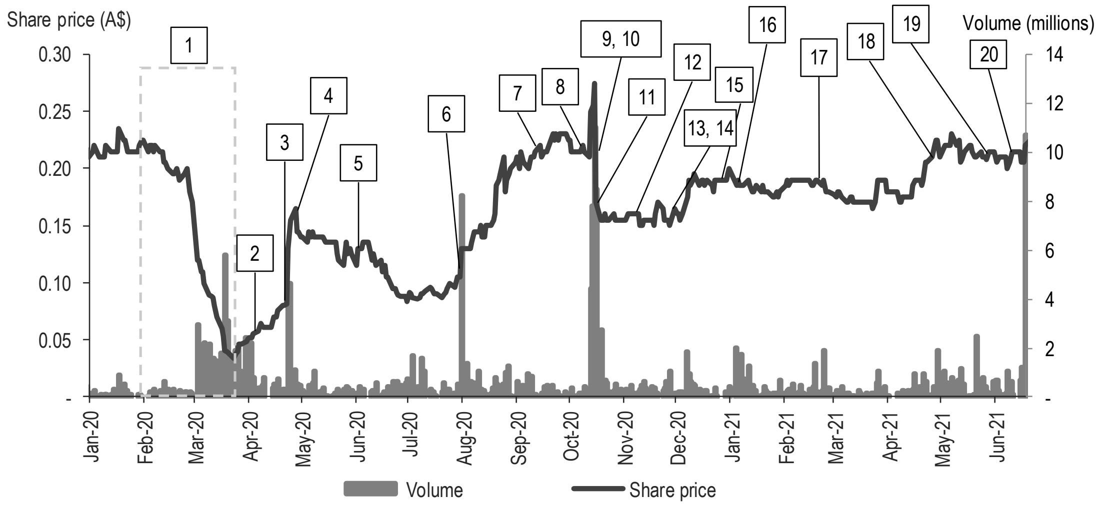
Thorn share price analysis



Sources: S&P Capital, GTCF analysis

The following table illustrates the key events from January 2020 to June 2021, which may have impacted the share price and volume movements shown above.

Event	Date	Comments
1	Between 30 Jan 2020 to 1 April 2021	On the 30 January the World Health Organisation declared the Covid-19 a Public Health Emergency of International Concern on 30 January 2020, and a pandemic on 11 March 2020. Over this period, a high level of uncertainty affected the economic markets worldwide generating a widespread sell off of securities.
2	2 and 3 April 2020	Thorn announced the closure of it 62 Radio Rental stores until further notice. In addition, a specific review of the Business Finance division revealed an additional A$12.8 million of debts either written off of fully provided for in FY20 annual report. Further, the Company withdrew the previous earnings guidance due to the high level of uncertainty.
3	23 April 2020	Thorn announced the change in its Radio Rentals business model from bricks and mortar model to wholly online and the permanent closure of the 62 Radio Rentals stores and the expansion of its online presence.
4	1 May 2020	Thorn released the quarterly activity report for the quarter ending 31 March 2020 reporting: - Positive cash flow of A$13.0 million from operating activities leading a cash balance increase from A$39.8 million to A$49.6 million - Repayment of A$3.2 million of debt funding.
5	29 May 2020	Thorn released the annual financial report for FY20, reporting: - Annual net loss of A$81.1 million compared with a loss of A$14.9 million in the previous corresponding period. - Thorn determined an additional provision of A$35.6 million for he expected impact of Covid-19 and the Radio Rentals' store closure program - Thorn had paid A$26 million regarding a settlement of a class action.
6	31 July 2020	Thorn released the quarterly activity report for the quarter ending 30 June 2020, reporting - Thorn successfully launched the new digital business model for Radio Rental customers. - Thorn recorded a positive cash flow of A$45.5 million from its operating activities contributing to the increase in the cash balance from A$49.6 million to A$71.8 million. - A$21.3 million of debt funding was repaid along with A$2 million of corporate debt facility. The repayment of the remaining A$10 million corporate facility is planned by November 2020.
7	16 September 2020	Thorn determined invalid the request made from a group of investors to call a general meeting of the members of the Company, to consider resolutions to remove directors and appoint further directors, and to circulate a member statement in relation to the proposed resolutions.
8	12 October 2020	Thorn declared a special dividend of A$0.075.
9	15 October 2020	On 15 October 2020, the Australian Government Takeovers Panel received an application from Forager Funds Management Pty Ltd, an investor in Thorn Group. Forager stated that the DRP associated with the Special Dividend would allow Somers investors to acquire further control over the shares in Thorn in a manner that is unacceptable and is contrary to the policy objectives under section 602. Accordingly, Forger sought Thorn to be prohibited from applying the DRP to the Special Dividend or in the alternative that the recipients of the Special Dividend only be allowed to apply under the DRP for a limited number of TGA Shares

Event	Date	Comments
10	16 October 2020	Ex-dividend date of the special dividend.
11	22 October 2020	Vaspip 2 Pty Ltd, submitted an application to the Australian Government Takeovers Panel, seeking that any votes gained by Somers as a result of the DRP or after 30 October 2020, to not be counted at the Extraordinary General Meeting.
12	2 November 2020	On 2 November 2020, the Australian Government Takeovers Panel deliberated interim orders in relation to Forager and Vaspip applications stating that Somers would be not able to dispose of, transfer or grant any security over the Thorn Shares acquired through the Special Dividend DRP or to exercise any voting rights associated with those shares.
13	27 November 2020	Thorn released the financial report for first half FY21, reporting: - Half year net loss of A$1.1 million, compared with a net loss of A$25.6 million in the previous corresponding period. - Revenue from continuing operations fell 44.9% from A$104.9 million to A$57.8 million. - Thorn's additional provisions for the expected impact of Covid-19 and the Radio Rentals' store closure program have increased from A$39.4 million to A$50.9 million. - During the half year, Thorn achieved more than A$40 million of annualised cost savings and commenced a rapid transformation of the Radio Rental business.
14	1 December 2020	On 1 December 2020, the Panel deliberated new interim orders confirming the previous ones but also adjourning the EGM previously expected to be held on 3 December 2020, to a date between 7 and 14 days after the determination of Takeovers Panel Proceedings.
15	17 December 2020	Finally, on 17 December 2020, the Panel ordered Thorn to cancel sufficient shares issued under the DRP to Somers to return its voting power to 31.57% being its voting power immediately prior to the issue of shares under the DRP. In addition, the Panel ordered the EGM to be held between 4 and 15 January 2021. We note that at the EGM held on 4 January 2021, none of the resolutions proposed by Vaspip were carried.
16	4 January 2021	Thorn held the EGM requested by certain shareholders and none of the proposed resolution were passed.
17	17 February 2021	Thorn announced the upcoming launch of a debtor finance product, which will leverage a digital platform in the first half of the FY21.
18	30 April 2021	Thorn announced that it has completed a strategic investment in Qickapay Pty Ltd trading. The strategic investment will allow Thorn to leverage Quickapay's technology and work with their team to launch a range of new financing and payment consumers and commercial customers.
19	31 May 2021	Thorn released the annual financial report for FY21, reporting: - Net profit after tax of A$8.4 million for FY21, compared with previous loss of A$81.1 million. - Final Dividend of A$0.01 per ordinary share. - New strategy being implemented in consumer and business finance sector
20	18 June 2021	Thorn received the on-market Takeover offer from Somers Limited.

Source: ASX announcements and various news articles

The volume weighted average price ("VWAP") analysis for Thorn's shares over the last twelve months is set out in the table below.

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Thorn Group	Share Price High $	Share Price Low $	Share Price Close $	Average weekly volume 000'
Month ended				
Jun 2020	0.135	0.082	0.084	1,548
Jul 2020	0.165	0.082	0.130	3,792
Aug 2020	0.210	0.120	0.205	2,539
Sep 2020	0.230	0.195	0.225	1,410
Oct 2020	0.290	0.150	0.155	8,916
Nov 2020	0.170	0.145	0.165	1,654
Dec 2020	0.200	0.155	0.200	1,578
Jan 2021	0.200	0.175	0.180	2,699
Feb 2021	0.190	0.170	0.180	2,059
Mar 2021	0.190	0.165	0.180	1,066
Apr 2021	0.225	0.170	0.210	1,730
May 2021	0.245	0.200	0.215	2,493
Jun 2021	0.230	0.195	0.220	6,935
Week ended				
12 Mar 2021	0.175	0.170	0.170	445
19 Mar 2021	0.175	0.170	0.170	597
26 Mar 2021	0.190	0.165	0.190	2,067
2 Apr 2021	0.190	0.175	0.180	806
9 Apr 2021	0.180	0.170	0.175	450
16 Apr 2021	0.195	0.170	0.190	1,995
23 Apr 2021	0.205	0.185	0.205	2,198
30 Apr 2021	0.225	0.200	0.210	2,894
7 May 2021	0.230	0.210	0.230	2,807
14 May 2021	0.245	0.200	0.215	2,813
21 May 2021	0.220	0.210	0.210	2,625
28 May 2021	0.220	0.205	0.215	1,616
4 Jun 2021	0.215	0.195	0.210	2,253
11 Jun 2021	0.215	0.200	0.215	2,365
18 Jun 2021	0.230	0.205	0.220	12,918
25 Jun 2021	0.225	0.220	0.220	10,381

Sources: S&P Capital IQ, GTCF analysis

4 Valuation methodologies

4.1 Introduction

In accordance with our adopted valuation approach, our fairness assessment involves comparing the Offer Price of A$0.21 per Thorn Share to the fair market value of a Thorn Share on a control basis.

Grant Thornton Corporate Finance has assessed the value of Thorn Shares using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

4.2 Potential valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe which of the above methodologies an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

4.3 Selected valuation methodology

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess Thorn's equity value in relation to the Takeover Offer. Given that the Consumer Finance division is at the beginning of its digital transformation and the Business Finance division announced the ceasing of origination for equipment finance and it is focussing on the launch of new products, the Directors have noted that the Company is now effectively in a "start-up" phase which supports our valuation assessment based on the balance sheet.

Prior to reaching our valuation conclusions, we have considered the reasonableness of our valuation having regard to the quoted securities price method and P/NTA Multiple of comparable companies and comparable transactions.

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5 Valuation assessment of Thorn (on a control basis)

5.1 Introduction

As discussed in section 4, Grant Thornton Corporate Finance has adopted the market value of net assets methodology to assess the equity value of Thorn having regard to the audited net assets as at 31 March 2021 and the unaudited net assets included in the Management Accounts as at 31 May 2021. The key balances have been set out in the table below:

Consolidated statements of financial position	Mar-21	May-21
A$ '000	Audited	Unaudited
Assets		
Cash balance	88,045	89,897
Net receivable	196,642	171,422
Investment in QuickaPay	1,000	1,000
Other assets	3,063	108
Total Assets	**288,750**	**262,426**
Liabilities		
Trade and other payable	15,723	18,764
Warehouse Facility	166,303	141,962
Interest Rate Swap	3,721	-
Provisions and other liabilities	7,869	7,330
Total Liabilities	**193,616**	**168,055**
Net Assets	**95,134**	**94,371**

Sources: Management, GTCF analysis

5.2 Cash balance

The cash balance has increased between 31 March and 31 May 2021 as collections from both the Consumer Finance and the Business Finance[33] receivables books exceed cash outlays on new originations and operating costs. The Company does not have external debt against the Consumer Finance book and accordingly, all amounts collected (less relevant expenses) convert to cash flow generation for the business. Conversely, the cash flows generated from the unwinding of the Business Finance receivable are limited as only c. 5% of the gross receivables are on balance sheet with the remainder (A$164.2 million as at 31 May 2021) in the SPV. Given the Warehouse Facility has been in amortisation and in default of its arrears covenants, 100% of the cash collections (post Warehouse Facility expenses) has been allocated to pay down the noteholders sequentially (the most senior first) over the last year. Currently, the facility is not in breach of the arrears parameter and accordingly going forward any excess spread or net interest income (after expenses of the warehouse and after charge offs) will be held on a cash reserve in the SPV (it won’t be used to pay down the external debt immediately).

5.3 Receivables and provisions

As part of our procedures, we have reviewed the provisioning process undertaken by the business and the provision amounts adopted and compared this with the current performance of the book. The total provision includes four separate buckets as outlined below:

[33] The Business Finance division receivables book is currently in run-off mode.

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- *Base model provision* – This is calculated in accordance with the requirements of AASB9 and it is modelled based on the arrears status of each individual receivable.

- *Model risk reserves* – Calculated as 30% of the based model provision to take into account any potential issue with data or the model that, if had been known at implementation of AASB9, would have resulted in an increased provision. This is substantially a contingency buffer. In addition for the Business Finance, an additional risk reserve has been retained to cater for the unknown impact of the risks associated with the run off of this book.

- *Stores closures and COVID-19 provision* – This is calculated by Management based on a number of indicators to take into account the potential impact on the receivables book from these events. This is the largest component of the provision as at 31 March 2021 at c. 50% of the total provision for the Consumer Finance division and 70% for the Business Finance.

- *Other provisions* – Which are usually book/receivable specific.

5.3.1 Consumer Finance receivables

We have set out below a summary of the receivable gross balance and provisioning as at 31 March 2020, 30 September 2020, 31 March 2021 and 31 May 2021 and relative KPIs.

Thorn Group - Consumer leasing provision summary	Mar-20	Sep-20	Mar-21	May-21
Loan Book	145.9	109.2	77.1	67.7
Modelled provision	(16.3)	(11.4)	(11.0)	(10.6)
Model risk reserve	(6.1)	6.1	(3.3)	(3.3)
Total modelled loss provision	**(22.4)**	**(5.3)**	**(14.3)**	**(13.8)**
Covid-19 & store overlay	(13.5)	(13.6)	(14.9)	(14.9)
Other provision	(0.4)	(0.3)	(0.2)	(0.0)
Total credit provision	**(36.3)**	**(19.2)**	**(29.4)**	**(28.7)**
Provision Ratio %	24.9%	28.7%	38.1%	42.4%

Sources: Management, GTCF analysis

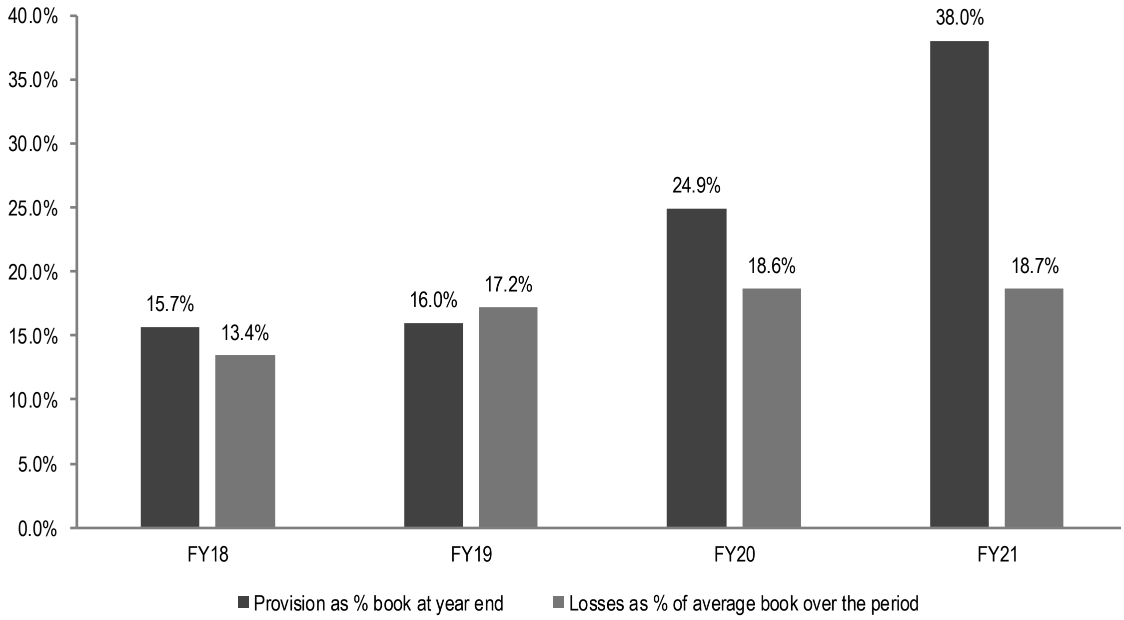
Total provisioning declined by A$0.6m to A$28.7m due to the reduction of the book, however the provision % has increased from 38.1% in March 2021 to 42.4% in May 2021. This is mainly driven by the fact that the provision for the stores closures and COVID-19 impact has not decreased since March 2021, which we are of the opinion is a conservative estimate due to the following:

- *Impact of the stores closures* – Following the closure of all the stores by the end of May 2020, the Company engaged an independent consultant to assist in estimating the financial impact of closing the stores and running down the existing book. As a result, a risk premium of 15% was applied to expected collection cash flows. In addition, the Company benefited in its assessment from the insights gathered on its customers' behaviours after the closure of the Alice Springs store in September 2019 where arrears almost doubled shortly after and write-offs were c. 50 % higher. The knowledge that the store was no longer trading appeared to have had a significant negative impact on the customers and led to an increase in arrears. Management expected that similar circumstances would have manifested after the closure of all stores, however this is yet to eventuate.

- *Impact of the Government stimulus* – Management believes that the removal of the Government stimulus will adversely impact the Radio Rentals' customer cohort and hence increase future losses which has been reflected in the current provision assessment. During the peak of COVID-19, the portfolio performed particularly well with customers not in arrears at 87% in July 2020. This compares to an average of 81% in FY20. It is believed that the Government stimulus has contributed to this positive performance. Since the end of the Government support in March 2021, arrears accounts increased in April and May but in June they have reduced at c.15% which is below the level of March 2021.

Whilst the current provision assumes a material deterioration of the delinquencies level, the data available is limited and accordingly it is difficult to draw a conclusion. We have set out in the table below the provision and actual losses as % of the receivable book over the last three years.

Consumer Finance – Provision vs Losses as % of book value



Sources: Management, GTCF analysis

As set out in the graph above, provisions have historically been slightly below the credit losses up to February 2020, however since the outbreak of COVID-19, they are now materially in excess. Management has incorporated into the assessment of the provisioning a material deterioration of the current market conditions. If these conditions do not materialise, it may trigger a significant reversal of the provisions.

5.3.2 Business Finance receivable

At March 31 2021, A$73.0 million of the Business Finance receivables were identified as COVID-19 impacted which was a significant reduction compared with 30 September 2020 (A$99.4 million). Accounts in arrears increased significantly at the outset of the outbreak of COVID-19 with an increase from c. 5% as at 31 March 2020 to c. 37% at the end of July 2020 but they then reduced back to c. 8.6% as at 31 March 2021 and they stand at 7.4% at the end of May 2021. While the arrears have improved significantly, contract variations have been a significant driver of this trend (A$44.9 million received a variation in the second half of FY20). These contracts have had positive payment patterns post variation, however they have not had a sufficient period of repayments for management to consider them completely rehabilitated. As a result, their arrears status has not been considered appropriate to use in the current arrears based

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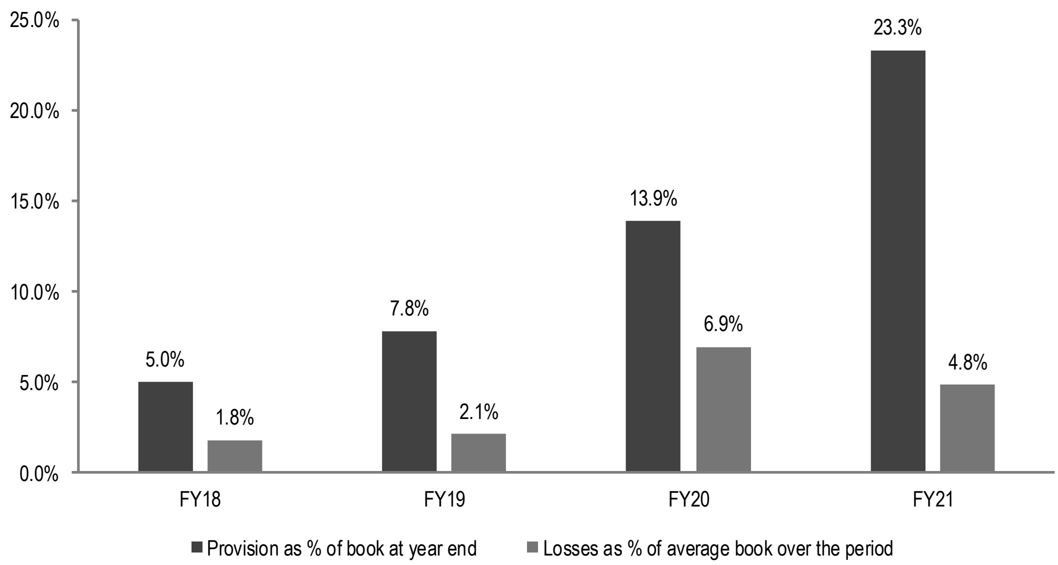
modelled provision. As a result, the provision % has increased from 23.3% in March 2021 to 25.6% in May 2021. The Company notes that a material deterioration in the arrears could reoccur if other prolonged lockdowns are introduced around Australia. The impact of the current three weeks lockdown in NSW is unknown at this point in time.

Thorn Group - Equipment finance provision summary A$ million	Mar-20	Sep-20	Mar-21	May-21
Loan book	324.5	264.6	193.1	171.8
Total modelled provision	(14.7)	(11.7)	(8.3)	(7.6)
Loss Rate Reserve	(1.9)	(1.9)	(1.8)	(1.8)
Covid-19 provision	(25.9)	(37.3)	(31.7)	(31.7)
Other provision	(2.6)	(2.1)	(3.2)	(2.8)
Total credit provisions	**(45.0)**	**(52.9)**	**(45.0)**	**(43.9)**
Provision Ratio %	13.9%	20.0%	23.3%	25.6%

Sources: Management, GTCF analysis

We have set out in the graph below the provision and actual losses as % of the receivable book over the last three years.

Business Finance – Provision vs Losses as % of book value



Sources: Management, GTCF analysis

As set out in the graph above, provisions in FY20 and FY21 are materially in excess of credit losses and the gap is becoming wider. As a result of the provision, the net assets of the SPV consolidated on the balance sheet of the Company result in a deficiency of between A$4 million and A$5 million as outlined below.

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SPV net assets consolidated on the balance sheet A$ '000 (except where stated otherwise)	Mar-21	May-21
Cash reserves	5,570	5,570
Gross receivables	199,030	174,988
Provision for expected losses	(43,263)	(42,217)
Warehouse Facility	(166,571)	(142,375)
Adjusted net assets	**(5,233)**	**(4,034)**

Sources: Management, GTCF analysis
Note: We have excluded the derivatives balance from the above computation for the purpose of adding back the deficit for which Thorn is not liable for.

We are of the opinion that the above is particularly conservative given that the Company does not have any liability exposure to the SPV vehicle given that the maximum loss is ring-fenced to the Thorn Subordinated Notes of A$25 million (while the warehouse remains in amortisation) and it is non-recourse to the Company. Under a worst case scenario, the Company's exposure will be $nil rather than a deficit between A$4 million and A$5 million, however based on discussions with Management, we understand that it is possible Thorn may recover some or all of the Subordinated Notes.

5.4 Other assets and liabilities

The other assets and liabilities include the following:

- Investment in QuickaPay which we have assumed in line with the cost base of A$1 million given the recent acquisition.
- The fair value of the interest rate swap is assessed on a monthly basis and it is reducing in line with the receivable book.
- The outstanding balance of the Warehouse Facility reduced from A$166.3 million in March 2021 to A$142 million in May 2021 as all cash collected is directed to pay down the note holders (post warehouse expenses).
- Trade and other payables consist of marketing accruals, refundable deposits for the business finance division and other general accruals. The value in May 2021 is substantially consistent with the audited accounts as at 31 March 2021.

5.5 Other adjustments and considerations

Refer to our discussion in the executive summary in relation to the following:

- The potential value of the growth opportunities.
- The value of intangible assets and other assets not captured on the balance sheet.
- The costs to be incurred to manage the portfolio in run-off or to fund future growth opportunities.

5.6 Conclusion on the selected net assets and summary value

Based on the above, in our valuation assessment we have adopted the following adjustments:

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- We have added back the net assets deficit of the consolidated assets of the SPV in accordance with the non-recourse nature of the Warehouse Facility.

- At the high end of our valuation assessment, we have assumed an uplift of 5% of the receivable balance to take into account some of the conservativism in the balance sheet as at 31 March 2021 and 31 May 2021.

We have set out below a summary of our valuation assessment based on the net assets approach

Net assets approach - valuation summary A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Net assets	*4, 5*	94,371	95,134
Value sensitivity on the net receivables book	*5.8*	-	8,571
Add SPV deficit		4,000	5,000
Less - Final Dividend	*5.8*	(3,375)	(3,375)
Adjusted equity value		**94,996**	**105,330**
Number of outstanding shares ('000s) (fully diluted)	*3.4.4*	337,958	337,958
Value per share (control basis) (A$ per Share)		**0.28**	**0.31**

Source: Management, GTCF analysis

Note 1 – Dividend payable on 21 July 2021 which was not provided for in the balance sheet as at 31 March 2021.

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6 Quoted securities prices

In our assessment of the fair market value of Thorn shares, we have also had regard to the trading price of the listed securities on the ASX in the period prior to 18 June 2021.

The assessed value per share based on the trading price is an exercise in professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of Thorn Group. The following sections detail the analysis undertaken in selecting the share price range.

6.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of Thorn Shares before relying on them for the purpose of our valuation assessment. We have set out below the trading volume from May 2020 to June 2021[34] as a percentage of the total shares outstanding as well as free float shares outstanding.

Thorn Group - Liquidity analysis Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares
Jun 2020	6,812	0.1028	700	2.1%	2.1%	3.9%	3.9%
Jul 2020	17,445	0.1132	1,976	5.4%	7.5%	9.9%	13.8%
Aug 2020	10,664	0.1605	1,711	3.3%	10.8%	6.1%	19.9%
Sep 2020	6,204	0.2093	1,299	1.9%	12.8%	3.5%	23.4%
Oct 2020	39,230	0.2296	9,006	12.2%	24.9%	22.3%	45.7%
Nov 2020	6,948	0.1567	1,089	2.2%	27.1%	3.9%	49.6%
Dec 2020	7,258	0.1820	1,321	1.9%	29.0%	3.5%	53.1%
Jan 2021	10,796	0.1866	2,014	3.2%	32.2%	5.8%	58.9%
Feb 2021	8,235	0.1834	1,510	2.4%	34.6%	4.4%	63.4%
Mar 2021	4,905	0.1773	870	1.4%	36.0%	2.6%	66.0%
Apr 2021	7,612	0.1969	1,499	2.2%	38.3%	4.1%	70.1%
May 2021	10,470	0.2151	2,252	3.1%	41.4%	5.7%	75.8%
Jun 2021	16,266	0.2187	3,557	4.8%	46.2%	8.8%	84.6%
Min				**1.44%**		**2.65%**	
Average				**3.55%**		**6.51%**	
Median				**2.42%**		**4.44%**	
Max				**12.17%**		**22.30%**	

Sources: S&P Global and GTCF Analysis

With regard to the above analysis, we note that:

- The level of free float for Thorn Group is at c. 45.1%[35]. The free float of the Company is limited by the concentrated shareholders base with two investors, Somers Limited and its associates and Forager

[34] We have excluded the trading volumes after the announcement of the takeover offer.
[35] The free float is calculated based on total shares outstanding less shares held by Management and strategic investors sourced from S&P Global.

Funds Management Pty Ltd holding 34.49% and 11.75%[36] interest in Thorn, respectively at the time the Takeover was launched. During the last twelve months, c. 84.6% of the free float shares were traded with an average monthly volume of 6.51% of the total free float shares.

- A relatively higher level of trading can be noticed in October 2020 as a result of the off-market purchase of 4.3 million Thorn Shares completed by the existing investor Duncan Saville[37], an associate of Somers Limited, on 15 October 2021.

- Below we have benchmarked the liquidity of Thorn with the listed companies operating in the industry. Thorn Group cumulative volume traded as a percentage of free float is in line with the listed peers.

Liquidity analysis Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Thorn Group Limited	Australia	45.1%	3.6%	5.1%	46.2%	65.9%
Cash Converters International Limited	Australia	57.4%	1.6%	2.7%	20.6%	35.1%
Centrepoint Alliance Limited	Australia	38.3%	1.2%	2.5%	15.4%	32.7%
Earlypay Ltd	Australia	85.0%	3.6%	4.3%	47.3%	56.1%
Eclipx Group Limited	Australia	90.1%	7.9%	8.8%	102.5%	114.3%
Humm Group Limited	Australia	72.6%	18.0%	26.2%	234.0%	341.1%
Money3 Corporation Limited	Australia	85.0%	3.9%	4.9%	50.3%	63.5%
MoneyMe Limited	Australia	90.1%	7.9%	8.8%	102.5%	114.3%
Pepper Money Limited	Australia	Nmf	Nmf	Nmf	Nmf	Nmf
Wisr Limited	Australia	60.7%	8.3%	15.7%	107.6%	203.7%
Low		**38.3%**	**1.2%**	**2.5%**	**15.4%**	**32.7%**
Average		**72.4%**	**6.5%**	**9.2%**	**85.0%**	**120.1%**
Median		**78.8%**	**5.9%**	**6.8%**	**76.4%**	**88.9%**
High		**90.1%**	**18.0%**	**26.2%**	**234.0%**	**341.1%**

Source: S&P Global; GTCF analysis

- In the absence of a takeover or alternative transactions, the trading prices represent the value at which minority shareholders could realise their investment.

- Thorn complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Thorn. The Company provides updates to the market on a regular basis with information regarding the investment strategy and performance. However, we note that the Company is not covered by an investment analyst.

- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, the historical difference between the bid and ask price has been low over the last eighteen months.

[36] Since then, Forager has sold all its holding and Somers has increased its interest to 37.86%.
[37] Duncan Saville's shareholding is in association with Somers Limited. Duncan is the founder and chairman of ICM Limited, a fund manager and corporate finance adviser company based in Bermuda. The company is currently managing US$2.7 billion in funds directly, and is responsible indirectly for a further US$22.1 billion of assets held through subsidiary investments.

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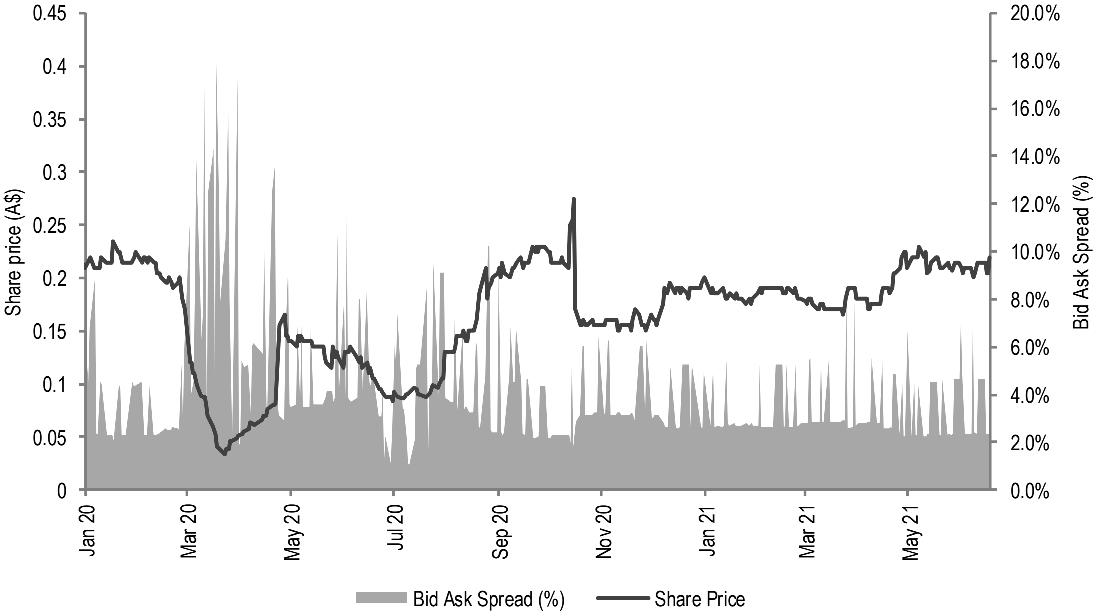
Thorn Group– Bid/Ask Spread June 2020 to June 2021



Sources: S&P Global and GTCF Analysis

As set out in the graph above, we note that the historical average and median bid-ask spread over the previous 18 months have been relatively high at 4.3% and 3.2%, respectively. However, we note that since the outbreak of COVID-19, the bid-ask spread widened due to the increase in volatility and uncertainty and then gradually narrowed as the market returned to more normal trading conditions and volatility and uncertainty decreased. We note that subsequent to the announcement of the preliminary annual report on 31 May 2021 and the up to the announcement of the Takeover Offer on 18 June 2021 the average and median bid-ask spread reduced to 3.8% and 2.4%. Also, the historical average and median bid-ask spread in the last two and half years have been 3.5% and 2.7%, respectively.

Based on the analysis above, we conclude that while the Thorn share price liquidity is somehow limited due to the concentrated shareholders base, the trading volumes are still in line with peers even if at the low end of the range, and the Thorn stock does not show days with no trading. Accordingly, we are of the opinion that it is not unreasonable to rely on the trading price for cross check purposes.

6.2 Valuation assessment of Thorn based on the trading price

As a part of our valuation procedures based on the trading price, we have analysed the performance of Thorn for the last 18 months.

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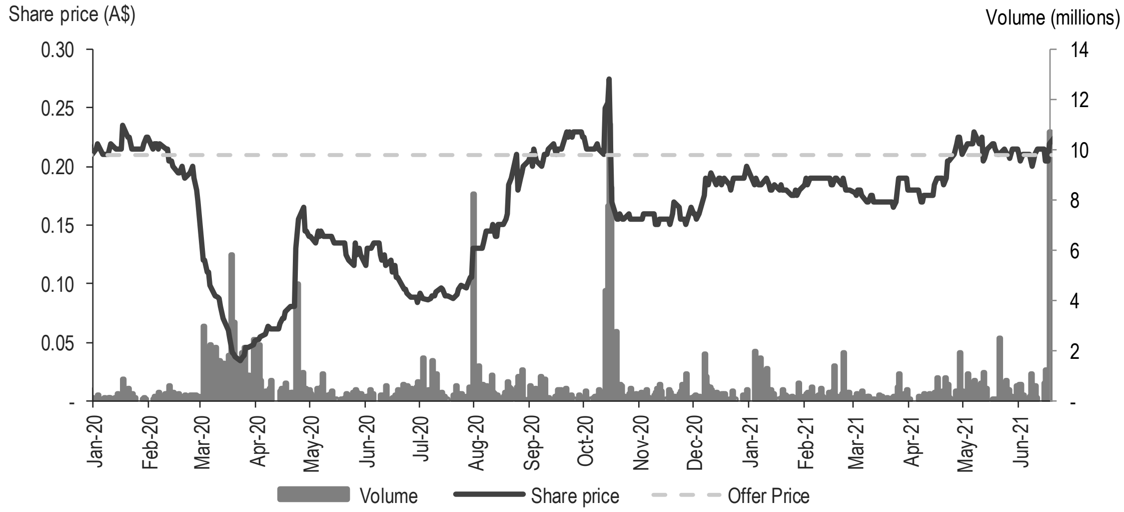
Thorn Group – Historical share trading price and volume



Sources: S&P Global and GTCF Analysis

In relation to the graph above, we note that Thorn Share trading price has been significantly impacted by both the COVID-19 outbreak from March 2020 as well as by the Company's restructure. In particular, we note the following:

- In March 2020, the decrease in the Thorn Share price is associated with the uncertainty and negative economic outlook caused by the outbreak of COVID-19 and the restrictions imposed by Governments to face the pandemic, which generated a global sell-off of securities. Over this month, several companies, including Thorn, had withdrawn or downgraded their earnings guidance due to the high level of uncertainty regarding the impact of the pandemic.

- In April 2020, Thorn announced the closure of all Radio Rentals physical stores on a permanent basis and that the business model would be transitioned to a fully digital/web based one. This change in strategy and streamlined cost structure generated a renovated investor interest[38] in the following days driving the share price to increase from A$0.08 to A$0.16 between 22 and 24 April 2020.

- Between June and July 2020, TGA share price's underperformance could be mainly associated with the release of the FY20 annual report on 29 May 2020. In the FY20 annual report, the Company reported a loss of A$81.1 million and a significant increase in provisions due to the impact of Covid19 over its clients. Further, Thorn reported that subsequent to the year-end, it was in breach of the terms of the Warehouse Facility which put it into amortisation and closed for new originations. As a result, the Company's auditors indicated the existence of material uncertainty in relation to the Group's ability to continue as a going concern.

- From August 2020, Thorn Share price experienced a positive momentum mainly associated with the following factors.

  - On 31 July 2020, the company released the quarterly actively report to 30 June 2020. As well as reiterating the new digital strategy for Radio Rentals, the Company announced a positive cash flow of A$45.5 million, leading the cash balance to increase from A$49.6 million as at 31 March

[38] Between 23 and 24 April 2020, c. 4 million shares have been traded on each day compared with an average daily volume of 700,000 shares across the previous four months.

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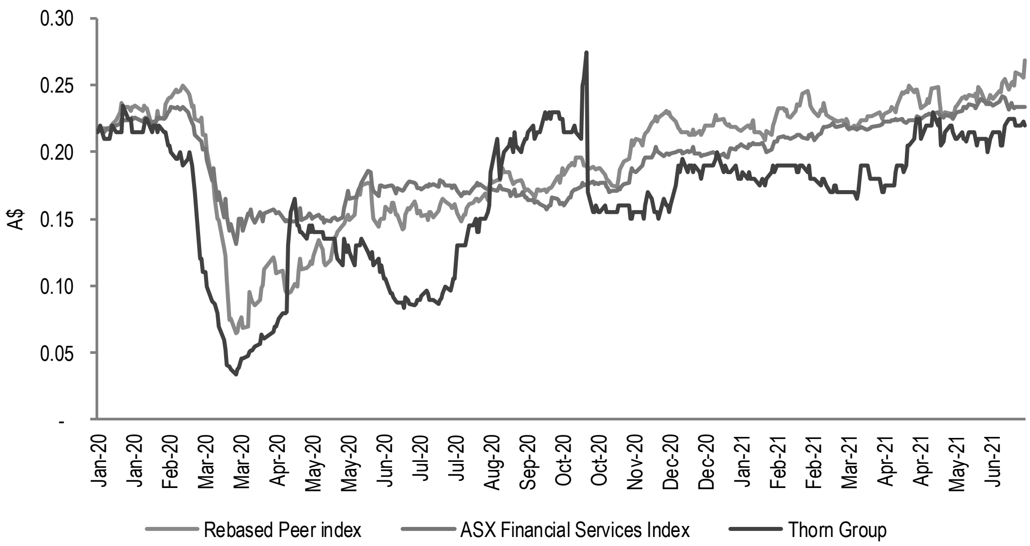
2020 to A$71.8 million as at 30 June 2020. Further, the Company repaid A$21.3 million of debt funding together with A$2 million of the corporate facility, with the balance of A$10 million of the corporate facility planned to be repaid by November 2020. We note that upon the announcement of the quarterly actively report, the daily trading volume of Thorn's Shares spiked at 8.2 million shares traded, almost double the highest trading volume over the previous six months.

- On 12 October 2020, the Thorn Board declared a fully franked special dividend of A$0.075 per share (“Special Dividend”) for a total of A$24.2 million. Thorn investors had the possibility to receive the cash or apply to the dividend reinvestment plan (“DRP”) of the Company. Further, the Company announced the intention in January 2021 to seek shareholder's approval for the term of an off-market buy-back of Thorn Shares.

- The decline in Thorn Share price on 16 October 2020 is associated with trading on ex-dividend basis.

- In 2021, the share price has performed strongly and in line with its peers and the ASX Financial Services sector index due to improved market conditions and greater certainty in relation to the containment of COVID-19.

Share price performance (rebased to the Company’s share price)



Sources: S&P Global and GTCF Analysis

- The positive momentum in the market was also well supported by specific announcements as summarised below:

- On 17 February 2021, the Company announced the upcoming launch of a debtor finance product, which will leverage a digital platform in the first half of the Company’s 2021-2022 financial year. This positive announcement was partially offset by Thorn, also reporting the ceasing of the origination of equipment finance.

- On 30 April 2021, Thorn announced the completion of a strategic investment in QuckaPay, allowing Thorn to leverage Quickapay's technology to launch a range of new financing and payments options under the Business Finance division.

- On 31 May 2021, the Company released the preliminary results for the 2021 financial year, reporting a profit of A$8.4 million compared with the previous loss of A$81 million and a significant improvement in market conditions.

Based on the above, in our opinion, Thorn's share price reflects both the industry factors impacting the other peers as well as the specific Company situation and accordingly, we are of the opinion that it is appropriate to adopt it for the purpose of our cross check valuation assessment.

6.3 Conclusion on selected valuation range

Set out below is a summary of the VWAP of Thorn Group shares over the last three months up to 17 June 2021 before the on-market Takeover Offer.

Thorn Group VWAP analysis		Low	High	VWAP
Up to	17 Jun 2021			
1 day		0.205	0.220	0.213
5 day		0.200	0.220	0.211
10 day		0.200	0.220	0.208
1 month		0.195	0.220	0.209
2 month		0.185	0.245	0.210
3 month		0.165	0.245	0.204

Source: S&P Global and GTCF calculations

Based on the above discussions and analysis, we have assessed the fair market value of Thorn shares based on the trading price between A$0.210 and A$0.215 on a minority and cum-dividend basis.

We note that between 31 May 2021 and 17 June 2021, Thorn Shares have traded on a cum-dividend basis due to the Final Dividend announced on 31 May 2021. Accordingly, we have undertaken our valuation assessment on a cum/ex-dividend basis.

6.4 Control premium and conclusions on the trading prices

The trading prices presented above reflect the value of Thorn on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on an average and median premium for control between 34% and 29%, respectively (Refer to Appendix D for an overview of this control premium study). Therefore in our cross-check based on the trading prices, we have applied a 30% to 40% control premium. Set out in the table below is a summary of our assessed valuation range on a control basis.

Quoted Security Price Method	*Section*	Cum-dividend		Ex-dividend	
A$ per share	*Reference*	Low	High	Low	High
Value per share (on a minority basis)	*6.0*	0.210	0.215	0.200	0.205
Control premium	*Appendix C*	30.0%	40.0%	30.0%	40.0%
Value per share (on a control basis)		**0.27**	**0.30**	**0.26**	**0.29**

Source: S&P Global; GTCF analysis

The trading prices on a control basis support our valuation assessment based on the net asset approach.

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7 P/NTA Multiple

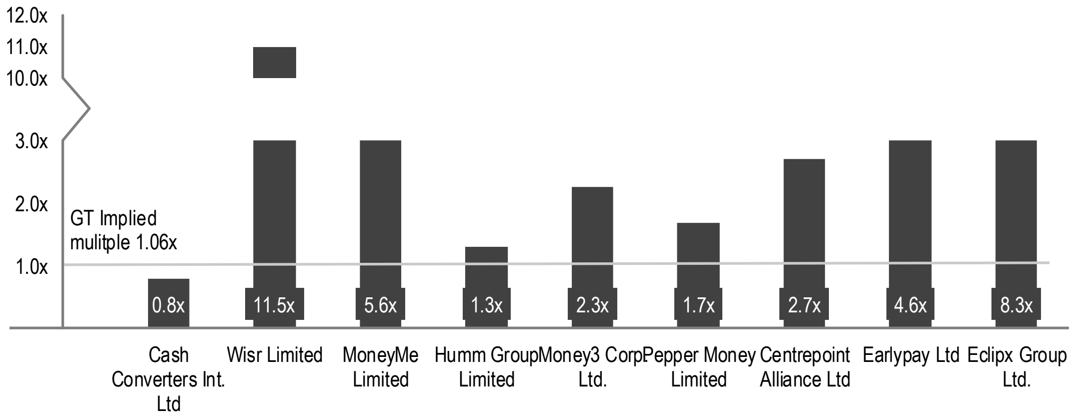
We have set out in the table below the P/NTA Multiple implied in our valuation assessment.

Implied net asset multiple A$ '000 (except where stated otherwise)	Low	High
Equity value	94,996	105,330
Net assets as at 31 May 2021	94,371	94,371
Implied net assets multiple	**1.0x**	**1.1x**

Source: GTCF analysis

We have set out below the pool of comparable trading companies and the P/NTA Multiple considered in our valuation assessment. A brief description of each company is provided in Appendix B.

Comparable companies – P/NTA Multiples



Source: Companies' annual reports, GTCF analysis

Regarding the above we note the following:

- The Price/NTA Multiples of the peers reflects the value of underlying companies on a minority basis and do not include a premium for control, whereas our valuation assessment is on a control basis.

- The NTA is calculated based on the latest balance sheets released by the listed peers as at 31 December 2020. Accordingly, the trading prices incorporate market's expectations of growth and performance of the loan books and other assets which is yet to be announced to the market. All other things being the same, this will result in a higher P/NTA when compared with our valuation of Thorn which is based on a more up to date balance sheet.

- The number of listed comparable companies is limited since Thorn operates in a niche sector of the consumer and business finance industry. Services similar to those provided by Thorn are provided by larger and more diversified companies, which accordingly are not considered comparable and excluded from the above group of peers.

- Among the selected peers, we make the following observations:

  - *Wisr* – The company provides an online lending platform offering personal loans to bank grade credit customers at interest rates competitive to banks and it operates as a P2P lending company. It is a fast growing fintech business and it operates a capital-light model and the loan book and origination has grown by 150% and 180% respectively. The capital light business model and future growth expectations are reflected in the high P/NTA Multiple.

- *Elicpx* – Eclipx provides vehicle fleet leasing, fleet management, and diversified financial services in Australia and New Zealand. Over 1HFY21, the company has benefitted from a restructuring of its operations which led to the divestment of five non-core divisions and a reduction by 38% of the corporate debt. Over 1HFY21 the group continued to outperform, delivering a NPATA of A$39.3 million and EBITDA of A$66.5 million, up 43% and 77% respectively from the previous comparative period. The company will continue to benefit from increased demand for used vehicles as a result of the global supply chain disruption for new vehicles.

- *MoneyMe* – It offers quick turnaround personal loans and various other credit products via its proprietary technology platform. Its value proposition centres on delivering an innovative loan offering to tech-savvy consumers by leveraging its technology and big data analytics to approve paperless loans up to A$50,000 in a fast manner. MoneyMe's products allows instalment-like repayments combined with the speed and ease of use of the technology applications which create an appealing offering to the young generation of consumers who are tech savvy

- Money3 – It is a fintech consumer lending group with primary focus on personal and vehicle loans offered to the Australia and New Zealand market. Money3 uses an online platform that allows customers to digitally apply for the finance on its website whilst ensuring compliance with its lending obligations. The application processes may take up to 2 business days. Money3 is currently profit-making and it recently acquired Automotive Financial Services ("AFS"), a non-bank funder of consumer and commercial vehicles operating in the near-prime automotive segment. The acquisition was earnings accretive and Money3 is expected to benefit from the funding diversification and strong loan book quality while accelerating its growth into the near-prime market.

- *Humm Group* – It was previously known as FlexiGroup, a fintech BNPL and consumer loans provider offering instalment plans, digital wallet solutions, as well as personal loans and SME loans. We note that Humm is primarily focused on the development of its BNPL segment, the expansion of its geographical coverage and distribution of the Mastercard products.

- *Centrepoint Alliance* – The company operates in the financial services industry within Australia and provides a range of financial advice and licensee support service and investment solutions to financial advisers, accountants and their clients across Australia, plus lending mortgage aggregation to mortgage brokers. We note that the lending business is only a minimal part of the business operation and the loan book of the company is not material.

- *Earlypay Ltd* – The company provides financial solutions to small and medium business in Australia. Invoice factoring is at the core of Earlypay's business model, which also offers equipment finance and more recently trade finance. The company is fast growing reporting a record month of trading in March 2021, with a transaction volume of A$199 million, up 34% on March 2020.

Whilst the overall level of comparability is limited, we are of the opinion that the P/NTA Multiple provides directional support of the conservativism of the selected valuation range. Among the listed peers, Cash Converters is the only one that is trading at a P/NTA Multiple closer to our valuation assessment. Cash Converters is a diverse group generating revenues from franchising, store operations, personal finance and vehicle finance. The gross loan book is of a similar size to Thorn at A$151.1 million as at 31 December 2020 (2/3 in personal finance and the balance in vehicle finance) and it contracted materially during the outbreak of COVID-19 due to the Government stimulus and tightened lending criteria. Similarly to Thorn, it has a large cash balance of c. A$91 million, it recently settled a class action for c. A$35 million and it had several changes in Management and Directors. On the flip side, it runs an extensive franchise network with c. 700 stores across 16 countries which reduce the level of comparability. It is trading at a P/NTA Multiple of c. 0.8x on a minority basis which is substantially in line with the P/NTA Multiple implied in our valuation assessment once a premium for control is added.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Bidder's Statement
- Target's Statement
- Annual reports of Thorn
- Quarterly reports of Thorn
- Management accounts
- Board Reports
- Releases and announcements by Thorn on the ASX
- IBISWorld Industry Report
- Other information provided by Thorn
- Capital IQ
- Mergermarket
- Various broker reports
- Other publicly available information
- Discussions with Management

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Thorn and all other parties involved in the Takeover Offer with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to Thorn, its shareholders and all other parties involved in the Takeover Offer.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Thorn or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Thorn and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Thorn through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Thorn.

This report has been prepared to assist the directors of Thorn in advising the Thorn Shareholders in relation to the Takeover Offer. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Takeover Offer is fair and reasonable to the Thorn Shareholders.

Thorn has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Thorn, which Thorn knew or should have known to be false and/or reliance on information, which was material information Thorn had in its possession and which Thorn knew or should have known to be material and which Thorn did not provide to Grant Thornton Corporate Finance. Thorn will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target's Statement to be sent to the Thorn Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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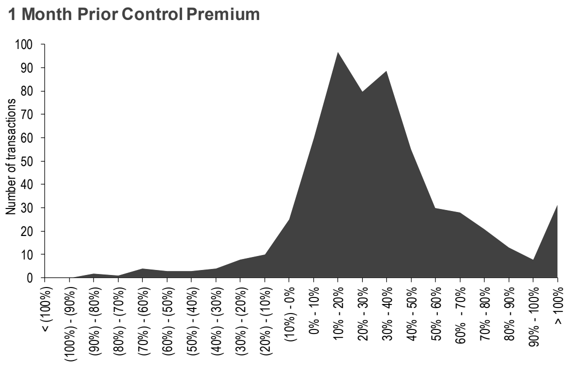
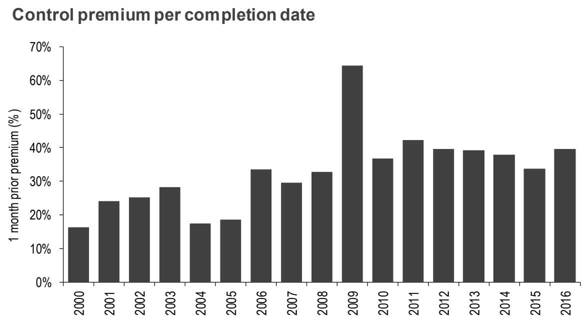
Appendix B – Description of comparable companies

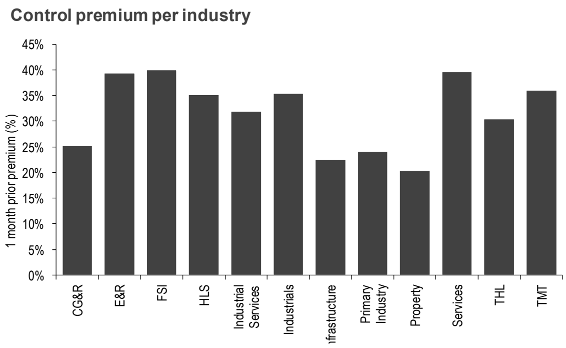
Company	Description
Cash Converters International Limited	Cash Converters International Limited operates as a franchisor of second hand goods and financial services stores under the Cash Converters brand name. It operates through Franchise Operations, Store Operations, Personal Finance, and Vehicle Financing segments. The Franchise Operations segment engages in the sale of franchises for the retail sale of new and second hand goods, as well as sale of master licenses for the development of franchises worldwide. The Store Operations segment is involved in the retail sale of new and second hand goods, as well as in cash advance and pawnbroking operations through corporate owned stores in Australia. The Personal Finance segment provides personal loans; and Mon-E, which provides administration services for the Cash Converters network in Australia to offer small cash advance loans to customers. The Vehicle Financing segment provides motor vehicle financing services. As of August 28, 2020, it operated 705 stores, including 83 corporate and 622 franchise stores in 16 countries. Cash Converters International Limited was founded in 1984 and is headquartered in Perth, Australia.
Centrepoint Alliance Limited	Centrepoint Alliance Limited, together with its subsidiaries, engages in the financial services industry in Australia. It operates through Licensee and Advice Services, and Fund Management and Administration segments. The Licensee and Advice Services segment offers license services to financial advisers and their clients, as well as mortgage broking services. The Fund Management and Administration segment provides investor directed portfolio services and investment management services to financial advisers, accountants, and their client. The company also offers financial advisory, support, Australian financial services license, and salaried advisory services, as well as employee share plan; and loans to advisers, as well as packages investment platforms and managed funds. The company was formerly known as Alliance Finance Corporation Limited and changed its name to Centrepoint Alliance Limited in September 2005. Centrepoint Alliance Limited was founded in 1982 and is based in Sydney, Australia.
Earlypay Ltd	Earlypay Ltd provides financial solutions SME businesses in Australia. The company operates through Invoice Finance, Equipment Finance, and Other Services segments. It offers invoice factoring and discounting, and clean energy finance services, as well as business line of credit. The company also provides equipment finance services for old and new equipment, such as sale back of owned or partially owned equipment, private sales, and mid-term financing. In addition, it offers employment solutions comprising labor sourcing and project management; and trade finance services. Further, it operates Skippr, an online lending platform. The company was formerly known as CML Group Limited and changed its name to Earlypay Ltd in November 2020. Earlypay Ltd was founded in 2001 and is based in North Sydney, Australia.
Eclipx Group Limited	Eclipx Group Limited provides vehicle fleet leasing, fleet management, and diversified financial services in Australia and New Zealand. The company operates through Australia Commercial, Novated, and New Zealand Commercial segments. It offers vehicle fleet leasing and management, commercial equipment finance and leasing, novated leasing, and consumer motor vehicle finance solutions. The company provides a suite of diversified financial services under the FleetPartners, FleetPlus, FleetChoice, and AutoSelect brands. Eclipx Group Limited was founded in 1987 and is headquartered in St Leonards, Australia.
Humm Group Limited	Humm Group Limited provides various financial services in Australia, New Zealand, and Ireland. It operates through four segments: Buy Now Pay Later, New Zealand Cards, Australia Cards, and Commercial Leasing. The company offers consumer revolving finance, commercial Leasing, and SME financing service. It also provides no interest ever, leasing, vendor finance, interest free finance, credit cards, and other finance solutions to consumers and businesses. The company offers its services under the humm, bundll, Q Mastercard, Skye Mastercard, and FlexiCommercial brands. The company was formerly known as FlexiGroup Limited and changed its name to Humm Group Limited in November 2020. Humm Group Limited was founded in 1988 and is headquartered in Sydney, Australia.
Money3 Corporation Limited	Money3 Corporation Limited provides secured vehicle loans in Australia and New Zealand. The company offers vehicle loans that include loans for new and used cars, campervans, vans, minibuses, motorbikes, caravans, utes, trailers, boats, jet skis, trucks, ride on mowers, and tractors. It also provides secured and unsecured personal, and cash loans. The company provides loans through brokers under the Money3 and GoCarFinance brand names. Money3 Corporation Limited was incorporated in 2005 and is headquartered in Bundoora, Australia.
MoneyMe Limited	MoneyMe Limited operates in the digital consumer credit business in Australia. The company offers personal, cash, short term, instant, and small loans; and freestyle virtual credit account products, such as line of credit and credit cards. It distributes its products under the MoneyMe brands. MoneyMe Limited was founded in 2013 and is based in Sydney, Australia.
Pepper Money Limited	Pepper Money Limited operates as a non-bank lender in the mortgage and asset finance markets. The company provides home loans for prime, near prime, and specialist customers; commercial real estate loans for prime and near prime commercial customers; lending services to consumer and commercial customers for a range of asset types, such as cars, caravans, bikes, and small equipment; and ongoing management and administration services for loan portfolios owned by third parties. It operates in Australia and New Zealand. The company was formerly known Pepper Group Pty Limited. Pepper Money Limited was founded in 2000 and is headquartered in North Sydney, Australia.
Wisr Limited	Wisr Limited engages in the lending business in Australia. It offers personal loans for 3, 5, and 7-year maturities to consumers, then on-sells these loans to retail, wholesale, and institutional investors. Wisr Limited was incorporated in 1966 and is based in The Rocks, Australia.

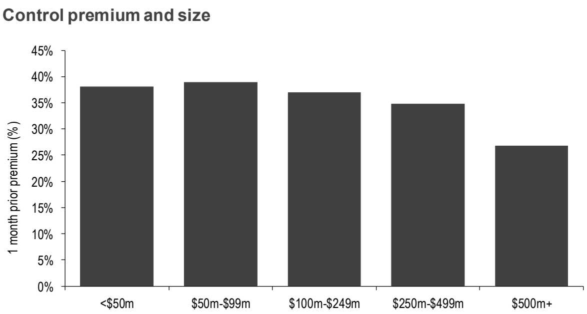
Appendix D – Control Premium

Evidence from studies indicates that the premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium varies significantly for each transaction.









	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis

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Appendix E – Glossary

$ or A$	Australian Dollar
1HFYxx	6-month financial period ended 31 December 20xx
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumers Commission
AFS	Automotive Financial Services
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BNPL	Buy Now Pay Later
CAGR	Compound annual growth rate
Cash Converters	Cash Converters International Limited
CFG	Consolidated Finance Group
Corporations Act	Corporations Act 2001
COVID-19	Coronavirus pandemic
DCF	Discounted cash flow
Director	The Independent Director of Thorn
DPS	Dividend paid out per share
DRP	Dividend reinvestment plan
EBITDA	Earnings before interest, tax expenses, depreciation and amortisation
ECL	Expected credit Losses
EU	Enforceable Undertaking
Federal Government	Australian Federal Government
Final Dividend	The fully franked dividend of 1c per Thorn Share, which is payable on 21 July 2021
FIRB	Foreign Investment Review Board
FSG	Financial Service Guide
FYxx	12-month financial year ended 30 June 20xx
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert's Report
KPI	Key performance index
NAB Index	NAB Online Retail Sales Index
NIM	Net interest margins
NPAT	Net profit after tax
Offer Price	A$0.21 per Thorn Share
P/NTA Multiple	Price net tangible assets multiple
Performance Rights	Thorn performance rights
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
SME	small and medium enterprises
Somers or the Bidder	Somers Limited

Special Dividend	On 12 October 2020, the Thorn Board declared a fully franked special dividend of A$0.075 per share for a total of A$24.2 million
SPV	Special Purpose Vehicle holding the Warehouse Facility
Takeover Offer	On 18 June 2021, Somers announced an on market takeover offer to acquire all the fully paid ordinary shares of the Company which it did not already own at a cash price of A$0.21 per share.
Thorn Management or Management	Thorn Management
Thorn or the Company	Thorn Group Limited
Thorn Share	1 outstanding ordinary share in Thorn
Thorn Shareholders or Shareholders	An individual/ entity beneficially holding Thorn Share(s)
Thorn Subordinated Notes	The Business Finance is financed by the Warehouse Facility with senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company and equity class F note held by Thorn
VWAP	Volume weighted average price
Warehouse Facility	Thorn securitised warehouse facility for the business finance division

Annexure B – Corporate Directory

Thorn Group Limited
ACN 072 507 147
ASX: TGA

Independent Committee Paul Oneile (Independent Director) Pete Lirantzis (Chief Executive Officer) Alexandra Rose (General Counsel and Company Secretary)	**Legal adviser to Independent Committee** MinterEllison Governor Macquarie Tower Level 40 One Farrer Place Sydney New South Wales 2000
Registered Office Level 1, 62 Hume Highway Chullora New South Wales 2190 Phone: (02) 9101 5000 http://www.thorn.com.au	**Financial adviser to Independent Committee** Charlie Lewis 1 Kings Cross Road Rushcutters Bay NSW 2011
Share Registry Computershare Investor Services Pty Limited Yarra Falls, 452 Johnson Street Abbotsford VIC 3067 Telephone within Australia: 1300 85 05 05 Telephone outside of Australia: +61 3 9415 4000 www.computershare.com www.investorcentre.com/contactus	**Independent Expert** Grant Thornton Corporate Finance Pty Ltd Level 17, 383 Kent Street Sydney New South Wales 2000
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