NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Thorn Group Limited ACN 072 507 147

The Independent Director* recommends that Thorn Shareholders

VOTE IN FAVOUR

of the Proposed Transaction at the Annual General Meeting

The Annual General Meeting is to be held at 2.00pm (AEST) on Thursday, 31 August 2023 online at https://meetnow.global/M97TMHY.

The Independent Expert has concluded that the Proposed Transaction **is fair and reasonable and in the best interests** of Thorn Shareholders.

Legal adviser to Thorn Group

MinterEllison

* Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

Important Notice

IMPORTANT INFORMATION

This Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and proxy form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the Annual General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser.

PURPOSE OF EXPLANATORY MEMORANDUM

The Explanatory Memorandum, which forms part of the Notice of Meeting, contains an explanation of, and information about, the Proposed Transaction to be considered at the Annual General Meeting of Thorn to be held on Thursday, 31 August 2023. It is given to Thorn Shareholders to provide them with information that the Thorn Directors believe to be material to Thorn Shareholders in deciding whether and how to vote on the Resolutions. Thorn Shareholders should read the Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Proposed Transaction. If you are in doubt about what to do in relation to the Proposed Transaction, you should consult your financial or other professional adviser.

The Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Thorn Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions. Thorn is not licensed to provide financial product advice in relation to Thorn Shares or any other financial products.

INVESTMENT DECISIONS AND FORWARD LOOKING STATEMENTS

The Explanatory Memorandum contains forward looking statements which have been based on current expectations about future events. Forward looking statements can be identified by the use of forward looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable terminology. Similarly, statements that describe Thorn's objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in the Explanatory Memorandum about the impact that the Proposed Transaction may have on the results of Thorn's operations and the advantages and disadvantages anticipated to result from the Proposed Transaction are also forward looking statements.

These forward looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Thorn to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. The risk factors described in Section 6.8 of the Explanatory Memorandum could affect actual events or results causing these results to differ materially from the events or results expressed, projected or implied in any forward looking statement. Other unknown or unpredictable factors could also have a material adverse effect on future results of Thorn.

None of Thorn, nor any of their respective officers or any person named in the Explanatory Memorandum or involved in its preparation 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, and Thorn Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Thorn is no assurance of its future financial performance.

The forward looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any obligations under law or the Listing Rules, Thorn and its related entities and directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in the Explanatory Memorandum and between those figures and figures referred to in other parts of the Explanatory Memorandum are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Proposed Transaction which is not contained in this Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum must not be relied on as having been authorised by Thorn or the Thorn Board in connection with the Proposed Transaction.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Memorandum (except for the Independent Expert's Report) has been prepared by Thorn and is the responsibility of Thorn. No other person assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Memorandum.

Grant Thornton has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Memorandum. Grant Thornton takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither Thorn nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Thorn Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

PRIVACY STATEMENT

Thorn collects personal information about its shareholders' holdings of Thorn in accordance with the Corporations Act. Thorn will share that personal information with its advisers and service providers in connection with the Proposed Transaction. Shareholders can contact the Share Registrar, Computershare Investor Services Pty Limited on +61 (0)3 9415 4000 or 1300 850 505 (within Australia) if they have questions about their personal information.

DEFINITIONS

Defined terms are used in the Explanatory Memorandum. The defined terms are in the Glossary set out in Section 8.

NO INTERNET SITE IS PART OF THE EXPLANATORY MEMORANDUM

Thorn maintains an internet site at www.thorn.com.au. Any references in the Explanatory Memorandum to an internet site are textual references for information only and no information in any internet site forms part of the Explanatory Memorandum.

TIME

All references to time in the Explanatory Memorandum are references to Sydney, Australia time unless otherwise stated.

CURRENCY

All references in the Explanatory Memorandum to "$", "A$" and "cents" are references to Australian currency, unless otherwise specified.

ASX and ASIC

A draft of this Explanatory Memorandum was provided to ASIC for the purpose of section 218 of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of the Explanatory Memorandum.

A draft of this Explanatory Memorandum has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of the Explanatory Memorandum.

DATE

The Explanatory Memorandum is dated 1 August 2023.

Key Dates

Date of the Notice of Meeting and dispatch to Thorn Shareholders	1 August 2023
Deadline for returning proxy forms	2.00pm (AEST) 29 August 2023
Annual General Meeting of Thorn Shareholders	2.00pm (AEST) 31 August 2023
Estimated Completion of the Proposed Transaction, announcement of the proposed Special Dividend and effective date for proposed Capital Return (if applicable)	1 September 2023
Last day for trading in "cum return of capital" Thorn Shares	4 September 2023
Thorn Shares commence trading on an "ex return of capital" basis and Special Dividend Ex Date	5 September 2023
Record Date for the Special Dividend and the proposed Capital Return	6 September 2023
Payment date of proposed Capital Return	13 September 2023
Special Dividend Payment Date	22 September 2023

The key dates above (and the references to those dates through this document) are indicative only and are subject to any changes that may be agreed between Thorn and Resimac, or in consultation with ASX. Thorn will update Thorn Shareholders via ASX platform and Thorn's website as appropriate when the relevant events are reached or changed, or decisions made.

Contents

Letter from the IBC Chair

1 August 2023

Dear Thorn Shareholder,

The Thorn Directors are pleased to provide you with this Notice of Meeting and Explanatory Memorandum for your consideration in relation to the proposed sale of Thorn Australia Pty Ltd (**TAPL**) and Thornmoney Pty Ltd (**Thornmoney**)'s Asset Finance portfolio to Resimac Asset Finance Pty Ltd (**RAF**), a wholly-owned subsidiary of Resimac Group Limited (**Resimac**).

The proposed sale of Thorn's Asset Finance portfolio to RAF requires the approval of Thorn shareholders as the transaction is a related party transaction. Resimac and RAF are related parties of Thorn as both Thorn and Resimac are controlled by a common shareholder, Somers Limited (**Somers**). Somers currently has voting power in Thorn of 49.34% (based on its last substantial shareholder notice lodged with ASX on 27 July 2022). This classifies Somers as a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder of Thorn for the purposes of Listing Rule 10.1.3. Somers also controls Resimac with an approximate 60% shareholding. Somers and Resimac would therefore be associates for the purposes of the Listing Rules. As a result, any person who will obtain a material benefit as a result of the disposal of Thorn's Asset Finance portfolio, including Resimac, Somers and their respective associates, will be excluded from voting on the resolutions relating to the Proposed Transaction.

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 by Somers Limited in July 2019 as suitably qualified candidates for appointment to the Thorn Board. Mr McLeland and Dr Sullivan were both elected as directors by Thorn Shareholders at the Annual General Meeting on 30 August 2019, and were re-elected by Thorn Shareholders at subsequent Annual General Meetings (Dr Sullivan in August 2021 and Mr McLeland in August 2022). Mr McLeland also acts as the Chairman of Resimac.

Accordingly, as part of its customary conflicts management processes (for potential, perceived and/or actual conflicting interests), the Board established an Independent Board Committee (**IBC**), comprising Mr Paul Oneile (Independent Non Executive Director and Deputy Chair of the Board) as Chair, Mr Pete Lirantzis (Chief Executive Officer) and Ms Alexandra Rose (General Counsel & Company Secretary/General Manager Risk & Compliance) to consider, assess, oversee, negotiate, approve, implement and otherwise deal with any matters arising in connection with the Proposed Transaction. Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction. Mr McLeland is not a shareholder in Thorn, however as an associate of a related party, he will not be voting on the resolution. Mr McLeland will not derive any benefit from the sale of Thorn's Asset Finance portfolio other than in his capacity as a shareholder in Resimac.

The Explanatory Memorandum contains important information to help you make an informed decision about how to vote at the Annual General Meeting to be held on Thursday, 31 August 2023, including a description of the Proposed Transaction, the reasons why the Independent Director considers that you should vote in favour of the Proposed Transaction, and the various risks relating to the Proposed Transaction and the Independent Expert's Report. The IBC urges you to read the Explanatory Memorandum (including the Independent Expert's Report) in its entirety.

On 20 June 2023, Thorn announced it had entered into the Transaction Documents with RAF, which includes a condition that Thorn Shareholders approve the Proposed Transaction at the Annual General Meeting.

The Proposed Transaction is described in detail in Section 2 (Summary of the Proposed Transaction, including financial benefits, the consideration and why Thorn is agreeing to the Proposed Transaction) and Section 4 of the Explanatory Memorandum.

In summary, the Proposed Transaction involves RAF acquiring TAPL and Thornmoney's Asset Finance portfolio, which is Thorn's main business undertaking.

Section 1 of this document describes Resolution 3 which will be put to Thorn Shareholders at the Annual General Meeting for the purposes of ASX Listing Rule 10.1 (Disposal of substantial assets to related party), ASX Listing Rule 11.2 (Disposal of main undertaking) and Chapter 2E of the Corporations Act (Related party transactions). Being an ordinary resolution, if 50 per cent or more of the eligible votes cast are in favour of Resolution 3, the Proposed Transaction will be approved.

In accordance with Listing Rule 10.5.10, Thorn has engaged Grant Thornton to prepare an Independent Expert's Report on the merits of the Proposed Transaction. Grant Thornton has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Thorn Shareholders. As set out in the fairness section of the Independent Expert's Report, Grant Thornton has concluded that no financial benefit is provided to the Related Party for the reasons set out in Section 2.4.

For the reasons set out in Section 2.9 of the Explanatory Memorandum, the Independent Director recommends that you vote in favour of Resolution 3 to approve the Proposed Transaction. In reaching his recommendation, the Independent Director has had regard to a range of factors including that:

- the Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Thorn Shareholders;
- if the Proposed Transaction proceeds, it will provide financial benefits to Thorn and Thorn Shareholders, given the subscale nature of Thorn's asset finance business and the practical difficulties in continuing to operate the asset finance business, including rising funding costs and challenging economic conditions;
- if the Proposed Transaction proceeds, Thorn intends to return the cash proceeds to Thorn Shareholders via a combination of the Special Dividend ($0.19 per share) and the proposed Capital Return ($0.26 per share);
- if the Proposed Transaction proceeds, it will enable Thorn to direct its full focus as well as necessary additional funding to deliver on its staged transition of its business with a focus on active investments in the non bank financial services sector that align with Thorn's core business strategy as a diversified small business focused financial services organisation;
- if the Proposed Transaction does not proceed,
  - Thorn will continue to experience challenges with its Asset Finance business, including practical difficulties in continuing to operate the Asset Finance Business including the rising funding costs and the economic environment; and
  - the Board does not intend to declare or pay the Special Dividend or to conduct the proposed Capital Return.

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

There are also reasons why Thorn Shareholders may decide to vote against the Proposed Transaction. Some of these reasons are set out in Section 2.10 of the Explanatory Memorandum and include:

- you may disagree with the Independent Director's recommendation and the Independent Expert's conclusion;
- you may consider there is potential for other proposals to emerge;
- you believe that Thorn should continue to operate the Asset Finance Business within the current Warehouse structure (as negotiated) and in light of current economic conditions; and/or
- your consideration of the risks associated with the profile of Thorn and the remaining business post implementation of the Proposed Transaction.

Further information in relation to the Proposed Transaction is contained in the Explanatory Memorandum and in the Independent Expert's Report which is contained in Section 9. Various risks associated with the Proposed Transaction are detailed in Section 6.8.

As the Chair of the Independent Board Committee, I encourage you to vote on the Resolutions. If you wish for the Proposed Transaction to proceed, you should vote in favour of Resolution 3. If you are unable to attend the Annual General Meeting, please complete the enclosed proxy form and return it in accordance with the instructions on the form.

Please read all parts of the Explanatory Memorandum before making your decision on how to vote on the Resolutions at the Annual General Meeting. Defined terms used in the Explanatory Memorandum are contained in the Glossary set out in Section 8.

We encourage Thorn Shareholders to lodge any questions in advance of the Meeting as this will provide the Board and management with the best opportunity to prepare for the Meeting. Questions can be submitted by emailing Thorn's Company Secretary team at company.secretary@thorn.com.au by 5pm (AEST) on 29 August 2023. As many of the most frequently raised questions as possible will be covered during the Meeting. In addition, Thorn Shareholders attending the Meeting will also be able to ask questions during the Meeting.

Please contact Thorn's Company Secretary team at company.secretary@thorn.com.au if you have any questions about the Meeting or Notice. The Notice of Meeting (including the Explanatory Memorandum and the Independent Expert Report) can be accessed on Thorn's website www.thorn.com.au. Hard copies of the Notice of Meeting and/or the Independent Expert Report can also be requested from the Share Registrar at no cost by contacting them on +61 3 9415 4024. If you have any questions about your proxy form, please contact the Share Registrar on +61 3 9415 4024.

Yours sincerely

Paul Oneile
Non-Executive Director & Chair of Independent Board Committee
Thorn Group Limited

Notice of Meeting

NOTICE is hereby given that the 2023 Annual General Meeting (**Meeting**) of Thorn Group Limited ACN 072 507 147 (**Thorn** or the **Company**) will be held:

Date:	Thursday, 31 August 2023
Time:	2.00pm (Sydney time / AEST)
Venue:	Virtually – online at https://meetnow.global/M97TMHY

The Annual General Meeting (**AGM**) will be conducted virtually through the Computershare meeting platform.

The Computershare meeting platform will allow Thorn Shareholders to listen to the AGM, vote and ask questions online in real time. Visitors will also be able to listen to the AGM via the Computershare meeting platform but will not have access to vote or ask questions.

HOW DO I PARTICIPATE IN THE MEETING ONLINE?

To participate in the meeting, you can log in by entering the following URL: https://meetnow.global/M97TMHY on your computer, tablet or smartphone.

Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

1. Click on 'Join Meeting Now'.
2. Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 prior to the meeting to obtain their login details.
3. Enter your postcode registered to your holding if you are an Australian shareholder. If you are an overseas shareholder, select the country of your registered holding from the drop-down list.
4. Accept the Terms and Conditions and 'Click Continue'.

Unless otherwise defined, terms used in this Notice of Meeting have the meaning given in the Explanatory Memorandum of which this notice forms part.

Further information on how to participate online is set out in this Notice of Meeting and in the Online Meeting User Guide available online at www.computershare.com.au/virtualmeetingguide.

Only shareholders or their appointed proxies and attorneys will be permitted to ask questions.

Further information will be made available on the Company's website at www.thorn.com.au or the ASX Market Announcements Platform.

BUSINESS

1. Chairman's Address

2. Receipt of Annual Financial Report

Receipt and consideration of the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 March 2023. There is no vote required on this item. Copies of the Reports are included in the Company's Annual Financial Report.

3. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That for the purpose of section 250R(2) of the Corporations Act 2001 (Cth), and for all other purposes, the Remuneration Report for the year ended 31 March 2023 (which is set out in and forms part of the Directors' Report) be adopted."*

The vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the "Voting Exclusions" section on page 6 below.

4. Resolution 2 – Re-election of Mr Paul Oneile as a Non-Executive Director

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That Mr Paul Oneile, who retires by rotation in accordance with rule 48(a) of the Company's Constitution and being eligible for re-election, be re-elected as a director of the Company."*

5. Resolution 3 – Approval of Proposed Transaction

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *'That, under and for the purposes of Listing Rules 10.1 and 11.2, Chapter 2E of the Corporations Act and for all other purposes, Shareholder approval is given for the Company and its subsidiaries to enter into arrangements to give effect to, and to implement, the Proposed Transaction as described in the explanatory memorandum accompanying this notice of meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by the Company.'*

The Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the "Voting Exclusions" section on page 7.

In accordance with Listing Rule 14.1A, please refer to Sections 4.7 and 4.8 (page 23) for further details in relation to what will happen if Shareholders approve or do not approve this Resolution.

If Shareholders approve this Resolution, the Proposed Transaction will proceed, Thorn will be entitled to the proceeds from the Proposed Transaction and will provide certain transitional services to RAF for a period of approximately three months until 30 November 2023. Please refer to Section 4.7 on page 23 for the implications of the Proposed Transaction proceeding.

If Shareholders do not approve this Resolution, the Proposed Transaction will not proceed, Thorn will continue to operate the Asset Finance Business and the Thorn Board will not declare or pay the Special Dividend or implement the proposed Capital Return. Please refer to Section 4.8 on page 23 for implications of the Proposed Transaction not proceeding, including relevant risks.

Mr Paul Oneile, the Company's Deputy Chair and Chair of the Independent Board Committee will chair Item 5 (Resolution 3).

6. Resolution 4 – Return of Capital to Shareholders

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That, subject to and conditional upon the passing of Resolution 3 and Completion of the Proposed Transaction, Shareholder approval is given for the issued ordinary share capital of the Company to be reduced by approximately $9.1 million in accordance with the Corporations Act, by the Company paying each Shareholder registered on the record date of 6 September 2023, the amount of $0.26 per Share held at that time, on the terms described in the Explanatory Memorandum."*

Details of the definitions and abbreviations used in this Notice of Meeting are set out in the Glossary to the Explanatory Memorandum.

By the order of the Board

Dated: 1 August 2023

Alexandra Rose
Company Secretary

Attendance and Voting

Entitlement

You will be entitled to attend and vote at the Meeting if you are registered as a Thorn Shareholder as at 6.00pm (AEST) on Tuesday, 29 August 2023.

How to vote

Voting entitlement on a poll

On a poll, each Thorn Shareholder present (in person, by proxy, attorney or corporate representative) has one vote for each Thorn Share they hold.

The Chair will put the Resolution to a poll.

Required voting majority

Each Resolution must be approved by Thorn Shareholders whose Thorn Shares in aggregate account for greater than 50% of the eligible votes cast on the Resolution (whether in person, by proxy, attorney or corporate representative).

Appointment of a corporate representative

Any corporation which is a member of the Company may appoint a proxy, as set out above, or appoint a natural person to act as its representative at any general meeting under section 250D of the Corporations Act or appoint an attorney. Corporate representatives are requested to provide appropriate evidence of appointment as a representative in accordance with the Constitution. A form of notice of appointment can be obtained from Computershare.

Voting by attorney

Attorneys are requested to provide the original or a certified copy of the power of attorney pursuant to which they were appointed in accordance with the Constitution. Proof of identity will also be required for corporate representatives and attorneys. To be effective, evidence of the appointment as a representative or attorney must be returned in the same manner and by the same time as specified for proxy appointments below (unless previously provided).

Voting by proxy

A Thorn Shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on the Thorn Shareholder's behalf. If the Thorn Shareholder is entitled to cast two or more votes at the Meeting, the Thorn Shareholder may appoint up to two proxies to attend and vote on the Thorn Shareholder's behalf.

If a Thorn Shareholder appoints two proxies, each proxy may be appointed to represent a specified proportion or number of the Thorn Shareholder's votes. Absent this specification, on a poll, each proxy may exercise half the votes. A proxy can be either an individual or a body corporate and need not be a Thorn Shareholder. If a Thorn Shareholder appoints a body corporate as proxy, the body corporate will need to appoint an individual as its corporate representative and provide satisfactory evidence of this appointment.

If a Thorn Shareholder's instruction is to abstain from voting for a particular item of business, the Thorn Shareholder's votes will not be counted in computing the required majority on a poll.

Where a proxy and the Thorn Shareholder both attend the Meeting, the proxy's authority to speak and vote at the Meeting is suspended while the Thorn Shareholder is present at the Meeting.

You may lodge a proxy online at Computershare's internet address below by following the instructions set out on the website. Thorn Shareholders who elected to receive their notice of meeting and proxy electronically will have received an e-mail with a link to the Computershare site.

Proxy form and authorities may be lodged:

- by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001;
- by facsimile to Computershare on (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555; or
- electronically by visiting www.investorvote.com.au, logging in and quoting the Control Number found on the front of your proxy form. Alternatively, you can scan the QR code also found on the front of your proxy form.

Intermediary Online subscribers (Custodians) may lodge their proxy by visiting www.intermediaryonline.com.

To be effective for the Meeting, a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received by Computershare Investor Services Pty Limited at the address, facsimile number or internet address above **no later than 2.00pm (AEST) on Tuesday, 29 August 2023** (being 48 hours before the commencement of the Meeting). Any proxy appointment received after that time will not be valid for the Meeting.

You can elect to receive Thorn Shareholder information electronically, or obtain a replacement or second proxy form, by contacting Computershare on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia). You may also update your Thorn Shareholder communication elections by logging onto www.investorcentre.com.

Chair acting as proxy

Thorn Shareholders may appoint the Chair as their proxy. Where the Chair is appointed as a proxy by a Thorn Shareholder entitled to cast a vote the Resolution and the proxy form specifies how the Chair is to vote on the Resolution (that is, a directed proxy), the Chair must vote in accordance with that direction.

If a Thorn Shareholder has appointed the Chair as their proxy and no voting direction has been given in relation to the Resolution, the Thorn Shareholder will be expressly authorising the Chair to exercise the undirected proxy as he sees fit. Please read the directions on the proxy form carefully, especially if you intend to appoint the Chair of the meeting as your proxy. The Chair intends to vote all undirected proxies in favour of the Resolutions.

If you do not want the Chair of the Meeting to vote, as your proxy, in favour of the Resolution, you need to direct your proxy to vote against, or to abstain from voting on, the Resolution by marking the appropriate box on the proxy form.

Participating and voting online during the Meeting

The Meeting will be held as a virtual meeting through the Computershare Meeting Platform.

Participating in the Meeting online enables Thorn Shareholders to view the Meeting live, ask text-based and verbal questions and cast votes in the real-time poll at the appropriate times during the Meeting.

Please note that only Thorn Shareholders or their appointed proxies and attorneys may ask questions once they have been verified.

Please refer to the Online Meeting Guide available at www.computershare.com.au/virtualmeetingguide. The Online Meeting Guide will also be provided in your Notice of Meeting email.

Thorn Shareholders are also strongly encouraged to lodge their proxy forms before the deadline listed above even if they are participating in the Meeting online. If you do not intend, or are unable to participate in, the Meeting, please lodge your proxy forms before the deadline listed above.

Voting exclusion statement

The Corporations Act and the Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on certain Resolutions to be considered at the Meeting. These voting exclusions are described below.

Item 3 Adoption of Remuneration Report (Resolution 1)

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on Resolution 1:

(1) any member of the Company's "Key Management Personnel" ("**KMP**") whose remuneration details are included in the Remuneration Report (and any Closely related party of such a KMP, and any person voting on behalf of such a KMP or Closely related party), unless the person does so as a proxy and:

   (a) the vote is not cast on behalf of any KMP whose remuneration details are included in the Remuneration Report (or any Closely related party of such KMP); and

   (b) either:

      (i) that person is appointed as a proxy by writing that specifies how the proxy is to vote on the Resolution; or

      (ii) that person is the Chair and the proxy appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of KMP; and

(2) any KMP whose remuneration details are not included in the Remuneration Report (and any Closely related party of such a KMP) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the Resolution, unless:

(a) the proxy is the Chair; and

(b) the proxy appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP.

"**Closely related party"** includes, but is not limited to, a KMP's spouse, dependent and certain other close family members, as well as any companies controlled by the KMP, as defined in the *Corporations Act*.

Item 5 Approval of Proposed Transaction (Resolution 3)

In accordance with Listing Rules 10.1, 11.2 and 14.11.1, the Company will disregard any votes cast in favour of the Resolution by or on behalf of:

(1) Somers Limited, Resimac Group Limited, Resimac Asset Finance Pty Ltd and any other person who will obtain a material benefit as a result of the disposal of the Company's main undertaking (ie Proposed Transaction) (except a benefit solely by reason of being a Thorn Shareholder); or

(2) any of their Associates.

However, this does not apply to a vote cast in favour of the Resolution by:

(1) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(2) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(3) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and

b. the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 224(1) of the Corporations Act, no votes may be cast (in any capacity) on Resolution 3 by or on behalf of Somers Limited, Resimac Group Limited, Resimac Asset Finance Pty Ltd or any of their respective Associates.

However, this does not prevent the casting of a vote if:

(1) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 3; and

(2) it is not cast on behalf of Somers Limited, Resimac Group Limited, Resimac Asset Finance Pty Ltd or any of their respective Associates.

Mr Warren McLeland is an Associate of the related party, however he does not hold any shares in Thorn and will not be voting on the Resolution. Resimac Group Limited and Resimac Asset Finance Pty Ltd do not hold any shares in Thorn and will not be voting on the Resolution.

Explanatory Memorandum

1. Ordinary Business

Item 1: Chairman's Address

The Chair will make his address in relation to the items of business, including the Proposed Transaction. The text of this prepared speech will be lodged with ASX at the start of the Meeting.

Item 2: Receipt of Annual Financial Report

Receipt and consideration of the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 March 2023. There is no vote required on this item. Copies of the Reports are included in the Company's Annual Financial Report, which has been provided to ASX and is available on the Company's website www.thorn.com.au.

Members are not required to approve the Financial Report, the Directors' Report or the Auditor's Report. During this item of business, however, Members will be given a reasonable opportunity to raise questions and make comments on the financial statements and reports at the AGM.

The Company's External Auditor will also be present at the meeting and Members will have an opportunity to ask the External Auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies and the independence of the External Auditor.

Any Shareholder may submit to the Company a written question directed to the Company's External Auditor, UHY Haines Norton, if the question is relevant to:

(a) the content of the Auditor's Report to be considered at the Meeting; or

(b) the conduct of the audit of the Annual Financial Report to be considered at the Meeting.

Shareholders may submit written questions directed to the Company's External Auditor by emailing the questions to company.secretary@thorn.com.au no later than 29 August 2023.

The Chair will allow a reasonable opportunity for the Shareholders at the Meeting to ask the External Auditor questions relevant to:

(a) the conduct of the audit;

(b) the preparation and content of the Auditor's Report;

(c) the accounting policies adopted by the Company in relation to preparation of the financial statements; and

(d) the independence of the External Auditor in relation to the conduct of the audit.

Item 3: Adoption of Remuneration Report (Resolution 1)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That for the purpose of section 250R(2) of the Corporations Act 2001 (Cth), and for all other purposes, the Remuneration Report for the year ended 31 March 2023 (which is set out in and forms part of the Directors' Report) be adopted."*

The Remuneration Report is set out, under the heading "Remuneration Report", on pages 10 to 16 of the Company's Annual Financial Report. The Remuneration Report:

(a) provides discussion of the Board's policy on remuneration of Directors and senior managers of the Company and the relationship between such policy and the Company's performance; and

(b) sets out prescribed information in relation to the Directors and senior managers of the Company, including their fixed remuneration and any performance related remuneration.

The Company's approach to remuneration is framed by the strategy and operational demands of the business, the desire for superior sustained shareholder returns, the complex and onerous regulatory environment and high standards of governance. The remuneration structure has been designed to balance both shareholder and executive interests. It consists of a mix of fixed and 'at-risk' pay where the at-risk element seeks to balance both short and long term performance.

The Chair will allow a reasonable opportunity for the Shareholders at the Meeting to ask questions about, or make comments on, the Remuneration Report.

Under section 250R(3) of the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Item 3 (Resolution 1).

A voting exclusion statement applies in relation to this Item 3 (Resolution 1), as set out on page 6 of the Notice of Meeting.

The Chair intends to vote all undirected proxies in favour of this Item 3 (Resolution 1).

Item 4: Re-election of Mr Paul Oneile as a director (Resolution 2)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That Mr Paul Oneile, who retires in accordance with rule 48(a) of the Company's constitution and being eligible for re-election, be re-elected as a director of the Company."*

Mr Paul Oneile was appointed by the Board as a Director on 14 October 2019 and was elected by Thorn Shareholders as a Director at the Annual General Meeting of the Company held on 19 August 2020.

Rule 48(a) of the Constitution of the Company provides that Director must not hold office for a continuous period of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for election or re-election.

Rule 48(b) of the Constitution of the Company provides that a retiring Director under rule 48(a) is eligible for re-election without needing to give any prior notice of an intention to submit for re-election and holds office as a Director until the end of the meeting at which the Director retires.

Accordingly, Paul retires by rotation as a Director in accordance with rule 48(a) of the Constitution of the Company and, being eligible for re-election, stands for re-election as a Director.

Paul has over 40 years of experience in business management. From 2003 to 2008, Paul was CEO of Aristocrat Leisure Limited where he oversaw significant business and cultural change, refocused R&D spending, streamlined the supply chain operation, and successfully oversaw the growth of the company's international operations. Paul was the non-executive Chairman of Invigor Group Limited, the non-executive Chairman of A2B Australia Limited (formerly Cabcharge Australia Limited) and the non-executive Chairman of Intecq Limited (formerly eBet Limited).

Recommendation

The Directors (other than Mr Paul Oneile) unanimously recommend that Shareholders vote in favour of Item 4 (Resolution 2).

The Chair intends to vote all undirected proxies in favour of this Item 4 (Resolution 2).

Item 5: Approval of Proposed Transaction (Resolution 3)

*** Mr Paul Oneile, the Company's Deputy Chair and the Chair of Independent Board Committee will chair Item 5.**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *'That, under and for the purposes of Listing Rules 10.1 and 11.2, Chapter 2E of the Corporations Act and for all other purposes, Shareholder approval is given for the Company and its subsidiaries to enter into arrangements to give effect to, and to implement, the Proposed Transaction as described in the explanatory memorandum accompanying this notice of meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by the Company.'*

Details of the Proposed Transaction are set out in Sections 2, 3 and 4 of the Explanatory Memorandum.

The Company will disregard any votes cast on this Resolution by certain persons. Details of the voting exclusions applicable to this Resolution are set out in the "Voting Exclusions" section on page 7.

Recommendation

The Company has considered that as Mr McLeland is also the Chairman of Resimac, which is the other party under the Proposed Transaction, out of an abundance of caution, he should not chair this agenda item. Accordingly, in accordance with the Company's Constitution, the agenda item will be chaired by Mr Paul Oneile, Thorn's Deputy Chair and the Chair of the IBC (Independent Director).

The Independent Director recommends that Shareholders vote in favour of Item 5 (Resolution 3).

The Chair of this item intends to vote all undirected proxies in favour of this Item 5 (Resolution 3).

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

Item 6: Return of Capital to Shareholders (Resolution 4)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> *"That, subject to and conditional upon the passing of Resolution 3 and Completion of the Proposed Transaction, Shareholder approval is given for the issued ordinary share capital of the Company be reduced by up to approximately $9.1 million in accordance with the Corporations Act, by the Company paying each Shareholder registered on the record date of 6 September 2023, the amount of up to $0.26 per Share held at that time, on the terms described in the Explanatory Memorandum."*

If the Proposed Transaction is approved, Thorn is expected to receive approximately $15.7 million of sale proceeds. Following the completion of the Proposed Transaction, the Directors consider that Thorn will be holding funds in excess of its operating requirements in the context of the new operating model, which they believe should be returned to the Shareholders.

If this resolution is approved and the Proposed Transaction completes, it will result in a return of capital to Thorn Shareholders of $0.26 per share (**Capital Return**) representing a total payment to Thorn Shareholders of approximately $9.1 million and payment to Thorn Shareholders a fully franked Special Dividend of $0.19 per share (totaling approximately $6.6 million).

Recommendations

The Directors unanimously recommend that Thorn Shareholders vote in favour of Item 6 (Resolution 4).

The Chair intends to vote all undirected proxies in favour of Item 6 (Resolution 4).

2. Summary of Proposed Transaction

2.1 BACKGROUND

On 20 June 2023, Thorn announced to ASX that it had entered into the Transaction Documents with Resimac in relation to the sale of Thorn's Asset Finance portfolio (**Proposed Transaction**). The Completion of the Proposed Transaction is subject to, among other conditions, Shareholders approving a disposal of substantial assets to a related party pursuant to Listing Rule 10.1, a disposal of the Company's main undertaking pursuant to Listing Rule 11.2 and a related party transaction pursuant to Chapter 2E of the Corporations Act.

Thorn Directors are committed to creating value for all Shareholders. As explained above, an IBC was established to consider, assess, oversee, negotiate, approve, implement and otherwise deal with any matters arising in connection with the Proposed Transaction. The Proposed Transaction will provide immediate financial and other benefits to Thorn and Thorn Shareholders and the Independent Director considers it to be in the best interests of Thorn Shareholders.

The Independent Expert has concluded that the Proposed Transaction is **fair and reasonable and in the best interests of Thorn Shareholders**.

2.2 RELATED PARTY CONSIDERATIONS

The proposed sale of Thorn's Asset Finance portfolio to RAF requires the approval of Thorn shareholders as the transaction is a related party transaction.

Resimac and RAF are related parties of Thorn as both Thorn and Resimac are controlled by a common shareholder, Somers Limited (**Somers**). Resimac and RAF do not have any existing interest in Thorn and will not be voting on the resolutions. Somers currently has voting power in Thorn of 49.34% (based on its last substantial shareholder notice lodged with ASX on 27 July 2022). This classifies Somers as a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder of Thorn for the purposes of Listing Rule 10.1.3. Somers also controls Resimac with an approximate 60% shareholding. Somers and Resimac would therefore be associates for the purposes of the Listing Rules. As a result, any person who will obtain a material benefit as a result of the disposal of Thorn's Asset Finance portfolio, including Resimac, RAF, Somers and their respective associates, will be excluded from voting on the resolutions relating to the proposed transaction.

Mr McLeland also acts as the Chairman of Resimac. Mr McLeland is not a shareholder in Thorn, however as an associate of a related party, he will not be voting on Resolution 3.

2.3 DIRECTORS INTEREST IN THE OUTCOME

Details of the marketable securities of Thorn held by or on behalf of Directors are listed in Section 6.6.3 on page 29, reflecting that Mr Oneile and Dr Sullivan hold shares in the Company.

The Independent Director does not have any material personal interest in the outcome of Resolution 3 other than as a result of his interest arising solely in the capacity of Thorn Shareholders, as set out in Section 6.6.3.

Mr McLeland does not hold shares in the Company and will not derive any benefit from the sale of Thorn's Asset Finance portfolio other than in his capacity as a shareholder in Resimac.

2.4 OVERVIEW OF THE PROPOSED TRANSACTION & FINANCIAL BENEFITS

The Proposed Transaction is to be effected through the Transaction Documents, and involves Resimac's wholly owned subsidiary Resimac Asset Finance Pty Ltd (**RAF**) acquiring the TAPL and Thornmoney Asset Finance portfolio. Under the terms of the Sale and Purchase Deed, it is proposed that TAPL and Thornmoney will sell, and RAF will acquire, each of TAPL and Thornmoney's respective interests in the rights, title and interest of their respective Loan Books and relevant Units and Class G Notes in the securitised warehouse trust.

The Independent Expert Report on the merits of the Proposed Transaction is attached to this Notice and set out in Section 9.

As set out in the fairness section of the Independent Expert's Report, Grant Thornton has concluded that no financial benefit is provided to the Related Party due to the following:

- The Adjusted Purchase Price payable by Resimac, net of the expenses to be incurred to wind-down the asset finance business, is at a premium to the value of the Warehouse Asset Finance Portfolio in the audited accounts as at 31 March 2023 and in the management accounts of Thorn ("Management Accounts") as at 31 May 2023.

- Grant Thornton has estimated the net asset value ("NAV") per share of Thorn following completion of the Proposed Transaction under an orderly realisation approach to be between A$1.71 and A$1.74 per share (net of the expenses to be incurred by Thorn to wind-down the equipment finance business and before the payment of the proposed Capital Return and Special Dividend). Grant Thornton has indicated that this is at a significant premium to the trading prices before the announcement of the Proposed Transaction.

- Grant Thornton has estimated that the value of Thorn after the Proposed Transaction under an orderly realisation approach implies a P/NA multiple between 1.17x and 1.19x based on the audited balance sheet as at 31 March 2023 . Grant Thornton has indicated that this compares favorably with the same P/NA multiples of listed peers and comparable transactions.

The above is an incomplete abstract of the conclusion of the Independent Expert Report, the Independent Board Committee encourage you to read the complete Independent Expert Report set out in Section 9.

2.5 SUMMARY OF TRANSACTION DOCUMENTS

The Transaction Documents for the Proposed Transaction are summarised below. It should be noted that these are only the principal documents for the Proposed Transaction and there are or will be a number of ancillary or additional documents necessary to implement the Proposed Transaction.

2.5.1 Sale and Purchase Deed

The key terms of the Sale and Purchase Deed are as follows:

- (**Seller**) Thorn Australia Pty Ltd (**TAPL**) and Thornmoney Pty Ltd (**Thornmoney**), each a wholly owned subsidiary of Thorn Group Limited (**Thorn**).

- (**Purchaser**) Resimac Asset Finance Pty Ltd (**RAF**), a wholly owned subsidiary of Resimac Group Limited (**Resimac**).

- (**Portfolio being acquired**) The Proposed Transaction relates to the acquisition of all Thorn Class G notes in the Thorn ABS Warehouse Trust No 1; substitute and/or repayment to Thorn the account balance of the liquidity reserve account and the Loan Collection Reserve. Replacing Thorn as the Legal title holder and Servicer for the aggregate loan receivables portfolio held in the Thorn ABS Warehouse Trust No 1.

- (**Consideration**) RAF has agreed to pay in cash the invested amount of Class G notes currently held by Thorn (estimated at $15 million), substitute or repay to Thorn the amounts of the Liquidity Reserve ($1.8717 million) and the Collections Reserve Account ($0.5 million) less a discount equal to 1.3% of aggregate portfolio held in the Thorn ABS Warehouse Trust No 1 (estimated to be $1.91 million), subject to adjustments as follows:

    - a positive or negative adjustment, depending on whether the adjusted purchase price at Completion exceeds the purchase price at cut off (ie positive). The converse applies should this calculation yield a negative adjustment value; and

    - the adjusted purchase price is calculated as the purchase price recalculated at Completion plus any consideration for selected receivables loans held on-balance sheet at Completion and a further discount of 15% on selected white label collateral held in the aggregate portfolio at Completion.

  The Independent Expert calculated the total consideration or the adjusted purchase price under two scenarios (detailed on pages 2 and 48 of the Independent Expert's Report); where Thorn would hold c. A$3.5 million (low scenario) and A$0.9 million gross (high scenario) On-Balance Sheet Receivables or c. A$2.3 million (low scenario) and nil (high scenario), net of provision. Based on the application of the adjusted purchase price consideration as set out on page 48 of the Independent Expert Report, the total consideration or adjusted purchase price range from $17.3 million (low scenario) to $18.9 million (high scenario) respectively. Thorn management's opinion is that the low scenario is the more likely outcome based on its current view of the Proposed Transaction.

- (**Conditions Precedent**) The Proposed Transaction is conditional on, amongst other things, the following (which if not fulfilled or waived, the Proposed Transaction will not proceed):

    - Thorn has passed, in accordance with Listing Rules 10.1 and 11.2 and Chapter 2E of the Corporations Act, a resolution in general meeting approving the Proposed Transaction (Resolution 3);

    - The provision of an independent expert's report opining that the transactions contemplated by the Sale and Purchase Deed are fair and reasonable to the shareholders of Thorn other than Somers Limited and any of its Associates (the report is set out in Section 9); and

    - Due execution and delivery of certain Transaction Documents, which require approval from certain third-party financiers.

- (**Conduct of business prior to Completion**) Thorn will continue to conduct the business the subject of the Proposed Transaction in the ordinary course pending completion subject to customary specific restrictions and exceptions.

- (**Estimated Completion Date**) on or about 1 September 2023, subject to obtaining Shareholder approval.

- (**Warranties**) Thorn provides customary warranties regarding a) title, capacity and solvency of TAPL and Thornmoney, b) specific warranties relating to the Assets and historical conduct of the business, and engagement between Resimac and Thorn in negotiating the transaction and tax warranties, subject to customary liability qualifications, acknowledgements and limitations, including in respect of minimum claim amounts, claim time limitations, maximum claim cap, no consequential loss and third-party payment reimbursements.
- (**Indemnities**) Thorn indemnifies the Purchaser for any breach of a Seller Warranty and Tax Indemnities. The Thorn Sellers liability in respect of all indemnity Claims mirrors that for the Warranties. To protect the Thorn Sellers from double liability (noting the section about regarding liability for Claims), the Thorn Sellers and Resimac have agreed that the Thorn Sellers are not liable in respect of any Claim to the extent that the fact, matter or circumstance giving rise to the Claim is the same as the fact, matter or circumstance giving rise to a successful claim for compensation under another provision of the Sale Deed or another Transaction Document or a Warehouse Document. .

2.5.2 Transitional Services Agreement

- Thorn and Resimac have agreed to enter into a Transitional Services Agreement under which TAPL and Thornmoney will provide transitional services to RAF for a period of three months after Completion.
- From the Completion Date, Resimac will replace the TAPL as Trust Manager and TAPL as Servicer (the parties have agreed to transfer and novate TAPL's respective rights and obligations under the Transaction Documents to Resimac) in accordance with the Deed of Retirement, Novation and Assignment.
- Resimac has requested and TAPL has agreed to provide staff support up until the Completion Date to assist with handover requirements relating to White Label relationship management, Collections, reconciliation and reporting; and Warehouse Reporting and Banking Reconciliation.
- Resimac has not sought assistance with any other resourcing needs, including IT, Data Migration, Risk & Compliance and Legal Recoveries.
- Each party indemnifies the other party for certain liabilities incurred in connection with the provision or receipt of the transitional services.
- Thorn and Resimac have agreed to 50:50 costs sharing for data migration, with remaining costs to be borne by Resimac (excluding transactional & legal costs).

2.6 INDEPENDENT EXPERT'S CONCLUSION

In accordance with Listing Rule 10.5.10, Thorn has engaged Grant Thornton to prepare an Independent Expert's Report on the merits of the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is **fair and reasonable and in the best interests of Thorn Shareholders**. The complete Independent Expert's Report is included in Section 9 of this Explanatory Memorandum.

The Independent Board Committee encourages you to read the complete Independent Expert Report, which is set out in Section 9.

The Notice of Meeting (including the Explanatory Memorandum and the Independent Expert Report) can be accessed on Thorn's website www.thorn.com.au. Hard copies of the Notice of Meeting and/or the Independent Expert Report can also be requested from the Share Registrar (at no cost) by contacting them on +61 3 9415 4024.

2.7 PROPOSED USE OF PROCEEDS OF FUNDS

Subject to approval and implementation of the Proposed Transaction (the passing of Resolution 3) and subject to the passing and approval of Resolution 4, it is expected that eligible Thorn Shareholders will receive the payment of a Capital Return of $0.26 per Share on or around 13 September 2023 and receive a fully franked Special Dividend of approximately $0.19 per Share on or around 22 September 2023.

Shareholders should note that if the Proposed Transaction is not approved or does not proceed, the Board does not intend to declare or pay the Special Dividend or implement the proposed Capital Return.

2.8 CONSEQUENCES OF PROPOSED TRANSACTION NOT PROCEEDING

If the Proposed Transaction does not proceed (including as a result of Resolution 3 not being approved by Shareholders), Thorn will continue to own and run the Asset Finance business portfolio. Shareholders will retain the same level of exposure under their current investment in Thorn Shares and in doing so, will continue to retain the benefits of an investment in Thorn as an ASX-listed entity owning and operating the Asset Finance business portfolio, and will continue to be exposed to the risks presently associated with this investment and current business models. These risks include general risks of holding shares and risks that are specific to Thorn's business as described in Sections 6.8.1 and 6.8.2, respectively.

Further, if the Proposed Transaction does not proceed, neither the advantages of the Proposed Transaction outlined in Section 2.9, nor the potential reasons to vote against the Proposed Transaction outlined in Section 2.10, will be relevant to Shareholders. In particular, the Thorn Board will not declare or pay the Special Dividend or implement the proposed Capital Return if the Proposed Transaction does not proceed.

2.9 REASONS TO VOTE IN FAVOUR OF THE PROPOSED TRANSACTION (ADVANTAGES OF THE PROPOSED TRANSACTION) AND REASON FOR THE SALE OF THE MAIN UNDERTAKING

The IBC believes that, following an assessment of the advantages and disadvantages set out below, the Proposed Transaction is in the best interests of the Company.

2.9.1 If the Proposed Transaction proceeds Thorn and Thorn Shareholders will receive a financial benefit, the availability of which may be uncertain in the future

If the Proposed Transaction proceeds, it allows Thorn to realise the value of the Asset Finance Business.

The IBC is of the view that the Proposed Transaction has significant potential advantages, including but not limited to the following:

- The Proposed Transaction allows Thorn to realise the current and inherent value of the Asset Finance Business;
- The sale price offered for Asset Finance business by Resimac is attractive relative to the future opportunities, risks and challenges for Asset Finance business.
- The Proposed Transaction will end the uncertainty associated with the Asset Finance Business (including risks associated with generating future profits) and enable Thorn to shift and streamline the focus of the Company towards growing Thorn's future investment business;
- Being all cash, the Proposed Transaction offers significant and certain value to Shareholders, which the Company intends to primarily return to Shareholders via the Special Dividend and the proposed Capital Return;
- The distribution of the sale proceeds to eligible Shareholders will be effected in a tax efficient manner; and
- Since the announcement of the Proposed Transaction, no superior proposal has emerged and the IBC is not aware of any superior proposal that is likely to emerge.

Thorn's Asset Finance Business is dependent on several market conditions including macroeconomic risks such as interest rates, funding costs, economic condition and given the challenges of developing the business to scale, there are uncertainties around the future of the Asset Finance Business.

2.9.2 The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Thorn Shareholders

In accordance with Listing Rule 10.5.10, Thorn has engaged Grant Thornton to prepare an Independent Expert's Report on the merits of the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is **FAIR AND REASONABLE** and therefore in the best interests of Thorn Shareholders in the absence of a superior proposal.

The Independent Expert specifically notes the following:

- The Proposed Transaction is both **FAIR AND REASONABLE** to Thorn Shareholders;
- In concluding that the Proposed Transaction is **fair** to Thorn Shareholders, the Independent Expert has noted that:
  - the premium for control implied in the orderly realisation approach is at the high-end of the premium for control typically applied in Australia for control transactions;
  - the value of Thorn after the Proposed Transaction under an orderly realisation approach implies a P/NA (equity value divided by last reported net assets) multiple between 1.17x and 1.19x, which compares favourably with listed peers; and
  - the adjusted Purchase Price net of the expenses to be incurred to wind-down the asset finance business is at a premium to the value of the Warehouse Asset Finance Portfolio.
- In concluding that the Proposed Transaction is **reasonable** to Thorn Shareholders, the Independent Expert has noted that the advantages of the Proposed Transaction include:
  - the Proposed Transaction allows Thorn to monetise the Warehouse Asset Finance Portfolio at a premium to the value reported in the audited accounts as at 31 March 2023;
  - the Proposed Transaction will effectively deliver to the Thorn Shareholders a balance sheet comprised largely of cash and other liquid investments which is substantially consistent with the reported net assets, which represents a control value;
  - completion of the Proposed Transaction will avoid downside potential for the Thorn Shareholders which may arise from the current macroeconomic environment; and
  - if the Proposed Transaction is approved and completed, Thorn Shareholders will receive a combination of \$0.19 per share fully franked Special Dividend and a Capital Return of \$0.26 per share.

The Independent Board Committee encourages you to read the complete Independent Expert's Report, which is set out in Section 9.

2.9.3 If the Proposed Transaction proceeds, Thorn intends to return the cash proceeds to Shareholders via the Special Dividend and the proposed Capital Return

Being all-cash, the Proposed Transaction offers significant value to Shareholders, which Thorn intends to return the cash proceeds to Shareholders via a combination of the Special Dividend and the proposed Capital Return as outlined in Section 2.7 above. Australian resident shareholders may be able to benefit from the related franking credits attaching to the Special Dividend.

2.9.4 If the Proposed Transaction proceeds, it will enable Thorn to provide necessary additional funding to deliver on its strategy for growing its strategic investment

If the Proposed Transaction proceeds, it will provide Thorn with necessary additional funding to commence a staged transition of its business with a focus on active investment in the non-banking financial services that align with Thorn's core business strategy as a diversified small business focused financial services organisation (refer to Section 6.7.1 below for further details).

2.9.5 All Shareholders will retain their current ownership interest in the capital of the Company

If the Proposed Transaction proceeds, all Shareholders will retain their current ownership interest in the capital of the Company as the Proposed Transaction involves all cash consideration.

2.9.6 If the Proposed Transaction does not proceed, Thorn's Asset Finance Business will continue to experience the challenges of developing the business to scale and the uncertainties arising from the current economic environment

The financial services industry is facing several challenges including higher loan defaults as a result of increasingly challenging economic conditions, higher inflation and a prolonged period of interest rate rises. Thorn's Asset Finance business has additional challenges of growing to scale in a highly competitive market where competitors at scale have a greater capability to absorb higher default losses and obtain preferential funding options. The industry is rapidly digitising product offerings and Thorn's Asset Finance business needs to make further capital investments in digital assets and platforms to achieve scale without any certainty that this will be achieved against the current competitive environment.

Thorn's warehouse facility is currently available until 10 August 2023. Thorn is in the process of negotiating a renewal with its funders. There is a risk that Thorn may not be able to negotiate an extension to the current Warehouse facilities, or that the extension is not on preferred terms. If agreement is not reached with the funders, further receivables are not able to be sold into the facility, and the portfolio will amortise down for as long as the underlying receivables are payable.

2.10 DETAILED REASONS WHY YOU MAY CHOOSE TO VOTE AGAINST THE PROPOSED TRANSACTION (DISADVANTAGES OF THE PROPOSED TRANSACTION)

2.10.1 You may disagree with the Independent Director's recommendation and the Independent Expert's conclusion

In recommending you vote in favour of the Proposed Transaction, the Independent Director and Independent Expert have made judgements regarding future events which cannot be predicted with certainty and which may prove inaccurate.

You may hold a different view. You are not obliged to follow the recommendation of the Independent Director or the conclusion of the Independent Expert that the Proposed Transaction is in the best interests of Thorn Shareholders.

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

2.10.2 You may consider there is potential for an alternative proposal to emerge

You may consider that it is possible that a proposal (be it an alternative proposal for the Asset Finance Business, the whole of Thorn, or otherwise) that is more attractive than the Proposed Transaction could materialise in the future.

The IBC believes that there is no realistic alternative proposal and, as at the date of this Explanatory Memorandum, is not aware of any alternative proposal that exists.

2.10.3 You may believe that Thorn should continue to operate the Asset Finance Business rather than sell it to Resimac

If the Proposed Transaction proceeds, Thorn will no longer have the Asset Finance Business.

You may consider that it is in Thorn's interests to continue to operate the Asset Finance Business. The Proposed Transaction involves Thorn selling its main undertaking, which may not be consistent with the investment objectives of all Shareholders.

2.10.4 Scale of the Company post the Proposed Transaction and Liquidity of the Shares

As the Proposed Transaction involves the disposal of the Company's main business undertaking, the scale of the Company after the Proposed Transaction will be materially reduced and the liquidity of shares in the Company may potentially decrease. In turn this may affect the valuation of the Shares and the ability of Shareholders to trade their Shares after completion of the Proposed Transaction.

2.10.5 Ability to raise future funding

If the Proposed Transaction proceeds, there may be potential disadvantages arising from the need for Thorn to seek future funding in an economic environment which may be prejudicial to Thorn's ability to raise funding.

2.10.6 There are risks associated with the profile of Thorn post implementation of the Proposed Transaction

If the Proposed Transaction proceeds, there will be a change in the risk profile to which Thorn Shareholders are exposed, as a result of Thorn no longer having the Asset Finance Business. Thorn will commence a staged transition of its business with a focus on active investments in the non bank financial services sector that align with Thorn's core business strategy as a diversified small business focused financial services organisation. Refer to Section 6.7.1 for further information.

2.11 TAX CONSEQUENCES

Refer to Section 7.1 for further information.

Section 7.1 is a general statement as to the likely Australian tax consequences for Thorn Shareholders. However, it is not intended to provide taxation advice in respect of the particular circumstances of any individual Thorn Shareholder. It is strongly recommended that Thorn Shareholders should obtain their own taxation advice with respect to the Proposed Transaction, the Special Dividend and the proposed Capital Return.

2.11.1 Tax implications for Thorn

No adverse tax consequences are expected to arise for Thorn from implementing the Proposed Transaction.

2.11.2 Tax implications for Thorn's Shareholders

Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising under the laws of their country of residence.

2.12 INDEPENDENT DIRECTOR'S RECOMMENDATIONS

Please refer to the Letter from the IBC Chair and Section 4.9 for further details.

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

3. Key Questions Answered

Set out below are summary answers to some questions that Thorn Shareholders may have in relation to the Proposed Transaction, the Special Dividend and the proposed Capital Return. This information is a summary only and should be read in conjunction with the remainder of this Explanatory Memorandum.

QUESTION	ANSWER
A. QUESTIONS ABOUT THE PROPOSED TRANSACTION	
Why have I received this Explanatory Memorandum?	The Proposed Transaction will involve Resimac acquiring Thorn's Asset Finance Portfolio. As the Proposed Transaction involves Thorn disposing its main undertaking and is a related party transaction, it requires Thorn Shareholders' approval under Listing Rules 10.1 and 11.2 and Chapter 2E of the Corporations Act. This Explanatory Memorandum is intended to

	help you, as a Thorn Shareholder, decide how to vote on the Resolution relating to the Proposed Transaction.
What is the Proposed Transaction?	The Proposed Transaction involves RAF, a wholly owned subsidiary of Resimac, acquiring the Asset Finance Portfolio from TAPL and Thornmoney. If Thorn Shareholders approve Resolution 3 and if the other conditions in the Transaction Documents are satisfied or waived, it is proposed that the cash proceeds from the Proposed Transaction will be returned to Thorn Shareholders via a combination of the Special Dividend and the proposed Capital Return. See Section 4 & 5 for further information.
Who is Resimac and why are they a related party?	Resimac is a residential mortgage and asset finance lending business, distributing prime and specialist products across multiple channels. The Resimac Group operates in Australia and New Zealand, originating and servicing a loan portfolio and operating a global funding program. Resimac and its wholly owned subsidiary, RAF, are related parties of Thorn as both Thorn and Resimac are controlled by a common shareholder, Somers. Somers currently has voting power in Thorn of 49.34% (based on its last substantial shareholder notice lodged with ASX on 27 July 2022). This classifies Somers as a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder of Thorn for the purposes of Listing Rule 10.1.3. Somers also controls Resimac with an approximate 60% shareholding. Somers and Resimac would therefore be associates for the purposes of the Listing Rules. Mr McLeland also acts as the Chairman of Resimac and is an associate of a related party.
What has the Independent Expert said?	The Independent Expert has concluded that the Proposed Transaction is fair and reasonable and in the best interests of Thorn Shareholders. The Independent Board Committee encourages you to read the complete Independent Expert Report, which is set out in Section 9. The Independent Expert Report is also available on Thorn's website and can be requested (at no cost) from Computershare on +61 (0)3 9415 4000 or 1300 850 505 (within Australia).
When will the Proposed Transaction be implemented?	Subject to Resolution 3 being passed and the satisfaction or waiver of any conditions precedent under the Transaction Documents, the Proposed Transaction will be implemented on the Completion Date (which is currently expected to be 1 September 2023). Refer to page iv for the current indicative timetable (which is subject to change).
What will be the effect of the Proposed Transaction?	Thorn will no longer have the Asset Finance Portfolio, which is to be acquired by Resimac as part of the Proposed Transaction Refer to Section 2 for further information of the Proposed Transaction (including Financial Benefits) and summary of Transaction Documents. Thorn will remain listed on the ASX. Eligible Thorn Shareholders will receive the Special Dividend and the proposed Capital Return. Refer to Sections 4.4 & 5 for further information.
Will Thorn remain listed on the ASX?	Yes, Thorn will remain listed on the ASX, whether the Proposed Transaction is implemented or not. However, as the Proposed Transaction involves the disposal of Thorn's main undertaking, if the Proposed Transaction proceeds there will be a change in the risk profile to which Thorn Shareholders are exposed. Refer to Section 6.8.2 for further information.
What is the value of the financial benefit, basis of the valuation and principal assumptions behind the valuation?	As set out in the fairness section of the Independent Expert's Report, Grant Thornton has concluded that no financial benefit is provided to the Related Party due to the following: • The Adjusted Purchase Price payable by Resimac, net of the expenses to be incurred to wind-down the asset finance business, is at a premium to the value of the Warehouse Asset Finance Portfolio in the audited accounts as at 31 March 2023 and in the management accounts of Thorn ("Management Accounts") as at 31 May 2023. • Grant Thornton has estimated the net asset value ("**NAV**") per share of Thorn following completion of the Proposed Transaction under an orderly realisation approach to be between A$1.71 and A$1.74 per share (net of the expenses to be incurred by Thorn to wind-down the equipment finance business and before the payment of the proposed Capital Return and Special Dividend). Grant Thornton has indicated that this is at a significant premium to the trading prices before the announcement of the Proposed Transaction.

	• Grant Thornton has estimated that the value of Thorn after the Proposed Transaction under an orderly realisation approach implies a P/NA multiple between 1.17x and 1.19x based on the audited balance sheet as at 31 March 2023. Grant Thornton has indicated that this compares favorably with the same P/NA multiples of listed peers and comparable transactions. The above is an incomplete abstract of the conclusion of the Independent Expert Report, the Independent Board Committee encourage you to read the complete Independent Expert Report set out in Section 9.
Why is Thorn undertaking the Proposed Transaction?	The financial services industry is facing several challenges including higher loan defaults as a result of increasingly challenging economic conditions, higher inflation and a prolonged period of interest rate rises. Thorn's Asset Finance business has additional challenges of growing to scale in a highly competitive market where competitors at scale have a greater capability to absorb higher default losses and obtain preferential funding options. The Independent Expert notes that the Completion of the Proposed Transaction (refer page 8 of the Independent Expert Report) will avoid downside potential which may arise from the current macroeconomic environment noted above (refer page 6 of the Independent Expert Report), allows Thorn to monetise the Warehouse Asset Finance Portfolio at a premium to the value reported in its audited accounts as at 31 March 2023. The Independent Expert notes – "*The Proposed Transaction will effectively deliver to the Non-Associated Shareholders a balance sheet comprised largely of cash and other liquid investments which is substantially consistent, from a value perspective, with the reported net assets, which represents a control value. The net assets per share after the Proposed Transaction on an orderly realisation basis is also at a significant premium compared with the trading prices*" (refer page 7 of the Independent Expert Report).
Are there any potential disadvantages associated with the Proposed Transaction?	While the Independent Director recommends that you vote in favour of Resolution 3 for the reasons described in Section 2.9, Thorn Shareholders should be aware of the potential reasons to vote against the Proposed Transaction and disadvantages associated with the Proposed Transaction proceeding, as described in Section 2.10. Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.
Are there any risks for me if the Proposed Transaction proceeds?	Yes. You will continue to be exposed to the risks of an investment in the Thorn Shares. In addition, there will be additional risks associated with the change in risk profile of Thorn as a result of no longer operating the Asset Finance business. Refer to Section 6.8.
What will happen if the Proposed Transaction does not proceed?	If Resolution 3 is not approved by Thorn Shareholders, the Proposed Transaction will not be implemented, the Special Dividend will not be declared or paid, the proposed Capital Return will not be implemented and Thorn will continue to operate the Asset Finance Business. See Section 4.8 for further details.
Under what scenarios can Resimac or Thorn terminate the Proposed Transaction?	The Sale and Purchase Deed provides for various circumstances where either Resimac or Thorn has the right to terminate that agreement and thereby withdraw from the Proposed Transaction. These include if any of the conditions precedent are not satisfied or waived, or if any party is in material default under the Sale and Purchase Deed and fails to remedy the default by the earlier of 10 business days of a request to do so or Completion.
What is the Special Dividend?	Subject to implementation of the Proposed Transaction, it is proposed that eligible Thorn Shareholders receive a fully franked Special Dividend of approximately $0.19 per Thorn Share. The Special Dividend will be paid on 22 September 2023. Thorn Shareholders should note that if Resolution 3 is not passed by the requisite majority, the Proposed Transaction will not proceed and the Thorn Board does not intend to declare or pay any Special Dividend in that circumstance.
Will the Special Dividend be franked?	It is expected that the Special Dividend will be fully franked.
What is the proposed Capital Return?	It is the equal reduction of capital and return to Shareholders of up to $0.26 per Share as described in Resolution 4. Please refer to Section 5 for further details.

Has Thorn received an alternative proposal from another party?	No. As at the date of this Explanatory Memorandum Thorn has not received an alternative proposal to the Proposed Transaction from another party.
B. QUESTIONS ABOUT INDEPENDENT DIRECTOR'S RECOMMENDATIONS AND INTENTIONS	
Does the Thorn Independent Director recommend the Proposed Transaction?	The Independent Director recommends that Thorn Shareholders vote in favour of Resolution 3 to approve the Proposed Transaction. The recommendations of the Independent Director, and his reasons for those recommendations, are set out in Section 4.9. The Independent Director intends to vote in favour of Resolution 3. (Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.)
C. QUESTIONS ABOUT VOTING AND THE ANNUAL GENERAL MEETING	
What specifically are Thorn Shareholders voting on?	Thorn Shareholders will be voting to approve the Proposed Transaction and other Resolutions as set out in the Notice of Meeting in Section 1.
What is required for Resolution 3 to be approved?	Resolution 3 is an ordinary resolution. For Resolution 3 to be passed, 50% of eligible votes will need to be cast at the Annual General Meeting (online or by proxy, corporate representative, or attorney) in favour of the Resolution. With respect to Resolution 3, for the purpose of Listing Rules 10.1 and 11.2, Somers Limited, Resimac Group Limited, Resimac Asset Finance Pty Ltd and their Associates (and any other person who will obtain a material benefit as a result of the Proposed Transaction (except for a benefit solely by reason of being a Thorn Shareholder) and their Associates) are excluded from voting on the Resolution. Somers Limited and its Associates will also be excluded from voting for the purpose of section 224(1) of the Corporations Act.
If I wish to support the Proposed Transaction, what should I do?	If you wish to support the Proposed Transaction, you should vote in favour of Resolution 3 to approve the Proposed Transaction, by attending the Annual General Meeting.
What if I cannot attend the Annual General Meeting?	If you cannot attend the Annual General Meeting online, you can still vote (if you are eligible to vote) on the Resolution by appointing an attorney or corporate representative or by completing, signing and returning your proxy form, which accompanies this Explanatory Memorandum, in accordance with the instructions on the form and the Notice of Meeting. Proxy forms must be received by the Share Registrar by no later than 2.00pm (AEST) 29 August 2023 (being 48 hours before the commencement of the Annual General Meeting).
When will the results of the Annual General Meeting be known?	The results of the Annual General Meeting will be available shortly after its conclusion and will then be released to the ASX.
What are my options?	As a Thorn Shareholder who is eligible to vote on of Resolution 3, your options are to: ▪ vote (online, by attorney or corporate representative or by proxy) in favour of Resolution 3 at the Annual General Meeting to be held on Thursday, 31 August 2023 to approve the Proposed Transaction; or ▪ vote (online, by attorney or corporate representative or by proxy) against or abstain from voting, in respect of the Resolution at the Annual General Meeting to be held on Thursday, 31 August 2023 to approve the Proposed Transaction; or ▪ do nothing.
How do I know if I am eligible to vote on the Resolution?	You may vote at the Annual General Meeting if you are on the Thorn Share Register at 6.00pm (AEST) on Tuesday, 29 August 2023. Only Somers Limited, Resimac Group Limited, Resimac Asset Finance Pty Ltd and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a Thorn Shareholder) and their Associates have voting exclusions applied to their votes on the Resolution.
D. GENERAL QUESTIONS	
What are the tax implications of the Proposed Transaction for existing Thorn Shareholders?	A general description of the tax implications of the Proposed Transaction are included in Section 7.1.

What are the tax implications of the Proposed Transaction for Thorn?	The Group does not expect to have a tax liability arising from the transaction.
Can I sell my Thorn Shares now?	You can sell your Thorn Shares at any time. However, if Resolution 4 is passed, if you sell your Thorn Shares on market before 6.00pm (AEST) on 6 September 2023 and if the Proposed Transaction completes, you will not be entitled to the Capital Return. If you sell your Thorn Shares on market before 6.00pm (AEST) on 7 September 2023, if the Proposed Transaction completes and the Thorn Board declares the Special Dividend, you will not receive the Special Dividend.
What should I do now?	You should: ▪ read this Explanatory Memorandum (including the Independent Expert Report) in full before making any decision on the Proposed Transaction; ▪ if necessary, obtain professional financial or legal advice, as this Explanatory Memorandum does not take into account the financial situation, investment objectives and particular needs of any individual Thorn Shareholder; ▪ determine whether and how you wish to vote on the Resolution; and ▪ if you wish to vote on the Resolution, vote at the Annual General Meeting in person, or by attorney, corporate representative or proxy.
Further questions?	If you have any questions about the Proposed Transaction, or you would like to request hard copies of this Notice of Meeting (including the Explanatory Memorandum and the Independent Expert Report) or proxy form (at no cost), please contact Computershare on +61 (0)3 9415 4000 or 1300 850 505 (within Australia).

4. Proposed Transaction and Resolution 3

4.1 OVERVIEW

The Meeting referred to in this Explanatory Memorandum is being held to deal with the customary items of business for the Annual General Meeting and so that Thorn Shareholders can consider the Resolution to approve the Proposed Transaction under Listing Rules 10.1 and 11.2 and Chapter 2E of the Corporations Act.

4.2 LEGAL AND REGULATORY REQUIREMENTS

Resolution 3 seeks the approval of Thorn Shareholders to the Proposed Transaction, for the purposes of Listing Rules 10.1 and 11.2 and Chapter 2E of the Corporations Act.

4.2.1 Listing Rules 11.2 & 12

Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Directors consider the Proposed Transaction to be a disposal of Thorn’s main undertaking for these purposes.

The Resolution seeks the required shareholder approval to the Proposed Transaction under and for the purposes of Listing Rule 11.2.

If the Resolution is passed, Thorn will be able to proceed with the Proposed Transaction and the consequences outlined in Section 4.7 will follow.

If the Resolution is not passed, Thorn will not be able to proceed with the Proposed Transaction and the consequences outlined in Sections 2.8 and 4.8 will follow.

In advance of signing the Sale and Purchase Deed, Thorn approached ASX and has advised the ASX that completion of Proposed Transaction constitutes a significant change to the nature or scale of Thorn's activities and the disposal of Thorn's main undertaking.

ASX has confirmed that it has accepted Thorn’s submissions regarding Listing Rule 12.1 and 12.2 and confirmed that Thorn has been given a six month grace period following exchange of the Sale and Purchase Deed on 20 June 2023 in which to identify and make an announcement of its intention to undertake new investment activities in the non-bank financial services sector. If Thorn proposes any further transaction (such as purchase of assets or undertakings) in the 12 months from 20 June 2023, Thorn must first consult with ASX.

During the six month grace period, Thorn must show evidence to ASX as to how it is satisfying Listing Rule 12.1 and

12.2 requirements, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued listing and continued quotation of its securities. If Thorn does not satisfy ASX of compliance within the six month grace period, ASX can immediately suspend Thorn (including before the expiry of the six month grace period where ASX considers that necessary.

4.2.2 Listing Rule 10.1 Approval

Listing Rule 10.1 provides:

An entity must ensure that neither the entity, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes of or agrees to dispose of a substantial asset to, any of the following persons without the approval of the holders of the entity's ordinary securities.

- 10.1.1 A related party of the entity
- 10.1.2 A child entity of the entity.
- 10.1.3 A person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the entity.
- 10.1.4 An associate of a person referred to in rules 10.1.1 to 10.1.3.
- 10.1.5 A person whose relationship to the entity or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the Proposed Transaction should be approved by security holders.

Thorn considers that the Proposed Transaction constitutes a sale of a substantial asset of Thorn for the purpose of this Listing Rule.

Somers Limited (**Somers**) currently has voting power in Thorn of 49.34% (based on its last substantial shareholder notice lodged with ASX on 27 July 2022). This classifies Somers as a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder of Thorn for the purposes of Listing Rule 10.1.3. Somers also controls Resimac with an approximate 60% shareholding. Somers and Resimac would therefore be associates for the purposes of the Listing Rules.

As an associate of a related party, Resimac Group Limited and Resimac Asset Finance Pty Ltd are excluded from voting on Resolution 3 (neither entity is a shareholder in Thorn).

Mr McLeland is not a shareholder in Thorn, however as an associate of a related party, he would otherwise be excluded from voting on Resolution 3. Mr McLeland will not derive any benefit from the sale of Thorn's Asset Finance portfolio other than in his capacity as a shareholder in Resimac.

Accordingly, shareholder approval is required to be obtained for the purpose of Listing Rule 10.1.

4.2.3 Approval under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party, the public company must either obtain member approval (and give the benefit within 15 months of member approval) or the giving of the benefit must fall within an exception in sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act allows a public company to provide a financial benefit to a related party without member approval if the financial benefit is given on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in the preceding bullet point.

Two of Thorn's three directors (Mr McLeland and Dr Sullivan) were nominated by Somers and elected by Thorn Shareholders at the 2019 Annual General Meeting. For the purpose of section 50AA of the Corporations Act, Somers controls Thorn and is a related party of Thorn. Due to Somers' approximate 60% shareholding in Resimac, Somers and Resimac would also be considered Associates for the purposes of the Corporations Act. While the IBC considers that the Proposed Transaction is on arms' length terms, in the circumstances, the Independent Director considers it appropriate that the Proposed Transaction be separately approved by Thorn Shareholders under Chapter 2E of the Corporations Act.

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

4.2.4 Voting exclusions

For various reasons, some Shareholders may not be allowed to vote on the Resolutions set out in the accompanying Notice of Meeting. Please refer to the voting exclusion statement set out in the Notice of Meeting set out in Section 1 in accordance with Listing Rule 14.11 and section 224(1) of the Corporations Act.

4.3 INDICATIVE TIMETABLE

Subject to the Listing Rules requirements, the Company anticipates implementation of the Proposed Transaction and payment of the Special Dividend in accordance with the timetable set out on page iv.

4.4 USE OF PROCEEDS FROM THE PROPOSED TRANSACTION

Subject to the implementation of the Proposed Transaction, it is proposed that eligible Thorn Shareholders receive a fully franked Special Dividend of $0.19 and a Capital Return of $0.26 per Thorn Share. Eligible Thorn Shareholders will receive the payment of a Capital Return of $0.26 per Share on or around 13 September 2023. The Special Dividend will be paid to all persons registered as Thorn Shareholders as at the Special Dividend Record Date expected to be 6.00pm (AEST) on 6 September 2023. The distribution amount is expected to be approximately $15.7 million.

Thorn intends to retain the remaining cash and investment assets of the business of approximately $35 - $37 million as working capital to fund growth of the future business model.

Thorn Shareholders should note that if Thorn Shareholders do not approve the Proposed Transaction, or the Proposed Transaction does not proceed, the Thorn Board does not intend to declare or pay any Special Dividend or implement the proposed Capital Return.

4.5 EFFECT OF THE PROPOSED TRANSATIONS ON THORN

4.5.1 Effect on Thorn's share structure

There will be no changes to any Shareholder's Shareholding in the Company due to the Proposed Transaction, the Special Dividend or the proposed Capital Return.

4.5.2 Effect of control of Thorn

There will be no changes to the control of Thorn due to the Proposed Transaction, the Special Dividend (as the DRP would not apply to the Special Dividend) or the proposed Capital Return.

4.5.3 Details of change to Thorn Board & Senior Management

There will be no changes to Thorn Board as part of, or in connection with, the Proposed Completion.

- Warren McLeland will continue his role as Non-Executive Director and Chair;
- Paul Oneile will continue his role as Independent Non-Executive Director and Deputy Chair;
- Allan Sullivan will continue his role as Non-Executive Director.

Subject to and following the implementation of the Proposed Transaction, the Special Dividend payment and Capital Return, changes will be made to reflect the changed size and operating model of Thorn's business, including:

- Thorn's Chief Executive Officer and Senior Management team are expected to continue in their current roles until the completion of the Transitional Service Period;
- Post Completion, as part of the staged transition of Thorn's business with a focus on active investments in the non-bank financial services sector, Thorn's Board intends to outsource all operational and administrative functions (including regulatory and financial reporting and all Governance matters) to an independent specialist corporate services organisation appointed by TGI. Directors intend appointing the selected entity as early as possible. Once determined, the decision will be announced to ASX, shareholders and relevant stakeholders.

4.6 FINANCIAL EFFECT OF PROPOSED TRANSACTION ON THORN

The Proposed Transaction, if it is approved by Thorn Shareholders and proceeds to Completion, is anticipated to have the following effect (using the consolidated financial statements of the Company as at 31 March 2023):

Measure '$000s	Before the effect of the Transaction (A)	Pro forma position without Asset Finance Portfolio (B)	Percentage change (B-A) / A
Consolidated total assets	$175,279	$21,385	(88%)
Consolidated total equity interests	$50,973	$16,681	(67%)
Consolidated revenue (12 months to 31 March 2023)	$15,333	$819	(95%)
Consolidated EBIT (12 months to 31 March 2023)	$6,778	($772)	(111%)
Consolidated profit before tax (12 months to 31 March 2023)	$2,537	$3,113*	23%

* Includes Profit before tax on discontinued operations (Consumer Finance) of $3,884,000 to 31 March 2023.

An unaudited pro forma balance sheet following implementation of the Proposed Transaction and payment of the Special Dividend and the proposed Capital Return is set out below.

$'000 AUD	Audited March 2023	Un-Audited May YTD 2023	Un-Audited After Transaction before Payment of Special Dividend	Un-Audited After Transaction & Payment of Special Dividend & Capital Return
Assets				
Current assets				
Cash and cash equivalents	28,800	42,556	48,049	37,383
Trade and other receivables	46,775	52,619	7,405	2,303
Prepayments and other assets	2,240	1,285	-	-
Inventories		-	-	-
Income tax receivable	-			
Total current assets	**77,815**	**96,460**	**55,454**	**39,686**
Non-current assets				
Trade and other receivables	94,708	88,244	-	-
Derivative financial instrument	12	651	-	-
Deferred tax assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Financial assets at fair value through other comprehensive income	2,744	8,279	8,279	8,279
Intangible assets	-	-		
Total non-current assets	**97,464**	**97,174**	**8,279**	**8,279**
Total assets	**175,279**	**193,634**	**63,733**	**47,965**
Liabilities				
Current liabilities				
Trade and other payables	4,949	4,943	3,024	3,024
Lease liability	-	-	-	-
Loans and borrowings	-	-	-	-
Employee benefits	2,936	2,797	-	-
Provisions	1,512	1,520	1,500	1,500
Total current liabilities	**9,397**	**9,260**	**4,524**	**4,524**
Non-current liabilities				
Loans and borrowings	114,890	132,276	-	-
Lease liability	-	-	-	-
Employee benefits	19	-	-	-
Derivative financial instruments	-	-	-	-
Provisions	-	-	-	-
Total non-current liabilities	**114,909**	**132,276**	**-**	**-**
Total liabilities	**124,306**	**141,536**	**4,524**	**4,524**
Net assets	**50,973**	**52,098**	**59,209**	**43,441**
Equity				
Issued capital	117,818	117,818	117,818	108,654
Reserves	(1,677)	(1,142)	(1,142)	(1,142)
Retained earnings	(65,168)	(64,577)	(57,466)	(64,072)
Total equity	**50,973**	**52,098**	**59,209**	**43,441**

4.7 IMPLICATIONS OF PROPOSED TRANSACTION PROCEEDING

If the Proposed Transaction proceeds, Thorn will be entitled to the proceeds from the Proposed Transaction, which will be used as set out in Section 4.4 above. Thorn will provide certain transitional services to RAF for a period of approximately three months until 30 November 2023. Further information on the profile of Thorn post-implementation of the Proposed Transaction is set out in Section 6.7.1.

4.8 IMPLICATIONS OF PROPOSED TRANSACTION NOT PROCEEDING

If the Proposed Transaction does not proceed (including as a result of Resolution 3 not being approved by Thorn Shareholders), Thorn will continue to operate the Asset Finance Business.

Thorn will be exposed to challenging economic conditions, higher inflation and interest rate rises leading to higher default rates. Thorn will continue to drive the asset finance business to scale whilst competing against competitors who have achieved scale. To achieve scale Thorn will need to invest in additional digital assets and platforms via capital expenditure. These digital assets and platforms will be used to drive broker and customer acquisition against the backdrop challenging economic conditions and a competitive market for the Asset Finance in the small to medium business sector.

Thorn Shareholders will retain their current investment in Thorn Shares and in doing so, will continue to retain the benefits of an investment in Thorn as an ASX-listed entity, and will continue to be exposed to the risks presently associated with this investment. These risks include general risks of holding shares and risks that are specific to Thorn's business as described in Sections 6.8.1 and 6.8.2, respectively.

Finally, if the Proposed Transaction does not proceed, neither the advantages of the Proposed Transaction outlined in Section 2.9, nor the potential reasons to vote against the Proposed Transaction outlined in Section 2.10, will be relevant to Thorn Shareholders. In particular, the Thorn Board will not declare or pay the Special Dividend or implement the proposed Capital Return if the Proposed Transaction does not proceed.

4.9 INDEPENDENT DIRECTOR'S RECOMMENDATION AND VOTING INTENTIONS

The Independent Director recommends, after carefully considering each of the advantages and disadvantages of, and risks associated with, the Proposed Transaction and having regard to the conclusion of the Independent Expert and independent advice, that Thorn Shareholders should vote in favour of the Proposed Transaction.

In reaching his recommendation, the Independent Director has had regard to a range of factors, including those set out in Section 2.9 above.

The IBC recommend that all Thorn Shareholders read and carefully consider all the material set out in this Explanatory Memorandum before deciding how they will vote, including the Independent Expert Report on the merits of the Proposed Transaction set out in Section 9.

The Independent Director intends to vote in favour of the Proposed Transaction, in respect of any Thorn Shares held by him or in which he otherwise has a relevant interest. The Independent Director does not have any material personal interest in the outcome of Resolution 3 other than as a result of his interest arising solely in the capacity of Thorn Shareholders, as set out in Section 6.6.3.

Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.

5 Return of Capital to Shareholders and Resolution 4

5.1 BACKGROUND

As has been previously communicated to Shareholders, Thorn's directors are constantly looking at ways to return capital that is surplus to the Company's operating requirements where appropriate. Subject to Shareholders approval of Resolution 4 and completion of the Proposed Transaction, Thorn's directors consider that the Company will have capital in excess of what is immediately required to implement the Company's new operating model.

For that reason, the Company intends to distribute the sale proceeds from the Proposed Transaction to Shareholders by way of a combination of Special Dividend and Capital Return.

Payment of the Special Dividend does not require Shareholder approval. The proposed Capital Return will be effected in accordance with sections 256B and 256C of the Corporations Act. The Corporations Act requires the Company to obtain the approval of Shareholders by ordinary resolution for an equal capital reduction in its share capital.

Subject to:
- Resolution 3 being passed;
- Completion of the Proposed Transaction; and
- Exercise of the Board's discretion as to the exact final distribution amount,

The Board estimates that the total amount of the distribution will be up to $15.7 million, of which up to $6.6 million will be distributed as a fully franked Special Dividend, and the balance of $9.1 million will be distributed as an equal return of capital.

The proposed cash distribution to Thorn Shareholders is consistent with the Company's strategy to reduce excess capital, while maintaining an appropriate level of cash to support the Company's operations.

If the Capital Return proceeds, the payment is expected be made to all Shareholders on 13 September 2023 who hold Shares as at 10:00am (AEST) on 6 September 2023 (**the Capital Return Record Date**). The Capital Return Record Date is subject to change.

Any fraction of a cent payable to any Shareholder in respect of that Shareholder's aggregate holding of Shares will be rounded up to the nearest whole cent.

If Resolution 3 is approved but Resolution 4 is not approved, the Board reserves the right to deal with the cash consideration from the Proposed Transaction as it considers appropriate.

5.2 REASONS FOR THE PROPOSED CAPITAL RETURN

The purpose of the proposed Capital Return is to return to Shareholders as much as possible the sale proceeds from the Proposed Transaction subject to the ongoing requirements of the Company.

Thorn's Directors consider that the proposed Capital Return is in the best interests of Shareholders for the following reasons:

- it will enable the Company to return the direct benefits of the Proposed Transaction to its Shareholders;
- there are no transaction costs for Shareholders, Shareholders participating in the proposed Capital Return will be able to do so without incurring transaction costs;
- each Shareholder will retain their current ownership interest in the Company pursuant to the terms of the proposed Capital Return; and
- the combination of the Special Dividend and the proposed Capital Return will maximise capital returns to Shareholders while not inhibiting the strategic direction of the Business while the Company progresses its new strategic model.

There may be disadvantages associated with the proposed Capital Return:

- following the implementation of the proposed Capital Return, the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the capital base is currently in excess of the Company's requirements for its new operating model;
- In pursuit of the Company's new strategy, you may consider that the Company should retain the sale proceeds from the Proposed Transaction. However, the Directors have concluded that this capital management initiative will not prejudice the ability of the Company to pursue its new strategy.

5.3 STATUTORY REQUIREMENTS

5.3.1 Equal Capital Reduction

The proposed Capital Return constitutes an equal reduction of capital for the purposes of the Corporations Act. This is because:

- it relates only to fully paid ordinary Shares;
- it applies equally to each holder of the Shares in proportion to the number of Shares they hold; and
- the terms of the reduction are the same for each Shareholders.

No Shares will be cancelled in connection with the proposed Capital Return. Accordingly, the proposed Capital Return will not affect the number of Shares held by each Shareholder, nor will it affect the control of Thorn.

Entitlements under the proposed Capital Return will be calculated based on the number of Shares the Company has on issue as at the Capital Return Record Date.

5.3.2 Other Statutory Requirements

An equal capital reduction must comply with the following requirements of the Corporations Act (section 256B):

- the reduction must be fair and reasonable to a company's shareholders as a whole; and
- the reduction must not materially prejudice a company's ability to pay its creditors.

The Board is satisfied that these requirements will be met, noting that the proposed Capital Return will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares they hold as at that date and that the proposed Capital Return will be paid out of surplus capital.

The proposed Capital Return requires approval by an ordinary resolution of Shareholders (section 256C).

In accordance with section 256C(5) of the Corporations Act, a copy of this Notice of Meeting(including the Explanatory Memorandum) has been lodged with ASIC. Further notifications will be lodged with ASIC in due course if the resolutions are passed.

5.4 EFFECT OF CAPITAL RETURN ON THORN

5.4.1 Impact on capital structure and financial position

If the proposed Capital Return is approved and implemented (and subject to and conditional upon the passing of Resolution 3), Thorn's Shares may trade at a lower price than they would have if the Capital Return had not been made. This is due to the return of funds to Shareholders and the consequent reduction in Shareholders' funds held by the Company.

In determining whether to recommend the proposed Capital Return, the Board has reviewed Thorn's assets, liabilities and expected cash flows. The Board considers that the proposed Capital Return is fair and reasonable to Shareholders as a whole and will not materially prejudice Thorn's ability to pay its creditors or its solvency position.

If the proposed Capital Return is not approved, the Board reserves the right to deal with the excess capital as it considers appropriate, including holding the excess capital in reserve until such time as a strategic investment opportunity or an alternative capital management initiative on more favourable terms than the proposed Capital Return is identified or otherwise becomes available to the Company.

5.4.2 Impact on new business strategy

Having regard to Thorn's present balance sheet and cash flow position, together with the amount of sale proceeds from the Proposed Transaction, the Board is of the opinion that, undertaking the proposed Capital Return will not materially prejudice Thorn's ability to fund its new operating model or to take advantage of value accretive opportunities which may arise.

5.4.3 Effect on the Company's ability to pay its creditors

The Company has assessed the impact of the proposed Capital Return on the Company's ability to pay its creditors. The assessment concluded that the payment to Shareholders of the proposed Capital Return would not materially prejudice the Company's ability to pay its creditors and the Company will have sufficient cash reserves to pay its creditors following payment of the proposed Capital Return.

5.4.4 Tax implications for Thorn

No adverse tax consequences are expected to arise for Thorn from implementing the proposed Capital Return.

6 Profile of Thorn Group

6.1 INTRODUCTION

Thorn was incorporated as a proprietary company limited by shares on 23 January 1996. Thorn was converted to a public company limited by shares and became an ASX listed entity (ASX:TGA) on 3 November 2006.

Thorn is a diversified financial services company providing funding solutions for small to medium business. Until late 2021, Thorn also operated a consumer lending business, branded as Radio Rentals. The Radio Rentals business was sold in December 2021 to Credit Corp Group Limited. The transitional services agreement with Credit Corp Group Limited ended on 20 December 2022.

In December 2021, Thorn relaunched its Asset Finance business with a focus on providing a digitally powered suite of products for SMEs. In August 2022, Thorn's securitised and rated warehouse facility was successfully restructured and re-commenced utilisation to fund the continued growth of Thornmoney's Asset Finance originations. The warehouse comprises senior notes held by a major Australian bank, mezzanine notes held by a major Australian financial services company, and equity class G notes held by Thorn. Thorn successfully negotiated a funding limit of $200 million.

6.2 OVERVIEW OF OPERATIONS

Thorn Business Finance division consists of Asset Finance and Debtor Finance businesses, now operating under the Thornmoney brand.

Thorn's FY23 Annual Report disclosed:

- Asset finance originations were $118.2m for the year (2022: $21.7m). The asset finance receivables gross balance increased by $39.3m to $149.7m (2022: $110.4m) due to strong originations during the year. The provision reduced to $16.6m (2022: $22.1m). The net receivables balance increased by $43.6m to $133.1m (2022: $88.3m); and

- Invoice finance, providing a line of credit backed by the SME's invoices, amounted to $37.2m in drawdowns for this period (2022: $2.3m). Invoice finance receivables, which are backed by SME invoices, have a $3.4m balance as at 31 March 2023 (2022: $0.3m).

6.3 THORN BOARD

As at the date of this Explanatory Memorandum, Thorn Board comprises:

- Warren McLeland (Non-Executive Director, Chair);
- Paul Oneile (Independent Non-Executive Director); and
- Allan Sullivan (Non-Executive Director).

Biographies of Thorn Directors are contained on Thorn's website, www.thorn.com.au/site/about-us/board-of-directors-and-executive-team.

6.4 THORN'S KEY MANAGEMENT

Thorn's Chief Executive Officer is Pete Lirantzis, who joined Thorn on 10 February 2020. Prior to Thorn, Pete's most recent role was COO at Flexi Group, where he was responsible for product technology and service innovation and enhanced digital capabilities. He was responsible for the implementation of multiple M&A transactions, leveraged growth opportunities and revitalising corporate culture. Pete has 20 years' senior leadership experience including CEO, COO and CIO of an ASX200 listed entity and Executive and Non-Executive Director of Fintech start-ups.

6.5 HISTORICAL FINANCIAL INFORMATION

This Section sets out a summary of historical financial information for the purposes of this Explanatory Memorandum.

The financial statements of Thorn Group Limited for the financial years ending 30 March 2021, 30 March 2022 and 30 March 2023, including all notes to those accounts, can be found in full:

- 2021 Thorn Annual Report (issued to ASX on 30 June 2021)
- 2022 Thorn Annual Report (issued to ASX on 24 June 2022)
- 2023 Thorn Annual Report (released to ASX on 31 May 2023)

These reports can be found on Thorn's website at: www.thorn.com.au/site/investor-information/asx-announcements

6.5.1 Summary P&L for FY23, FY22 and FY21

$'000 AUD	Audited FY2023	Audited FY2022	Audited FY2021
Continuing operations			
Sales revenue			6,037
Interest revenue	14,443	15,490	91,001
Other revenue	890	1,806	7,096
Revenue	15,333	17,296	104,134
Finance lease cost of sales	-	-	(8,414)
Employee benefit expense	(9,290)	(14,137)	(29,295)
Impairment losses on loans and receivables			(26,136)
Reversal of impairment losses on loans and receivables	5,738	19,898	
Marketing expenses	(199)	(359)	(1,223)
Property expenses	(374)	220	(1,408)
Transport expenses			(1,239)
Communication & IT expenses	(1,771)	(3,942)	(6,753)
Printing, stationary and postage			(1,229)
Insurance expenses	(1,901)	(2,601)	(1,628)
Impairment of inventory			(2,527)
Legal expenses	(936)	(1,592)	(3,120)
Other expenses	762	(4,362)	(3,969)
Impairment of intangibles & property, plant and equipment	(583)	(389)	(216)
Net gain on modification of lease liability			1,433
Recovery of impaired loan			1,330
Net gain on sale of financial asset	-	119	
Corporate expense allocated to discontinued operation	-	8,025	
Total operating expenses	**(8,554)**	**880**	**(84,394)**
Earnings before interest and tax ("EBIT")	6,779	18,176	19,740
Fair value gains/(losses) on derivative	(1,106)	1,453	
Finance expenses	(7,020)	(6,764)	(11,344)
Profit/(Loss) before income tax	**(1,347)**	**12,865**	**8,396**
Income tax	-	-	-
Profit/(Loss) after tax for the year from continuing operations*	**(1,347)**	**12,865**	**8,396**
Discontinued operation			
Profit from discontinued operation, net of tax	3,884	19,481	
Profit after tax for the year	**2,537**	**32,346**	**8,396**
Other comprehensive income (OCI) - items that may be reclassified subsequently to profit or loss			
Cash flow hedge reserve movements	-	2,352	
Other comprehensive income – reclassification adjustments			
Cash flow hedge reclassification adjustments	1,369	-	
Other comprehensive income – items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through OCI	(1,677)	-	
Other comprehensive income			2,601
Other comprehensive income for the year	**(308)**	**2,352**	**2,601**
Total comprehensive profit	**2,229**	**34,698**	**10,997**

6.5.2 Balance Sheet at 31 March 2023, 2022 and 2021

$'000 AUD	Audited FY2023	Audited FY2022	Audited FY2021
Assets			
Current assets			
Cash and cash equivalents	28,800	86,760	88,045
Trade and other receivables	46,775	34,984	67,093
Prepayments and other assets	2,240	6,480	2,935
Inventories			128
Income tax receivable	-	-	-
Total current assets	**77,815**	**128,224**	**158,201**
Non-current assets			
Trade and other receivables	94,708	53,600	129,549
Derivative financial instrument	12	-	
Deferred tax assets	-	-	
Property, plant and equipment	-	-	
Financial assets at fair value through other comprehensive income	2,744	-	1,000
Intangible assets	-	-	
Total non-current assets	**97,464**	**53,600**	**130,549**
Total assets	**175,279**	**181,824**	**288,750**
Liabilities			
Current liabilities			
Trade and other payables	4,949	8,810	15,723
Lease liability	-	11	507
Loans and borrowings	-	43,412	78,203
Employee benefits	2,936	5,090	3,951
Provisions	1,512	4,090	1,944
Total current liabilities	**9,397**	**61,413**	**100,328**
Non-current liabilities			
Loans and borrowings	114,890	17,179	88,100
Lease liability	-	-	427
Employee benefits	19	77	170
Derivative financial instruments	-	359	3,721
Provisions	-	-	870
Total non-current liabilities	**114,909**	**17,615**	**93,288**
Total liabilities	**124,306**	**79,028**	**193,616**
Net assets	**50,973**	**102,796**	**95,134**
Equity			
Issued capital	117,818	158,049	157,843
Reserves	(1,677)	5,605	(3,492)
Retained earnings	(65,168)	(60,858)	(59,217)
Total equity	**50,973**	**102,796**	**95,134**

6.6 CAPITAL STRUCTURE

6.6.1 Capital structure

Security	Number
Thorn Shares	34,764,019

The Proposed Transaction and the proposed Capital Return will have no impact on Thorn's capital structure, or the rights and liabilities of Shares.

6.6.2 Substantial shareholders

The details of Thorn's substantial shareholders as at the date of this Explanatory Memorandum are set out below.

Shareholder	Number of Thorn Shares	Percentage
Somers Limited	17,157,163*	49.34%
MOAT Investment Pty Ltd	2,512,021	7.23%
Total	**21,093,893**	**60.68%**

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

6.6.3 Marketable securities of Thorn held by or on behalf of Directors

The details of marketable securities of Thorn held by or on behalf of Directors as at the date of this Explanatory Memorandum are set out below.

Director's name	Thorn Shares held by or on behalf of the Director
Warren McLeland	N/A
Paul Oneile	23,500
Allan Sullivan	24,755
Total	**48,255**

6.7 PROFILE OF THORN FOLLOWING PROPOSED TRANSACTION

6.7.1 Details of Directors' intentions regarding Thorn following Proposed Transaction

In September 2021, Thorn Directors commenced an investment company, Thorn Group Investments Pty Ltd (**TGI**). To date, two investments have been concluded by TGI; Humm Group Limited and MoneyMe Limited.

With the sale of the TAPL and ThornMoney asset finance portfolios to Resimac to be approved by shareholders, Thorn Group Limited (**Thorn**) will commence a staged transition of its business with a focus on active investments in the fintech sector that align with Thorn's core business strategy as a diversified small business focused financial services organisation.

TGI will act as a holding company for all investment activities. Commensurate with the level of activities anticipated to be undertaken by TGI, Thorn intends to conduct an assessment of the functions required to conduct the TGI business to ensure that costs are appropriately managed to meet the operating requirements for an investment company.

TGI will continue to ensure all regulatory, ASX reporting and all Governance matters are completed to the highest quality standards, in full and on time. This will be achieved by outsourcing all those responsibilities to an independent specialist corporate services organisation appointed by TGI. Directors intend appointing the selected entity as early as possible. Once determined, the decision will be announced to ASX and ASIC and of course to all Thorn Shareholders and relevant stakeholders.

TGI will specialise in the non bank financial services segment of the market for the first five years. The investment philosophy applied to Australia will reflect an active, conviction focused management style. In the first two years of operations, target investee companies are expected to be micro to small entities operating in Australian financial markets and where Thorn can play an active role in influencing the operations and improving efficiencies, including by acquiring stakes in the investee companies sufficient to obtain a board seat.

Returns to investors will emanate from the capital growth of TGI's portfolio of investee companies and from dividends expected to be accrued for payment from the end of 2026.

Over time, the intention is to enhance geographic diversification to New Zealand and specific countries in the Asian region including, but not limited to Singapore, Malaysia, Thailand and the South Asia Sub Continent.

Directors consider the longer term outlook for TGI is encouraging. We are evaluating our specialist skills needs at the Board level given future outsourcing and anticipate a 'refresh' will be made in due course as we move into our new operating phase.

6.8 RISK FACTORS

Thorn Shareholders are encouraged to read this Section in its entirety.

Thorn Shareholders are currently exposed to various risks as a result of their investment in Thorn.

If the Proposed Transaction proceeds, there will be a change in the risk profile to which Thorn Shareholders are exposed as a result of the disposal of the Asset Finance Portfolio and Thorn's operations being focused on the staged transition of its business with a focus on active investments in the non-bank financial service sector.

As with all investments, investors should be aware that the market price of Thorn Shares may fall as well as rise. The potential returns of Thorn will be dependent on risks specific to Thorn and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the potential risks discussed in this Section 6.8.

Shareholders should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of Thorn, the Thorn Directors and senior management. Further, investors should note that this description focuses on the risks described below and does not purport to list every risk that Thorn may have now or in the future. No assurances or guarantees of future performance of, profitability of, or payment of dividends by Thorn are given.

6.8.1 General risks relating to holding of Thorn Shares

(a) The price of shares may fluctuate

As an ASX-listed company, Thorn is subject to general market risks that are inherent in all securities listed on a securities exchange.

The price at which Thorn Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of the Company's control and are not attributable to the underlying operations and activities specific to the Company. These factors may cause Thorn Shares to trade at prices below the levels as at the date of this Explanatory Memorandum. It is also likely that the price of Thorn Shares will decrease following the implementation of the Proposed Transaction as a result of the disposal of the Asset Finance Business and payment of the Special Dividend and proposed Capital Return.

Some of the factors which may affect the price of Thorn Shares in addition to the Company's financial position and performance include fluctuations in the domestic and international market for listed stocks, general economic conditions (including interest rates, inflation rates, exchange rates), changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Thorn operates, force majeure events and general operational and business risks.

(b) Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian economy, Thorn's operations and the price of Thorn Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (such as COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on the Artisan Business. Thorn only has a limited ability to insure against some of these risks.

6.8.2 Specific risks associated with Directors' intentions regarding Thorn following the Proposed Transaction (if the Proposed Transaction proceeds)

(a) Future capital requirements

It is proposed that Thorn will retain approximately $35 - $38 million (net of costs) of excess capital not related to the proceeds of the Proposed Transaction if it is implemented. Thorn's ability, on successful implementation of the staged transition of its business, to raise sufficient further capital within an acceptable time frame and on acceptable terms, will vary according to a number of factors including (without limitation) the prospects of new investment opportunities (generating returns higher than target return rates), the results of its operations and broader industry and stock market conditions.

(b) Risks associated with the Transaction Documents

Thorn has entered into the Transaction Documents in respect of the Proposed Transaction which are summarised in Section 2.5. As part of the Transaction Documents, Thorn has agreed to provide certain warranties and indemnities.

While RAF's primary recourse will in most cases be limited to warranty & indemnity Insurance, it is possible that payments for breach may need to be made to RAF.

(c) Thorn may fail to implement its future business strategy successfully

There is a risk that the Company is unable to execute its business strategy and acquisitive growth (through active new investments).

The Company's ability to succeed in active investments in the non-banking financial services sector may be affected by a number of factors, including a) market expectations about the ability of the Company to pay a regular stream of fully franked dividends in the future; b) consistent good performance of the Company's investment portfolio; and c) the Company's maintenance of skilled specialist resources with long-term experience in trading through various market cycles.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing any or all of the Company's business strategies may have an adverse effect on the Company's future financial performance and growth prospects.

(d) Thorn may face increased competition

Thorn's new business will operate in a highly competitive industry that is subject to factors such as a) the market risks of investments declining in value because of economic developments or other events that affect the share market; b) the liquidity risk of being unable to sell investments at a fair price at time the Company requires cash; and c) share price volatility caused by lack of diversity within the portfolio.

Thorn's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by Thorn to maintain its market position or the introduction of new technology that may not be accessible by Thorn. Any deterioration in Thorn's competitive position may result in a loss of market share and a decline in revenue and earnings.

Thorn's business in the immediate future will be subscale for a financial investment company, the balance sheet will be predominantly comprised by cash and listed securities and the Company will continue to incur corporate costs and management expenses, although at a materially reduced amount.

(e) Thorn may be unable to obtain access to funding

There is a risk that Thorn may not be able to raise adequate capital in the future to continue to pursue its business strategy and grow its business.

Volatility in the financial markets could have a material adverse effect on Thorn's ability to fund its business using debt or equity. Thorn's ability to raise additional funds will be subject to, among other things, factors beyond the control of Thorn and its directors, including cyclical factors affecting the economy and share markets generally.

(f) Thorn's information technology systems may fail and cause disruptions to its operations

If Thorn is unable to protect against service interruptions, data corruption, cyber based attacks or network security breaches (which may be out of the Company's control), its operations could be disrupted, despite the IT security program that is in place.

Thorn relies on information networks and systems to process, transmit and store electronic and financial information, to implement a variety of business processes and activities such as financial management and to comply with regulatory, legal and tax requirements. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or other unforeseen events.

Thorn believes it has sufficient IT security controls in place, including encryption; data loss prevention; and role based access controls, however if Thorn's information technology systems suffer severe damage, disruption or shutdown and the Company does not effectively resolve these issues in a timely manner, Thorn's operations may be materially and adversely affected and Thorn may experience delays in various services and reporting financial results.

If Thorn is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to the Company or its customers.

(g) Thorn will no longer have access to a large shared services team

Thorn currently enjoys a shared services team of approximately 30 employees. These supporting employees mainly provide services to the Asset Finance Business. If the Proposed Transaction proceeds, the majority of the shared services employees will be made redundant.

Additionally, in order to commence the staged transition of its business that the Company believes is required to deliver sustained profitability in the future, the ratio of non-revenue-generating versus revenue- generating employees is higher than the current business, which means that overhead costs in the short to medium term are high in relation to the revenue that is currently being generated.

6.8.3 Specific risks associated with Thorn if the Proposed Transaction does not proceed

Thorn Shareholders should be aware that if the Proposed Transaction does not proceed, they will retain their Thorn Shares, however the Thorn Board will not declare or pay any Special Dividend or the proposed Capital Return in those circumstances.

Set out below is a summary of the key risks that Thorn Shareholders will continue to be exposed to if the Proposed Transaction does not proceed and Thorn Shareholders continue to 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.

Financial Risks

Macroeconomic risk	Arises from factors such as inflationary pressures, unemployment, interest rates, lack of income growth, business investment, government policy & spending, the volatility and strength of global and Australian capital markets, currency value and exchange rates.
Credit risk	The risk of loss that arises when a customer or third party fails to pay an amount owing to the Company or a change in customer circumstances or a failure by Thorn to adequately assess and manage credit risk. This may result in credit losses, decreased operating cash flows, increased funding costs and/or reduced access to funding. Thorn is exposed to the risk that its customers do not meet their financial obligations (e.g. their obligation to repay loans) or become insolvent.
Funding risk / Warehouse Facility	The risk that Thorn will not have stable sources of funding in the medium and long term, resulting in the current or prospective risk that it cannot meet its financial obligations, such as payments and collateral needs, as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably. Thorn's warehouse facility is currently available until 10 August 2023. Thorn is in the process of negotiating a renewal with its funders. There is a risk that Thorn may not be able to negotiate an extension to the current warehouse facility, or that the extension is not on preferred terms. If agreement is not reached with the funders, further receivables are not able to be sold into the facility, and the portfolio will amortise down for as long as the underlying receivables are payable.

Non-financial Risks

Strategic risk	The 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.
Operational risks	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes risks such as data, cyber, IT, security, outsourcing and legal.

Cyber, technology & Data risk	The risk of disruption to Thorn's business activities, due to an externally driven crisis, cyber attack, the failure of information technology platforms or system failures and where Thorn's operations are dependent on access to third party technology and data providers to accurately assess customers and provide reliable services (including reporting). If disruption was to occur, Thorn could face significant cost, material data protection issues and/or disruption to its business, operations or financial performance.
Regulatory & Compliance risk:	The risk of legal or regulatory sanctions, financial loss, or loss to reputation that Thorn may suffer as a result of its failure to comply with laws, regulations, and standards of good practice expected of a financial services company.

(a) General market conditions are uncertain in Asset Finance industry

There is no certainty about the general market conditions in the Asset Finance industry, which may lead to a reduced ability to operate the business in a manner that supports the current high standards of execution.

The Asset Finance Industry is facing several challenges including higher loan defaults as a result of increasing challenging economic conditions, higher inflation and interest rate rises. The Thorn Asset Finance business has the additional challenge of growing to scale in a highly competitive market were competitors at scale have a greater capability to absorb higher default losses. The Asset Finance Industry is rapidly digitising product offerings and the Thorn Asset Finance business needs to make further capital investments in digital assets and platforms to achieve scale without any certainty that scale will be achieved against the current competitive environment.

(b) Remuneration from Thorn may further decline

If the Proposed Transaction does not proceed, and Thorn will continue to manage its portfolio of Asset Finance whilst it is not sure if it can extend the current funding facility, Thorn may impose renumeration reductions. This would lead to a reduction in profit for the Asset Finance Business, and therefore the Thorn Group overall.

(c) Thorn will have incurred substantial costs and expended management time and resources for the Proposed Transaction

If the Proposed Transaction does not proceed, Thorn will have incurred substantial costs in respect of a transaction that does not eventuate. This includes a significant proportion of management's time (estimated at six months) as well as legal and other advisory fees.

(d) No other offers for acquisition of the Asset Finance Portfolio are likely to develop

The IBC believes that there is no realistic alternative proposal or acquirer for the Asset Finance Portfolio, as at the date of this Explanatory Memorandum, and is not aware of any alternative proposal that exists, meaning that the offer from RAF is the only proposal.

7 Additional Information

7.1 SUMMARY OF TAX ISSUES FOR AUSTRALIAN THORN SHAREHOLDERS

This section sets out a general summary of the key Australian income tax consequences of the Proposed Transaction, the receipt of the Special Dividend and the proposed Capital Return by Thorn Shareholders. The purpose of the summary is to assist Thorn Shareholders understand the potential Australian tax consequences of the Special Dividend and the proposed Capital Return. The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Explanatory Memorandum. Thorn Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment to the Thorn Shareholders as described in this summary.

This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Thorn Shareholder and is not intended to be advice and should not be relied on as such. The tax consequences arising to Thorn Shareholders will vary depending on their specific profile, characteristics and circumstances. Accordingly, Thorn Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary. The Australian tax consequences outlined below are relevant to Thorn Shareholders who are individuals, companies, trusts and complying superannuation funds that hold their Thorn Shares on capital account for Australian income tax purposes.

This summary does not cover Thorn Shareholders who:

- hold their Thorn Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account;
- may be subject to special rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in securities;
- are 'temporary residents' as that term is defined in section 995-1(1) of *the Income Tax Assessment Act 1997* (Cth);
- change their tax residence whilst holding Thorn Shares;
- are non-residents for Australian income tax purposes and who hold their Thorn Shares as an asset of a permanent establishment in Australia;
- are non-residents for Australian income tax purposes who, together with their associates, hold 10% or more of Thorn Shares;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Thorn Shares; or
- are subject to the Investment Manager Regime under Subdivision 842-I of *the Income Tax Assessment Act 1997* (Cth) in relation to their Thorn Shares.

Any persons who may be subject to tax in any jurisdiction outside Australia should obtain independent professional advice on their particular circumstances.

7.1.1 Australian income tax treatment of Special Dividend

(a) Entitlement to tax offset for franking credits

Thorn Shareholders should include the Special Dividend and the attached franking credits in their assessable income. Generally, a tax offset should be available for franking credits received. However, Thorn Shareholders will not be entitled to obtain a tax offset for the franking credits (and will not be required to include this amount in their assessable income) unless the Thorn Shareholders are 'qualified persons' in relation to the Special Dividend and certain franking integrity measures do not apply.

(b) 'Qualified person' rule

For a Thorn Shareholder to be considered a 'qualified person' in relation to the Special Dividend, the Thorn Shareholder must have held their Thorn Shares 'at risk' for a continuous period (excluding the day of acquisition and the day of disposal) of at least 45 days during a 90-day period (beginning on the 45th day before, and ending on the 45th day after, the day on which the shares become ex-dividend).

A Thorn Shareholder will not be considered to have held their Thorn Shares 'at risk' where the Thorn Shareholder has materially diminished risks of loss or opportunities for gain in respect of the Thorn Shares (i.e. the Thorn Shareholder's net position in relation to the Thorn Shares has less than 30% of those risks and opportunities).

Thorn Shareholders should seek independent professional advice regarding the application of the 'qualified person' rule to their particular circumstances.

(c) Franking integrity rules

The franking integrity rules are intended to prevent abuse of the imputation system, e.g. by streaming franking credits. The rules are complex, and Shareholders should seek independent professional advice regarding the application of the franking integrity rules to their particular circumstances.

7.1.2 Tax implications of Capital Return for Thorn Shareholders

Thorn is in the process of applying to the ATO for a Class Ruling to confirm the income tax consequences of the capital return distribution for Thorn Shareholders. The Class Ruling is expected to confirm that:

- no part of the proposed Capital Return will be treated as a dividend for income tax purposes; and

- instead, the cost base for each Share will be reduced by the amount of the proposed Capital Return for the purposes of calculating any capital gain or loss on the ultimate disposal of that Share. An immediate capital gain will arise for Shareholders where the cost base of a Share is less than the amount of the proposed Capital Return.

The above is subject to confirmation or change in any final Class Ruling issued by the ATO.

Thorn will make the final Class Ruling available on its website as soon as practicable after it is issued by ATO. Thorn will also release an announcement to ASX confirming that the Class Ruling has been issued by the ATO.

7.2 CONSENTS AND DISCLAIMERS

The following parties have given, and have not withdrawn as at the date of this Explanatory Memorandum, their written consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Grant Thornton as Independent Expert;
- MinterEllison as legal adviser to Thorn; and
- Computershare Investor Services Pty Limited as Thorn's Share Registrar.

Each party referred to in this Section 7.2:

- does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based other than a statement included in this Explanatory Memorandum with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than as described in this Explanatory Memorandum with the consent of that party.

8 Glossary

Defined Term	Meaning
AGM	The 2023 Annual General Meeting of Thorn Shareholders proposed to be held on Thursday, 31 August 2023 at 2pm (AEST).
$ or A$	Australian dollars.
Asset Finance Portfolio	The asset finance business operated by Thorn's wholly owned subsidiaries, Thorn Australia Pty Ltd and Thornmoney Pty Ltd.
Associate	Has the meaning given to the term in Listing Rule 19.12 or the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Explanatory Memorandum and Thorn was the designated body (as applicable).
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by ASX, as the context requires.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Capital Return	the equal reduction of capital and return to Shareholders of up to $0.26 per Share as described in Resolution 4.
Capital Return Record Date	6 September 2023.
Chair	the chair of the Meeting appointed by the Directors in accordance with the Company's Constitution.
Company or Thorn	Thorn Group Limited.
Completion	Completion of the Proposed Transaction, in accordance with the terms of the Sale and Purchase Deed.
Completion Date	The date for completion of the Proposed Transaction, estimated to be 1 September 2023.
Constitution	the Constitution of the Company.
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Director(s)	the directors of the Company.
Directors' Report	the report of Directors as included in the Annual Financial Report.
Distribution	Means the Special Dividend and Capital Return presently

	anticipated to be approximately $15.7 million on a combined basis, equating to a payment of Special Dividend of $0.19 per share (totaling approximately $6.6 million) and Capital Return of $0.26 per share (totaling approximately $9.1 million).
DRP	Thorn's Dividend Reinvestment Plan.
Explanatory Memorandum	this document including the Notice of Meeting.
General Meeting or Meeting	The meeting convened by the Notice of Meeting and proposed to be held on Thursday, 31 August 2023 at 11am.
Grant Thornton	Grant Thornton Australia Limited ABN 41 127 556 389 725
Independent Board Committee or IBC	The Committee detailed on page 1.
Independent Director	Mr Paul Oneile. (Mr McLeland and Dr Sullivan do not make a recommendation on whether or not Thorn Shareholders should vote on the Proposed Transaction for the reasons set out on page 1.)
Independent Expert	Grant Thornton.
Independent Expert's Report	the report prepared by the Independent Expert which is contained in Section 9.
Listing Rules	The listing rules of the ASX.
Notice of Meeting	the notice of Annual General Meeting included in this Explanatory Memorandum.
Proposed Transaction	The transaction (and other arrangements) summarised in Sections 2 and 4.
RAF	Resimac Asset Finance Pty Ltd ACN 098 034 041.
Resimac	Resimac Group Limited ACN 095 034 003.
Sale and Purchase Deed	The deed entered between TAPL, Thornmoney and RAF in relation to the Proposed Transaction summarised in Section 2.
Section	a section in this Explanatory Memorandum.
Share Registrar or Computershare	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Special Dividend	a fully franked dividend of approximately $0.19 per Thorn Share or approximately $6.6 million in aggregate which may be paid by Thorn on the Special Dividend Payment Dates to Thorn Shareholders registered as such as at the Special Dividend Record Date.
Special Dividend Ex Date	the date on which Thorn Shares start trading ex entitlement to the Special Dividend, expected to be 9.00am (AEST) on 6 September 2023.
Special Dividend Payment Date	the date for payment of the Special Dividend, expected to be 22 September 2023.
Special Dividend Record Date	the date for determining entitlements to the Special Dividend, expected to be 6 September 2023.
TAPL	Thorn Australia Pty Ltd ACN 008 454 439.
Thornmoney	Thornmoney Pty Ltd ACN 648 650 711.
Transaction Documents	the Sale and Purchase Deed and the Transitional Services Agreement as described in Section 2.
Transitional Services Agreement	The transitional services agreement between TAPL, Thornmoney and RAF whereby TAPL and Thornmoney will provide transitional services to RAF for a period of 3 months after Completion.
Thorn Board	the Board of Directors of Thorn.
Thorn Directors or Directors	the directors of Thorn.
Thorn Group	Thorn and its subsidiaries.
Thorn Shareholder	a person who is registered in the Thorn Share Register as the holder of at least one Thorn Share.
Thorn Share Register	the register of members of Thorn maintained by Thorn in accordance with the Corporations Act.
Thorn Shares	fully paid ordinary shares in the capital of Thorn.

9 Independent Expert's Report

Thorn Group Limited

Independent Expert's Report and Financial Services Guide

21 July 2023

#10187094v1

Paul Oneile
Independent Director
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21 July 2023

Dear Sir

Independent Expert's Report and Financial Services Guide

Introduction

Thorn Group Limited ("Thorn" or the "Company") is a financial services company providing commercial finance to small and medium enterprises ("SME"). The Company is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$38 million as at 30 June 2023.

The main focus of the business is equipment finance via Thornmoney Pty Ltd ("Thornmoney") which was launched in late 2021 with the aim of attracting customers of improved credit quality and asset mix relative to the legacy Thorn Equipment Finance ("TEF") loan book held by Thorn Australian Pty Ltd ("TAPL"). Thorn's gross receivables of A$149.7 million as at 31 March 2023 ("Asset Finance Portfolio") was partially funded via a secured warehouse facility with a cap of A$200 million ("Warehouse Facility") and held in a special purpose vehicle ("Warehouse Trust"). The receivables which do not meet the criteria to be sold into the Warehouse Trust are on balance sheet, equity funded by Thorn ("On-Balance Sheet Receivables"). In addition, the Company has an in-pilot invoice finance business with receivables of A$3.4 million as at 31 March 2023 and small investments in ASX listed non-bank financial companies. Somers Limited ("Somers" or "the Related Party") is the major shareholder of the Company with an interest of c. 49.3%[1] of the issued capital.

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

Resimac Group Ltd ("Resimac") is a non-bank lender with a vertically integrated business model providing prime, non-conforming residential and asset finance products in Australia and New Zealand. It has access to a diversified funding platform with multiple warehouse lines. Resimac is listed on the ASX with a market capitalisation of c. A$365 million as at 30 June 2023. Somers is also the major shareholder of Resimac with an interest of c. 62.5%[2] of the issued capital.

On 20 June 2023, Thorn announced that it had entered into a Sale and Purchase Deed ("SPD") with Resimac for the sale of the receivables held in the Warehouse Trust at completion ("Warehouse Asset Finance Portfolio"), which is expected to be the majority of the Asset Finance Portfolio. The key terms of the proposed transaction are outlined below ("Proposed Transaction"):

- Thorn will effectively sell its interest in the Warehouse Trust and Resimac will become the trustee of the legal title in relation to the Asset Finance Portfolio sold to the Warehouse Trust at completion by TAPL and Thornmoney, both being wholly owned subsidiaries of the Company, including ancillary rights and records[3].

- Thorn will transfer the Units[4] and the 15,000 class G Notes in the Warehouse Trust with a face value of A$1,000 per note (or A$15 million) ("Warehouse Notes") to Resimac.

- Resimac will pay the purchase price ("Purchase Price") calculated based on the following:

  - A$15 million being the face value of the equity held by Thorn in the Warehouse Trust via the G notes; plus

  - The balance of the Liquidity Reserve facility and Collection Reserve facility in the Warehouse Trust at date of completion (which was collectively A$2.2 million at 31 March 2023 and A$2.6 million as at 31 May 2023); minus

  - A discount of 1.3% of the amount of the Warehouse Asset Finance Portfolio at completion as adjusted or reduced in accordance with the SPD. The Warehouse Asset Finance Portfolio will exclude defaulted loans which are loans more than 120 days in arrears. No later than five business days after completion, Thorn must notify Resimac of the composition of the Warehouse Asset Finance Portfolio at completion and provide confirmation of the arrears calculation to determine any adjustment to the Purchase Price ("Adjusted Purchase Price"). For certain loans in arrears or originated by certain parties, the discount to the face value may increase materially from 1.3%, but these loans are expected to be a small proportion.

Between 31 March 2023 and 31 May 2023, the On-Balance Sheet Receivables have decreased from a gross amount of A$36.7 million to A$18.3 million and the Warehouse Asset Finance Portfolio has increased from A$113.2 million to A$131.4 million (including new origination). The increase in the Warehouse Asset Finance Portfolio, which will be purchased by Resimac, was achieved thanks to amendments to certain criteria of the Warehouse Trust more in line with market standard in terms of industry and broker concentration. As a result, the cash balance, including cash held in the Warehouse Trust, increased from A$122.5 million as at 31 March 2023 to A$142.1 million as at 31 May 2023.

Based on the Warehouse Asset Finance Portfolio as at 31 May 2023, Thorn has estimated the total Adjusted Purchase Price to be between c. A$17.3 million and A$18.9 million at the low and high end

[2] Based on Somers Limited last substantial shareholder notice lodged with ASX on 30 June 2022.
[3] Excluding the Whitelabel receivables of Thorn.
[4] 10 residual capital units and 1 residual income unit issued by the Warehouse Trust with a nominal value ("Unit").

respectively. The final Adjusted Purchase Price at completion will be different from the estimate provided above as it will depend on the amount of the Warehouse Asset Finance Portfolio, the arrears and other qualitative and quantitative factors of the Warehouse Asset Finance Portfolio at the time.

Subject to the approval and implementation of the Proposed Transaction, it is expected that eligible Thorn Shareholders will receive a payment of approximately A$15.7 million, comprising a capital return of 26.0 cents per share on or around 13 September 2023 (“Capital Return”) and a fully franked special dividend of approximately 19.0 cents per share on or around 22 September 2023 (“Special Dividend”).

On completion, the following will occur:

- Thorn will commence a staged transition of its business with a focus on active investment in the non-banking financial services that align with Thorn's core business strategy as a diversified, small business focused, financial services organisation (“New Strategy”). After the Proposed Transaction and payment of the Capital Return and Special Dividend, Thorn will retain cash and investment assets of approximately A$35 million to A$37 million as working capital to fund the growth of the future business model.

- Thorn and Resimac intend to enter into a Transition Services Agreement (“TSA”) on and prior to completion of the Proposed Transaction for a three-month period to facilitate the transfer of the Asset Finance Portfolio.

- The Company is expected to have c. 33 employees, including Thorn management (“Management”) and the directors of the Company (“Directors”), on or around completion of the Proposed Transaction with only three Directors expected to be retained at the end of the TSA. The majority of the personnel will be made redundant immediately after completion. The Company has estimated redundancy costs at A$2.1 million.

The Proposed Transaction is subject to customary conditions precedent including approval by Thorn shareholders who are not associated with Somers (“Non-Associated Shareholders”) and obtaining relevant third parties’ approval.

The independent director Mr Paul Oneile (“Independent Director”) recommends Non-Associated Shareholders to vote in favour of the resolutions to approve the Proposed Transaction, subject to the positive recommendation of an independent expert and subject to no superior proposal emerging.

Purpose of the report and approach

The Proposed Transaction constitutes the sale of a substantial asset to a related party of a substantial holder in accordance with ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act. Consequently, the Independent Director, Mr Paul Oneile, has commissioned Grant Thornton Corporate Finance Pty Limited (“Grant Thornton Corporate Finance” or “GTCF”) to prepare an independent expert’s report (“IER”) to assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Whilst the IER is required because Resimac and Thorn are related parties and they have a common director, the substance of the Proposed Transaction is that Thorn will sell its main undertaking, being the Asset Finance Portfolio, which will result in the Company ceasing the asset finance lending business with substantially all the employees made redundant. On or shortly after completion, the Company’s balance sheet will mainly be represented by cash and listed investments.

The Directors have elected to continue to operate Thorn as a diversified, small business, focussed financial services organisation, however, by voting in favour of the Proposed Transaction, the Shareholders will effectively forgo the opportunity to receive a premium for control via an offer for their Thorn shares, at least in the short term and until Thorn's business is rebuilt to a certain scale and most of the cash balance is invested in yielding assets/businesses. Further, a similar outcome to the Proposed Transaction may have been achieved by Resimac launching a takeover offer for Thorn or acquiring the whole equipment finance business rather than just Thorn's interest in the Warehouse Trust.

As a result, in forming our view on the fairness of the Proposed Transaction, we do not believe it is appropriate to merely assess if the Related Party is receiving a financial benefit by comparing the Adjusted Purchase Price with the fair market value of the Asset Finance Portfolio. In our opinion, a more appropriate analysis is to assess if the value of Thorn after the Proposed Transaction incorporates a premium for control following receipt of the proceeds from the sale of the Warehouse Asset Finance Portfolio net of the costs to be incurred by Thorn to effectively wind-down the equipment finance business.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR and REASONABLE to the Non-Associated Shareholders.

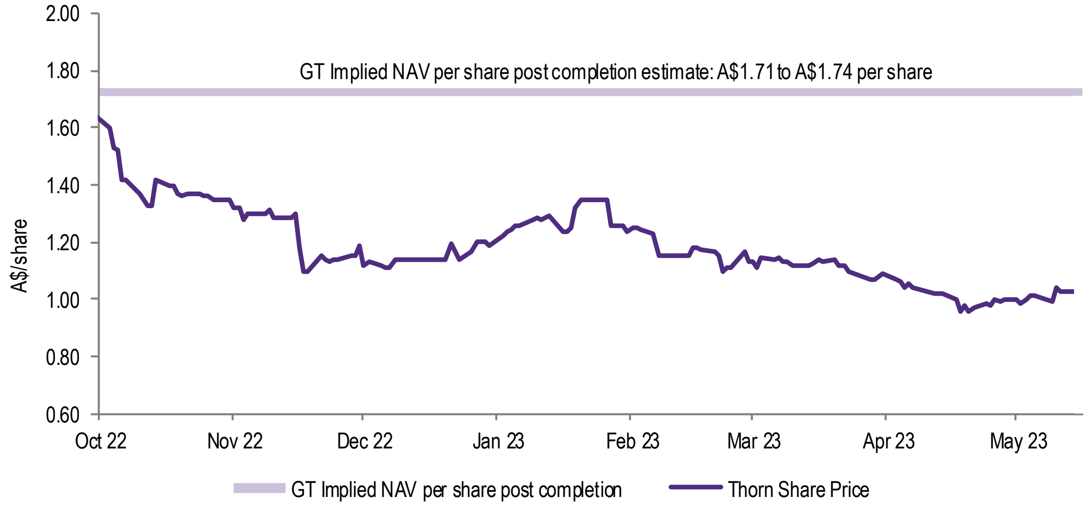
In forming its opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness assessment

In concluding that the Proposed Transaction is fair to the Non-Associated Shareholders, we have considered the following:

- We have estimated the net asset value ("NAV") per share following completion of the Proposed Transaction under an orderly realisation approach to be between A$1.71 and A$1.74 per share, net of the expenses to be incurred by Thorn to wind-down the equipment finance business and before the payment of the Capital Return and Special Dividend. This is at a significant premium to the trading prices before the announcement of the Proposed Transaction as outlined in the table below.

NAV per share under the orderly realisation approach relative to Thorn share price

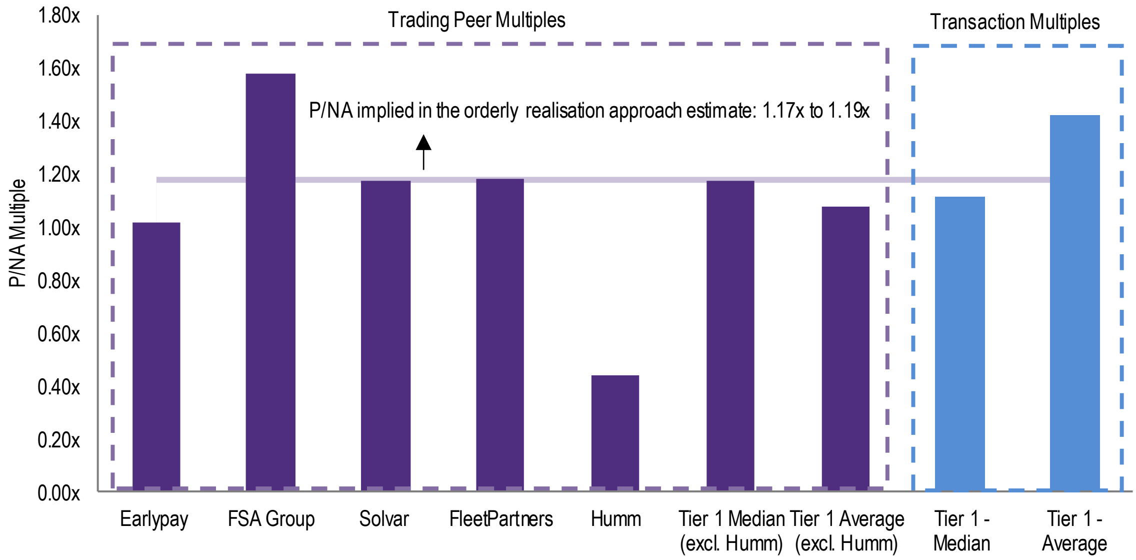


Source: GTCF analysis, S&P Global.

The premium for control implied in the orderly realisation approach is at the high-end of the premium for control typically applied in Australia for control transactions.

- The value of Thorn after the Proposed Transaction under an orderly realisation approach implies a P/NA[5] multiple between 1.17x and 1.19x based on the audited balance sheet as at 31 March 2023[6]. This compares favourably with listed peers (including a 30% control premium) and comparable transactions as outlined in the graph below.

GT Implied multiple compared to listed peers (control basis) and comparable transactions



Source: Companies' financial reports, S&P Global, GTCF analysis.
Notes: (1) A control premium of 30% has been applied to the market capitalisations of the listed peers sourced from S&P Global as at 30 May 2023. Refer to Appendix C for further details on the applied control premium.

The P/NA multiple implied in the orderly realisation approach is at the high-end of the trading multiples of the listed peers, after the application of a premium for control of 30%, and largely in line with the

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[5] Equity value divided by latest reported net assets ("P/NA").
[6] Before the payment of the Capital Return and Special Dividend.

implied multiples of the comparable transactions, albeit slightly below average.

- The Adjusted Purchase Price net of the expenses to be incurred to wind-down the asset finance business is at a premium to the value of the Warehouse Asset Finance Portfolio in the audited accounts as at 31 March 2023 and in the management accounts of Thorn ("Management Accounts") as at 31 May 2023. Specifically, Thorn has assessed expected credit losses over the Asset Finance Portfolio at c. 11.1% of the gross amount as at 31 March 2023 and as at 31 May 2023[7]. Resimac and Thorn have agreed a discount of 1.3% of the amount of the Warehouse Asset Finance Portfolio at completion plus they are negotiating the purchase of certain receivables not currently in the Warehouse Asset Finance Portfolio at a c. 37% discount to the gross value. The overall weighted average discount has been assessed between c. 2.3% and 2.9% on the total gross value of the receivable which is materially lower than the provision for expected credit losses of c. 11.1%.

Whilst we have undertaken our fairness assessment based on the orderly realisation of Thorn's balance sheet after the Proposed Transaction and the wind-down of the equipment finance business, we note that the Directors have elected to continue to operate Thorn as a diversified, small business, focused financial services organisation and only distribute to Thorn Shareholders the Capital Return and Special Dividend. Hence, Thorn Shareholders may not necessarily be capable of realising the value under the orderly realisation approach by selling Thorn's shares on the market. However, the benefits of the Proposed Transaction pre-empt the decision of the Directors to continue to operate the business as a small investment company and the value implications of this strategy for the Non-Associated Shareholders have not been considered in forming our opinion on the Proposed Transaction. Thorn Shareholders may, with the requisite majority, select an alternative course of action for the business going forward if they desire to do so.

Based on the above, we have concluded that the Proposed Transaction is fair to the Non-Associated Shareholders and no financial benefit is provided to the Related Party.

Reasonable assessment

For the purpose of assessing whether or not the Proposed Transaction is reasonable to Non-Associate Shareholders, we have considered the following likely advantages, disadvantages and other factors.

Advantages

Certain monetisation of the receivables book

The Proposed Transaction allows Thorn to monetise the Warehouse Asset Finance Portfolio at a premium to the value reported in the audited accounts as at 31 March 2023. The Non-Associated Shareholders will not be exposed to the ongoing risks associated with holding the Warehouse Asset Finance Portfolio relating to the performance of the existing receivables book and the risks attached to the implementation of the growth opportunities. Specifically, we note the following:

- *Warehouse Facility* – Thorn's Warehouse Facility is available until 10 August 2023 in the absence of the negotiation of an extension. Whilst the Company believes an extension will be obtained, the commercial terms are yet to be agreed and the Warehouse Facility has a limit of A$200 million which was drawn down to A$139.8 million as at 31 May 2023. Hence, the Company has limited growth opportunities in the absence of renegotiating the size of the Warehouse Facility. Negotiations were in

[7] According to Note 13 of Thorn's FY23 annual audited accounts.

progress to extend the date of expiry for the Warehouse Facility, those negotiations were suspended upon the emergence of the Proposed Transaction. There is no certainty that Thorn will be capable of extending the expiry date of the Warehouse Facility should the Proposed Transaction not proceed, and in any case this process may require an extended period of time without guarantee of success. The risk is exacerbated by the limited track record of Thornmoney which was only launched at the end of 2021, with the Warehouse Facility re-opening in August 2022.

- *Debtor Finance* – The debtor finance business remains in a preliminary testing phase and is yet to be launched officially in the market. It only operates in a controlled environment with a selective number of high-quality clients and gross receivables of c. A$3.4 million as at 31 March 2023. The future growth of the debtor finance is limited by the fact that the Company cannot rely on the Warehouse Facility to fund it, with new originations needed to be entirely supported by Thorn's balance sheet.

- *Cost structure* – In FY23, Thorn's net interest margin was A$7.4 million (being A$14.4 million of interest revenue less A$7.0 million of finance expenses). Thorn incurred cash costs in the normal operations of the business of c. A$16.8 million, including: 1) A$8.8 million associated with employee expenses (excluding A$0.46 million of redundancy expenses); 2) A$2.3 million for marketing, property and IT expenses; 3) A$1.9 million for insurance expenses; and 4) c. A$2.9 million for other expenses. This implies that Thorn suffered a cash operating loss of A$9.4 million in FY23. The scale of the business is required to increase significantly for the operations to achieve a sustainable level of profitability, however, unless receivables are financed with the cash resources on the balance sheet, Thorn has limited funding growth in the current Warehouse Trust. In order to wind-down the asset finance business, Thorn has estimated costs between A$2.4 million and A$2.5 million, which is lower than the cash loss incurred in FY23, whilst at the same time it will realise the Warehouse Asset Finance Portfolio at a premium to the fair market value on the balance sheet.

Somers interest in the Company

Somers owns c. 49.3% interest in the Company and hence any change of control transaction is unlikely to occur without its agreement. Notwithstanding that the takeover contestability of the Company is already limited, Somers is permitted under the Corporations Act to purchase up to an additional 3% of the issued capital on market every six months (creep provision) and by doing so, obtain a controlling interest via more than 50% of the issued capital. Notwithstanding this, Somers have not currently expressed any intention of doing so.

Nonetheless, this possibility cannot be excluded given that Somers showed interest in the past in increasing its shareholding in Thorn. Specifically, in July 2021, Somers launched 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. This was substantially in line with the prevailing trading prices at the time and as it was at a significant discount to the reported net assets, it did not incorporate a premium.

The Proposed Transaction will effectively deliver to the Non-Associated Shareholders a balance sheet comprised largely of cash and other liquid investments which is substantially consistent, from a value perspective, with the reported net assets, which represents a control value. The net assets per share after the Proposed Transaction on an orderly realisation basis is also at a significant premium compared with the trading prices. Whilst the Non-Associated Shareholders may not necessarily be capable of realising this price by selling Thorn's shares on the market, an orderly realisation of the balance sheet, or a greater distribution of the cash resources may be implemented with the requisite majorities of Thorn Shareholders. The benefits of the Proposed Transaction prescind the decision of the Directors to continue to operate the business as a small investment company and the value implications of this strategy for the Non-Associated Shareholders have not been considered in forming our opinion on the Proposed Transaction.

Macro environment

The level of activity in the SME finance industry is influenced by certain key macroeconomic factors which have materially deteriorated lately. In the March quarter of 2023, the Australian economy rose by 0.2% which represented the slowest rate of growth since the COVID-19 lockdowns in September 2021 and is an indication of the impacts of lingering adverse economic, market, and geopolitical conditions. Since May 2022, the RBA has commenced an aggressive tightening of the monetary cycle with the official cash rate target increasing from 0.10% in April 2022 to 4.10% in July 2023. This is an attempt to contain inflation within the RBA target range of between 2% to 3% from the level of 5.6% in May 2023. Whilst the adoption of financing arrangements is favoured by a high inflation environment as the purchase price of equipment and machinery assets become dearer, all other things being equal, a higher cash rate environment is not necessarily always beneficial for financiers as the gains from higher interest income is somewhat offset by higher operating costs, especially for lenders who depend on warehouse facilities. Further, the gradual decline of business conditions in 2023 indicates that businesses are less willing to seek funds for investment and expenditure and hence, financing arrangements. Finally, the deteriorating macro environment may lead to an increase in business insolvencies and hence, an increase in expected credit losses ("ECL"). Completion of the Proposed Transaction will avoid downside potential for the Non-Associated Shareholders which may arise from the current macroeconomic environment.

Special Dividend distribution

If the Proposed Transaction is completed, eligible Thorn Shareholders will receive a fully franked Special Dividend of 19.0 cents per share. Australian resident shareholders on a lower tax rate can claim an income tax offset and accordingly, realise greater value compared with the face value of the fully franked Special Dividend. Thorn Shareholders are better off on a post-tax basis if the Special Dividend is paid compared with the scenario where 100% of the Adjusted Purchase Price is retained (i.e. nil Special Dividend).

Disadvantages

Provision for Expected Credit Losses

Thorn has estimated ECL for the receivables at c. A$16.6 million as at 31 March 2023 or 11.1% of the gross asset finance receivables value, with a similar amount as at 31 May 2023. The calculations include the following:

- *Model based provision* – a three-stage approach is applied under the requirements of AASB 9.

- *Macroeconomic environment* – This category of provision is estimated by Management to consider the current macroeconomic environment applied to industry concentrations and client exposure levels. The provision is estimated at 3.7% of the gross Asset Finance Portfolio as at 31 March 2023[8].

- *Seasoning Legacy and New Thornmoney* – This category of provision caters for specific legacy tail end for the legacy portfolio, actual performance and concentration risks and the newness of the Thornmoney portfolio with limited trading history.

[8] According to Thorn's annual report for FY23.

- *Model Risk Reserve* – Equal to 2.4% of the gross Asset Finance Portfolio as at 31 March 2023[9], this provision was established to provide for any data errors or calculation errors in the AASB 9 calculation end to end process derived from industry, tiering classification, asset identification and errors in financials at point of entry.

- *Other provisions* – This is for a specific cohort of loans, both within the legacy TEF and Thornmoney's portfolio, which relates to contracts that are in credit.

The table below illustrates a comparison between the ECL assessed by the Company and the listed peers and demonstrates the significant difference between the Asset Finance Portfolio of Thorn from that of the listed non-bank lenders.

		Gross Book Value (A$m)				Provision (%)			
Company	Year-end	FY20	FY21	FY22	1HFY23	FY20	FY21	FY22	1HFY23
Thorn Group Limited	31-Mar-23	323	193	110	150	13.9%	23.3%	20.0%	11.1%
Tier 1									
Earlypay Limited	31-Dec-22	182	217	298	320	4.5%	2.4%	1.4%	5.6%
FSA Group Limited	31-Dec-22	460	452	546	Nd	0.7%	1.0%	0.8%	Nd
Solvar Limited	31-Dec-22	387	556	684	772	8.0%	6.1%	5.7%	5.4%
FleetPartners Group Limited	30-Sep-22	384	353	330	332	3.6%	1.8%	1.1%	1.2%
Humm Group Limited	31-Dec-22	1,920	1,865	3,322	3,818	5.5%	4.4%	3.0%	2.8%
Tier 2									
COG Financial Services Limited	31-Dec-22	96	198	220	226	4.4%	3.1%	2.3%	5.8%
Pepper Money Limited	31-Dec-22	13,419	15,931	18,384	18,450	0.8%	0.7%	0.6%	0.7%
Resimac Group Limited	31-Dec-22	12,543	13,952	15,717	15,155	0.8%	0.7%	0.6%	0.7%
Judo Capital Holdings Limited	31-Dec-22	Na	3,545	6,092	7,485	Na	1.0%	0.9%	1.0%

Source: Management, Companies' annual reports, S&P Global, GTCF analysis.
Notes: (1) Gross receivables and provision of Thorn excludes the legacy Radio Rentals Portfolio and Invoice Finance receivables.

We note that due to the unique characteristics of Thorn and its Asset Finance Portfolio, the number of highly comparable listed companies and receivable books are limited. Services similar to Thorn are generally provided by larger and more diversified companies with highly established and seasoned receivables books.

Notwithstanding this, Earlypay and Solvar are considered the most comparable among the listed peer group and they have a level of provision which is approximately half of that assessed by Thorn as a percentage of gross receivable. Whilst there are specific circumstances and reasonings on the level of provisions assessed by Thorn, the estimated ECL appears conservative and it would not be unreasonable to expect it to reduce in line with the peers in the medium term, particularly after the Thornmoney loan book becomes more seasoned. Under these circumstances, the premium implied in the Proposed Transaction for price over the carrying value of net assets will be eroded, potentially materially, however it may take a period of time to unwind.

ASX waiver

Under ASX Listing Rules, an entity must demonstrate sufficient level of operations and adequate financial conditions to remain listed. Given the Proposed Transaction will result in Thorn selling its main undertaking, Thorn has been provided a six-month grace period (starting on 20 June 2023) from the ASX

[9] According to Thorn's annual report for FY23.

to identify and make an announcement of its intention to undertake new investment activities in pursuit of its new business strategy.

If Thorn does not satisfy ASX of compliance within the six-month grace period, ASX can immediately suspend Thorn (including before the expiry of the six-month grace period where ASX considers that necessary). This poses a significant risk for the value that Non-Associated Shareholders may be able to realise for their shares on market after completion of the Proposed Transaction. However, the cost structure of the Company is expected to materially reduce after the Proposed Transaction and hence the cash resources of the business should not deteriorate materially by the end of the six-month grace period. Further, Thorn Shareholders may be able to select an alternative course of action, including return of capital and delisting, during or at the end of the six-month grace period if they desire to do so and subject to obtaining the requisite majorities.

Investment in growth

Over the last two years, Thorn has invested significant resources in growing the equipment finance business via Thornmoney, which culminated with the re-opening of the Warehouse Facility in August 2022 as well as significant growth in FY23 asset finance originations to A$118.2 million, up from A$21.7 million in FY22. The Company will continue to invest significantly in systems, procedures and workforce to ensure it can continue on this growth trajectory. If the Proposed Transaction is completed, Non-Associated Shareholders will forgo the opportunity to participate in future growth opportunities for the business which, however, are limited by the current Warehouse Facility cap of A$200 million.

Reduced liquidity in trading prices

If the Proposed Transaction is approved and until there is greater visibility on the type of investment to be undertaken by the Company and a certain scale is reached, the liquidity of Thorn's trading prices may reduce further. Somers already owns c. 49.3% of the issued capital and the lack of an operating business, at least in the short term, 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. This may be exacerbated during the six-month grace period provided by the ASX discussed earlier.

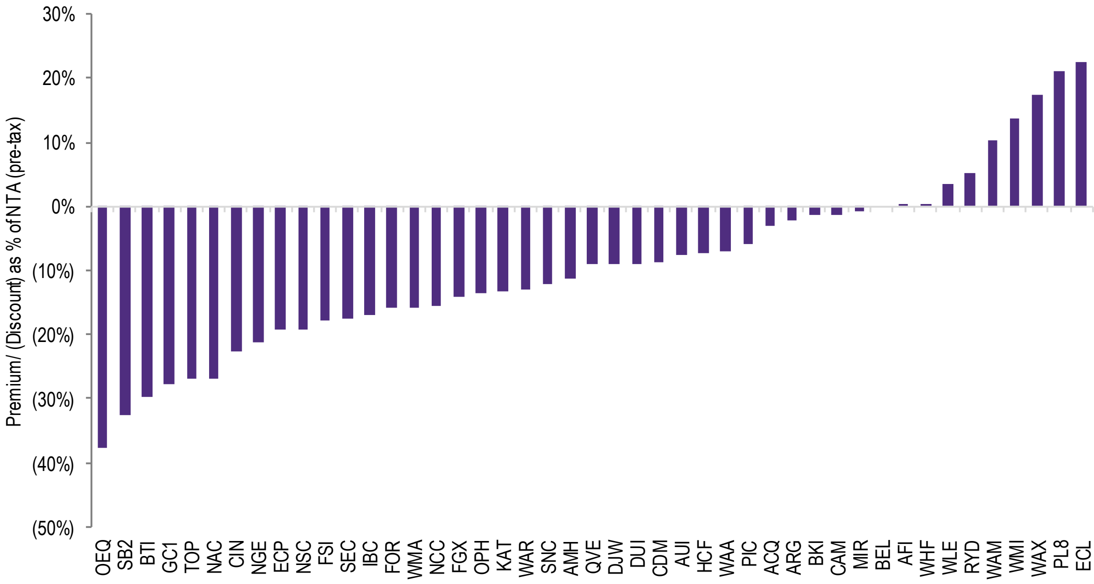
Other factors

New Strategy

After completion of the Proposed Transaction, the Directors have disclosed that they will focus on assessing capital management initiatives and investment opportunities that align with Thorn's core business strategy as a diversified, small business, focused on financial services organisation. Thorn will act as a holding company for all investment activities and it will undertake an assessment of the functions required to conduct the business based on its scale ensuring, among other things, continued compliance with ASX and ASIC requirements. This will be achieved by outsourcing all those responsibilities to an independent specialist corporate services organisation appointed by the Company.

Whilst the Company does not intend to become a listed investment company ("LIC"), its strategic repositioning, will similarly focus on listed investments, even if unlisted investments will also be considered. We note that there are several LICs on the ASX with most of them trading at a discount to net tangible assets ("NTA") as outlined in the graph below.

Premium/Discount % NTA (pre-tax) as at 30 June 2023



Sources: ASX Investment Products monthly report dated June 2023, GTCF analysis.
Notes: (1) The NTA (pre-tax) is taken as at 30 June 2023 and provided by Bloomberg.

Non-Associated Shareholders should be aware that the trading prices of Thorn's shares on the ASX after completion of the Proposed Transaction may be materially lower than our assessment under an orderly realisation basis. In the valuation assessment of Thorn immediately after the Proposed Transaction, we have not considered the potential value of the business under the New Strategy as this is a separate investment decision for the Thorn Shareholders and it is not contingent on the outcome of the Proposed Transaction. Further, we note the following factors which, in addition to the limited liquidity and lack of takeover contestability discussed before, may put downward pressure on the trading prices:

- Uncertainty in relation to the Company's ability to meet the ASX requirements during the six-month grace period from 20 June 2023 to remain listed and avoid suspension in its trading prices.
- It may take time for Thorn to achieve scale as an investment company and there is no certainty on the type of assets and related returns in which the cash will be invested.
- Some of the arrangements in relation to the Management of the business, the sourcing of opportunities and the execution of them are yet to be formalised.

Redundancies and deferred tax assets

Thorn has estimated costs to wind-down the asset finance business between A$2.4 million and A$2.5 million. There is a risk that the actual cost incurred by the Company may be greater than the estimate which may reduce some of the benefits from the Proposed Transaction.

Further, the Company has gross tax losses of A$56.5 million or A$16.9 million tax effected as at 31 March 2023 which can be utilised to offset against future taxable income. These are not recognised on the balance sheet in accordance with the relevant accounting standard and hence not considered in our orderly realisation assessment. This seems reasonable given that based on the current cost structure of the business, the scale of the loan book is not sufficient to generate sustainable material profit. Further, the growth in the loan book is contained by the limit of Thorn's ability to draw down further on the current

Warehouse Facility. Whilst the tax losses are not considered in our valuation assessment based on the orderly realisation of net assets, there is uncertainty on the level of profit capable of being generated under the new strategy and therefore, whether or not the Company will be able to utilise the tax losses going forward.

Thorn's share price if the Proposed Transaction is not approved

The Company first announced that it was in discussion about the potential sale of the Asset Finance Portfolio in conjunction with the release of the FY23 audited accounts on 31 May 2023. The closing share price the day before the announcement was A$1.03 with the trading prices increasing up to A$1.21 per share in the following days. More recently, the trading prices have reduced to between A$1.10 and A$1.15 per share. During the same period, the ASX 200 Index has remained substantially unchanged. If the Proposed Transaction is not approved, we are of the opinion that the trading prices may reduce from the current level, at least in the short term, although potentially not materially.

Prospect of a superior proposal and takeover contestability

We understand that the Company has been approached by a number of parties in relation to the sale of the Warehouse Asset Finance Portfolio before entering into the agreement with Resimac, however none of these parties (except for Resimac) made offers worthy of acceptance. Since the announcement of the Proposed Transaction, no superior proposal has emerged and the Independent Board Committee ("IBC")[10] is not aware of any superior proposal that is likely to emerge. Further, Somers hold a 49.3% interest in Thorn and it would have significant influence to block, if it desires to do so, any alternative transaction.

Tax implications

The Company has indicated that completion of the Proposed Transaction is not expected to generate adverse tax consequences.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is **REASONABLE** to Non-Associated Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to Non-Associated Shareholders.

Each Thorn Shareholder should decide whether or not to vote in favour of the Proposed Transaction 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.

[10] Comprising Mr Paul Oneile (Non-Executive Director and Deputy Chair), Pete Lirantzis (CEO) and Alexandra Rose (General Counsel and Company Secretary/General Manager Risk & Compliance).

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 vote in favour of the Proposed Transaction 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 Proposed Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

MARK BUTTERFIELD
Director

21 July 2023

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 Proposed Transaction. This report is included in the Notice of Meeting and Explanatory Memorandum outlining the Proposed Transaction.

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$160,000 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, Resimac 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 Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, 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 Proposed Transaction. 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 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.

Grant Thornton

Contents

1 Overview of the Proposed Transaction

On completion of the Proposed Transaction, the following will occur:

- Thorn will effectively sell its interest in the Warehouse Trust and Resimac will become the trustee of the legal title in relation to the Asset Finance Portfolio sold to the Warehouse Trust at completion by TAPL and Thornmoney, both being wholly owned subsidiaries of the Company, including ancillary rights and records[11].

- Thorn will transfer the Warehouse Notes to Resimac.

- Resimac will pay the Purchase Price in an amount equal to the following:

  - A$15 million, being the invested amount of the Warehouse Notes; plus

  - The balance of the Liquidity Reserve facility and the Collection Reserve facility in the Warehouse Trust at the date of completion; minus

  - A discount of 1.3% of the amount of the Warehouse Asset Finance Portfolio at completion as adjusted or reduced in accordance with the legal agreement. The Warehouse Asset Finance Portfolio excludes defaulted loans which are loans more than 120 days in arrears. No later than five business days after completion, Thorn must notify Resimac of the composition of the Warehouse Asset Finance Portfolio at completion and provide confirmation of the arrears calculation to determine the Adjusted Purchase Price. For certain loans in arrears or originated by certain parties, the discount to the face value may increase materially from 1.3%, but these loans are expected to be a small proportion.

The credit risk on the Warehouse Asset Finance Portfolio will transfer at completion and Thorn will have no obligation to repurchase any of the acquired receivables.

The Proposed Transaction is subject to a number of condition precedents, including Non-Associated Shareholders' approval and an independent expert opining that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

1.1 Transitional Services Agreement

Under the TSA, Thorn will provide transitional services to Resimac for a period of up to three months after completion of the Proposed Transaction. Whilst Resimac will replace Thorn as the Warehouse Trust manager and servicer, during the TSA period, the Company will provide assistance with handover requirements relating to white label relationship management, collections, reconciliation and reporting. Resimac has not sought assistance with any other resourcing needs, including IT, data migration, risk & compliance and legal.

Thorn and Resimac have agreed to share costs equally for data migration, with remaining costs to be borne by Resimac (excluding transactional & legal costs). Resimac will not refund or compensate Thorn for the employees cost incurred during the TSA period.

[11] Excluding the Whitelabel receivables of Thorn.

Grant Thornton

2 Purpose and scope of the report

2.1 Purpose of the report

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose of a substantial asset from or to a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX[12].

In regard to the Proposed Transaction, we note that Somers holds a substantial shareholding of 49.3% of the issued capital of Thorn and the Purchase Price represents more than 5.0% of the latest shareholders' equity of Thorn as set out in the latest financial statement provided to the ASX and therefore the Proposed Transaction constitutes the disposal of a "substantial asset" to a related party of a substantial shareholder for the purposes of ASX Listing Rules.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

The Proposed Transaction is also considered a related party transaction in accordance with Chapter 2E of the Corporations Act. "Regulatory Guide 76 – Related Party Transactions" ("RG76") requires meeting materials seeking member approval for related party transactions to provide sufficient information to members to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the entity.

To ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity.
- The non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

Accordingly, the Independent Director has requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposed of ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of its independent

[12] Thorn FY23 audited annual report.

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expert report and RG 76 in relation to related party transactions which largely refers to RG 111.

RG 111 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" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Shareholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

Whilst the IER is required because Resimac and Thorn are related parties and they have a common director, the substance of the Proposed Transaction is that Thorn will sell its main undertaking, being the Warehouse Asset Finance Portfolio, which will result in the Company ceasing its asset finance lending business and most of the employees will be made redundant. On or shortly after completion, the Company's balance sheet will mainly be represented by cash and small investments in ASX listed companies with no operating business.

Whilst the Directors have elected to continue to operate Thorn as a diversified, small business, focussed financial services organisation, by voting in favour of the Proposed Transaction, the Non-Associated Shareholders will effectively forgo the opportunity to receive a premium for control for their shares in Thorn, at least in the short term and until the Thorn's business is rebuilt to a certain scale and most of the cash balance is invested in yielding assets/businesses.

As a result, in forming our view on the fairness of the Proposed Transaction, we do not believe it is sufficient to merely assess if the Related Party is receiving a financial benefit by comparing the Purchase Price with the fair market value of the Asset Finance Portfolio. In our opinion, a more appropriate analysis is to assess if the value of Thorn after the Proposed Transaction incorporates a premium for control following the proceeds from the acquisition of the Assets Finance Portfolio net of the costs to be incurred by Thorn to effectively wind-down the equipment finance business.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to Thorn and the Non-Associated Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the RG112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an 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 this fee is in no way contingent upon the success or failure of the Proposed Transaction.

In July 2021, Grant Thornton prepared an IER in relation to Somers' 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.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting dated on or around 1 August 2023 in which this report is included and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. 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 Notice of Meeting.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders.

Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

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

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3 Industry overview

3.1 Equipment finance

Equipment finance is a sub-sector of the broader commercial lending and asset finance market. Specifically, equipment finance allows SMEs to acquire a range of revenue generating and business-critical assets such as vehicles, machinery, electronics, and office equipment without the large initial capital outlay. The industry has historically revolved around four financing options as outlined below:

- *Chattel mortgage* – The financier provides funds to an SME to purchase an asset which takes immediate ownership with a mortgage issued over the asset as security for supplying the credit. The financier collects periodic repayments and a residual amount ("balloon payment") at the end of the lease's term. As illustrated in the graph below, chattel mortgage is the most common financing option.

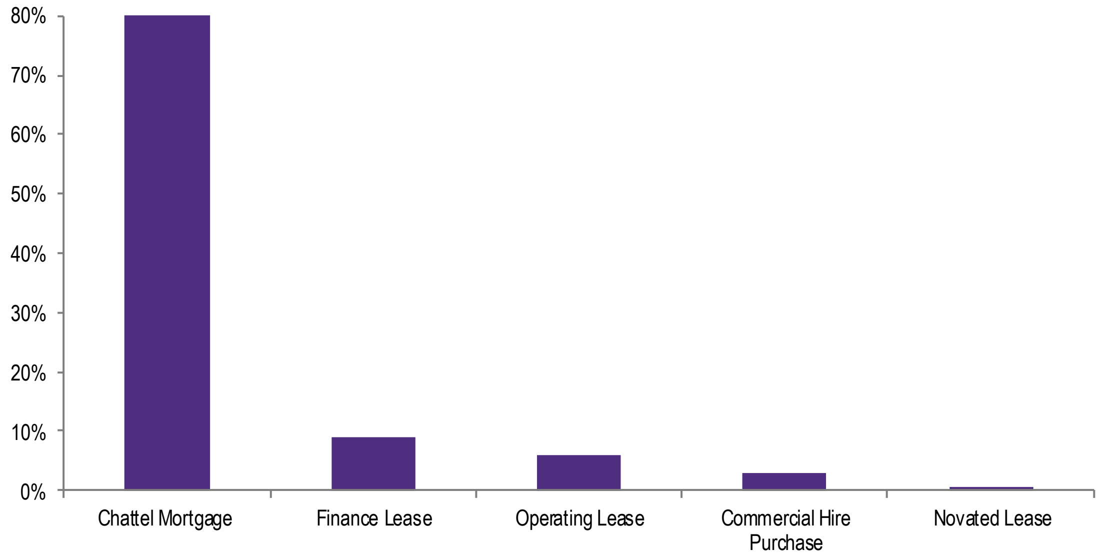
- *Commercial hire purchase* – The financier purchases an asset and leases it to an SME for a period of time. Ownership of the asset is retained by the financier until a balloon payment is received, where the title is then transferred to the SME.

- *Operating and Finance lease* – Both solutions are similar to a commercial hire purchase arrangement, except the SME is not obliged to acquire ownership of the asset at the end of the lease's term. An operating lease is relatively short-term and generally the asset is returned to the financier at the end of its term. Conversely, a finance lease is relatively long-term and typically the SME acquires the asset at the end its term for an agreed upon balloon payment.

- *Novated lease* – The financier issues a lease agreement for a vehicle in the name of an SME, which is novated (assigned) to a specific employee to use as part of their salary packing arrangement.

A breakdown of equipment finance by financing option is outlined in the graph below.

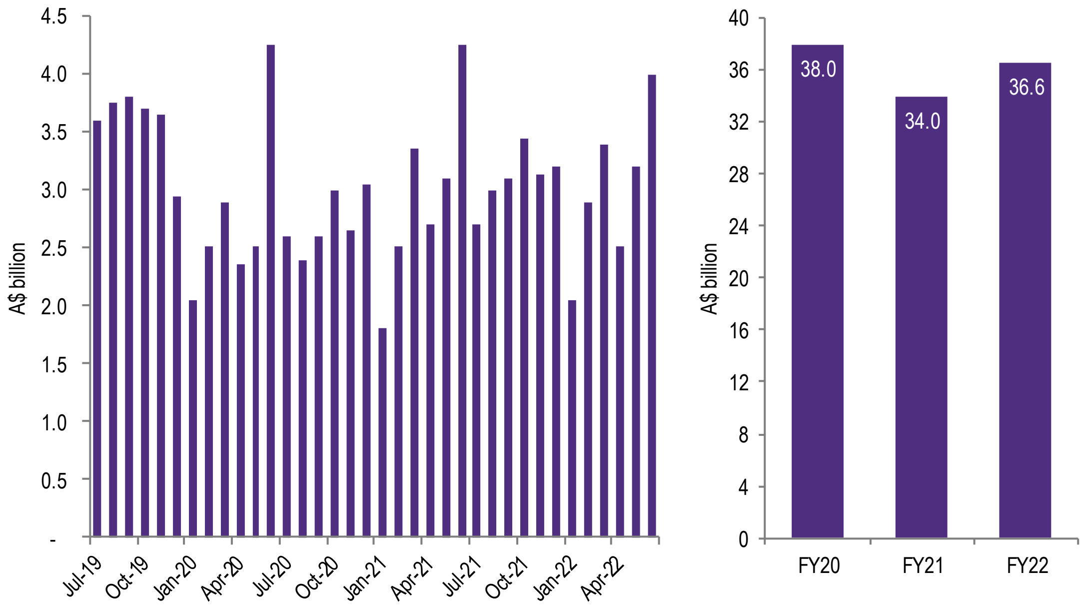
Equipment finance by financing option



Source: AFIA annual review 30 June 2022.

The Australian equipment finance market has recovered strongly since the beginning of 2020 to reach an estimated market size of A$36.6 billion as at 30 June 2022. Notwithstanding this, the market continues to lag in comparison to pre-pandemic levels. As illustrated in the graph below, the pandemic adversely affected new monthly originations due to the decrease in the borrowing ability of several SMEs and the uncertain outlook on consumer demand and economic growth. As a result, the industry fell sharply by 10.3% from A$38.0 billion in FY20 to A$34.0 billion in FY21[13].

Equipment finance – Monthly new business and total revenue



Source: AFIA annual review 30 June 2022.

The implementation of Government schemes supported business demand for assets and provision for credit over this period and ultimately softened the industry contraction. Specifically, the Instant Asset Write Off Scheme[14] enabled eligible businesses to claim an immediate deduction for the cost of business-related assets up to A$150,000 (GST-exclusive) and encouraged SMEs to purchase new, or upgrade old, business critical assets such as vehicles, machinery, and electronics. Furthermore, the SME Recovery Loan Scheme[15] provided eligible SMEs access to low lending rates with flexible terms between March 2020 and July 2022. Over this period, c. 103,000 SME loans were established and c. A$14.8 billion contributed to the commercial lending market[16]. The lower levels of new monthly equipment finance originations in 2022 relative to the pre-pandemic environment indicates that businesses remain attentive to the near-term challenges of high inflation, rising costs and supply chain constraints.

Equipment finance has historically been popular in Australia given the high number of businesses in the mining, construction, transport, and agriculture industries and their high costs of commercial equipment. Accordingly, equipment finance by asset type is consistently concentrated on cars and light commercial vehicles, trucks, trailers, buses, earthmoving, mining, construction, and agricultural equipment as shown in the graph below.

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13 Sourced from AFIA annual review 30 June 2022.
14 Instant Asset Write Off Scheme allowed eligible businesses to claim an immediate deduction for the business portion of the cost of an asset in the year the asset is first used or installed ready for use. The Instant Asset Write Off can be used for multiple assets if the cost of each individual asset is less than the relevant threshold (of which the thresholds have changed over time) or new and second-hand assets.
15 SME Recovery Loan Scheme provided eligible SMEs access to loans of up to A$5 million over a term of up to 10 years in an attempt to provide continued assistance to SMEs that were dealing with the economic impacts of COVID-19.
16 Sourced from Australian Government Treasury.

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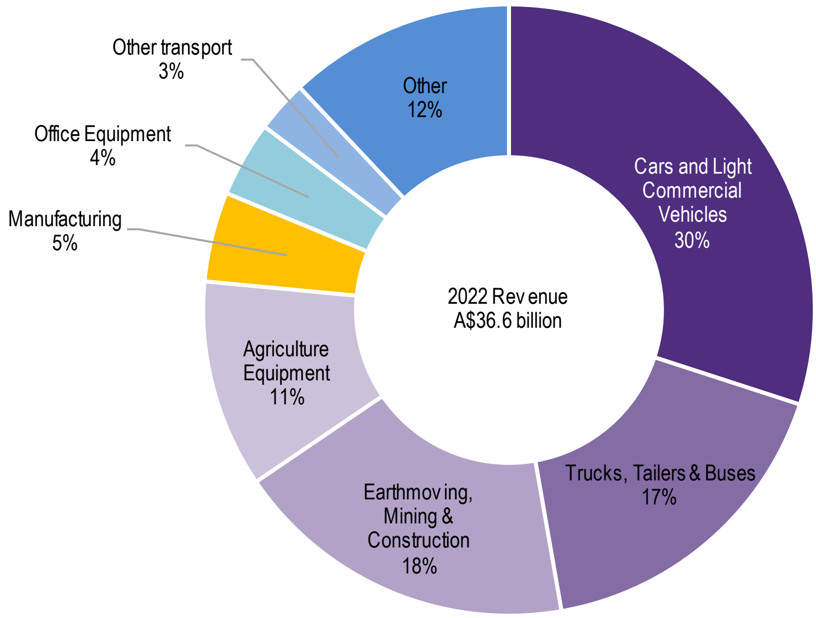
Equipment finance by asset type



Source: AFIA annual review 30 June 2022.

Motor vehicles[17] financing has historically been a critical element of the industry, accounting for c. 47% of the total Australian equipment finance market in FY22[18]. Demand for motor vehicle finance is primarily driven by the sale of new and used motor vehicles which, in turn, is driven by numerous macroeconomic indicators including GDP growth, unemployment rate and consumer confidence. The Australian motor vehicle industry has continued to recover from the array of challenges faced over the last two years such as the pandemic related restrictions, uncertain economic outlook and supply chain issues associated with the global shortage of microprocessors and political tensions in the global economy.

Australia has historically sold an average of c. 4 million motor vehicles annually (c. 25% new vehicles and c. 75% used vehicles[19]). Based on data from ASIC, c. 90% of motor vehicles sales in Australia are arranged with finance, of which c. 39% are financed through a dealership and c. 61% are financed through other lenders[20]. As illustrated in the graph below, the demand for motor vehicle finance has remained relatively stable over the past three years despite the significant challenges faced by the automotive industry as mentioned above. We note the uptick in motor vehicle finance during FY21 was a likely result of higher motor vehicle demand driven by the implementation of the Instant Asset Write Off Scheme and greater levels of domestic manufacturing and warehousing due to the international border restrictions and challenges with global logistics.

[17] Motor vehicles refers to cars and light commercial vehicles as well as trucks, trailers and buses.
[18] Sourced from AFIA annual review 30 June 2022.
[19] Sourced from ABS Motor Vehicle Data 2022 and Manheim Used Car Report 2015.
[20] Sourced from New Car Retailing Industry Report by ACCC, December 2017.

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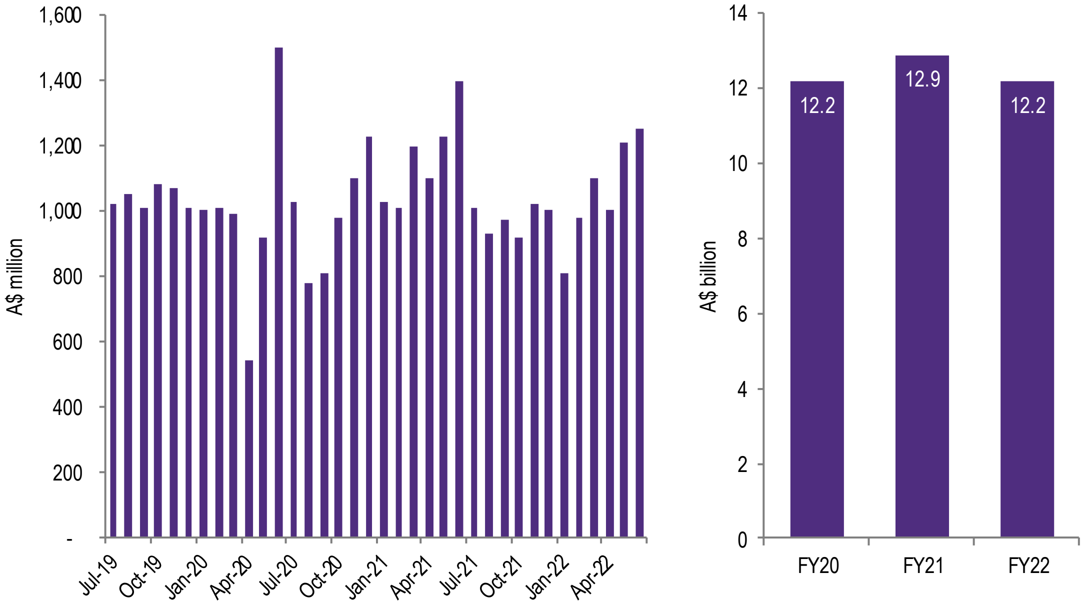
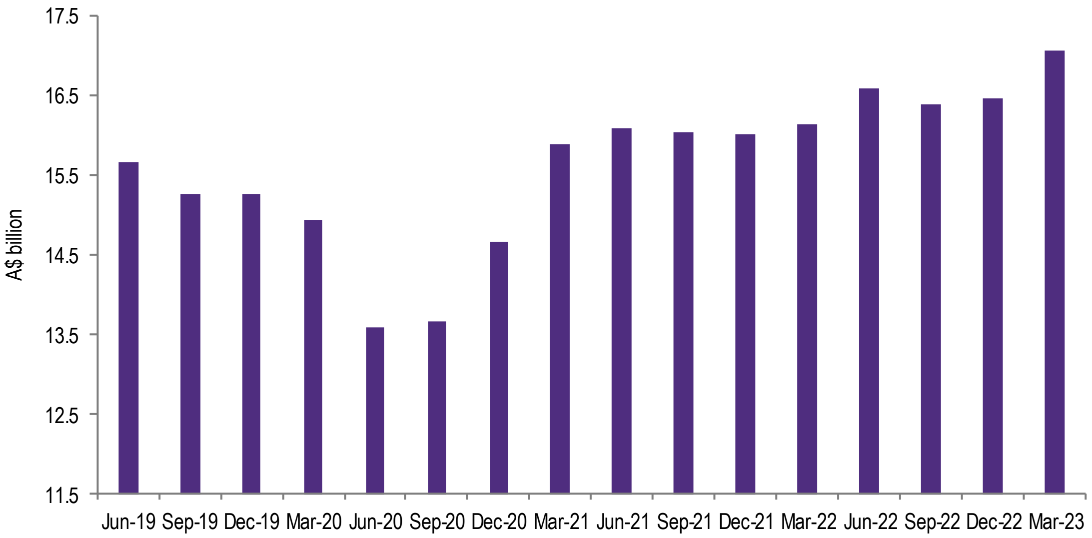
Motor vehicle finance – Monthly new business and total revenue



Source: AFIA annual review 30 June 2022.

Overall, the main driver for the industry is the level of capital expenditure on equipment, plant and machinery, which has historically been largely facilitated by equipment financing (c. 40%[21]). The graph below summarises the historical trend on capital expenditure in Australia over the past three years.

Private capital expenditure – Equipment, plant, and machinery



Source: ABS (seasonally adjusted).

As shown in the graph above, the plunge in capital expenditure between March 2020 and September 2020 was a result of businesses suddenly reducing their demand for assets as a precautionary move in response to the pandemic. Operating environment challenges such as the protracted lockdowns, the Omicron wave and major weather events have led to cautious business activity, however, these were somewhat offset with a historically low interest rate environment and the implementation of the Government schemes mentioned above. Subsequently, capital expenditure has grown strongly and

[21] East&Partners, 2015 Study.

surpassed pre-pandemic levels with the continued investment in capital assets critical in supporting the higher volumes of equipment finance originations throughout FY22. These strong levels of spending have continued into 2023, with March presenting the highest level of equipment, plant, and machinery capital expenditure since September 2012.

3.1.1 The SMEs lending environment

Of the 2.6 million businesses in Australia as at 30 June 2022, the majority (98%) are small businesses[22]. The construction industry accounts for the largest proportion of small businesses (17%), closely followed by professional, scientific, and technical services (13%) and rental, hiring and real estate services (11%). We have briefly summarised below the possible sources of funding for SMEs regarding equipment financing:

- Banks offer a variety of equipment finance products and generally at relatively lower costs. They have a diversified range of funding sources, issuing bonds to the wholesale market and collecting deposits from the public through their authorised deposit-taking (“ADI”) license. Banks generally offer equipment finance to less risky customers and fund primary assets characterised with highly liquid secondary markets and high recovery value in the event of default.

- Non-bank finance companies are non-ADI financial institutions and generally finance lending operations through a secured warehouse facility backed by a major domestic bank. Accordingly, the cost of funds and degree of lending restrictions is relatively higher. They can differ significantly in form; some provide a broad range of financing options targeting any SME, whilst others offer specialised financing solutions for specific industries and assets. Non-bank finance companies generally remain competitive by financing sub-prime customers and consequently, fund a greater proportion of secondary and tertiary assets characterised with less liquid secondary markets and lower recovery value in the event of default.

- Neobanks or challenger banks are banks that operate without a physical branch via a website or mobile application. Similar to a bank, they are an ADI financial institution and primarily fund finance lending with deposits collected from customers. However, unlike full-service banks, they operate on a much smaller scale and generally offer a limited bespoke range of equipment financing solutions.

- Fintech lenders heavily rely on technology in making credit decisions. Whilst most modern lenders use technology for processing loans, Fintech lenders are differentiated by employing an entire end-to-end technology system. They offer a convenient online application process, an automated credit decision process and fast funds transfer. Fintech lenders perform a niche role in the equipment finance market by servicing the riskier end of the SME market. Accordingly, they are more likely to offer loans not secured with collateral.

Banks are the predominant source of funding for SMEs supplying c. 91% of the total demand. Recent data from East & Partners revealed that CBA, Westpac, ANZ and NAB accounted for c. 79.6% [23] of the equipment finance industry in FY22, which is notably the highest concentration since 2006. Despite this, we note that the equipment financing sector is relatively more competitive than other SME lending sectors such as the property-secured SME lending markets. On average, equipment finance represents c. 80% of total loan balance and c. 64% of total customers for non-bank lending companies in Australia[24].

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[22] Australian Banking Association 2022 SME Lending Report.
[23] Sourced from East & Partners 2022 Asset Finance Report, released 17 November 2022.
[24] CAFBA Commercial Lending.

Overall, the non-bank lending market has grown over the past five years on the back of providing alternative forms of funding for businesses. Further, the role and competitiveness of non-bank financers has improved in recent years as a result of tighter lending standards implemented by major banks, the fallout from the Financial Services Royal Commission over the past five years, the increased demand for alternative financing solutions and the relatively convenient streamlined loan approval process with shorter application times and less paperwork.

3.2 Debtor financing

Debtor financing allows SMEs to receive finance based on the value of its receivable ledger, with the primary purpose of overcoming working capital shortages. The industry offers two types of financing options as outlined below:

- *Invoice discounting* – The invoices of an SME are used as collateral for a business loan or line of credit, with funds advanced as high as 95% of the total invoice value used to secure the debt. The balance is returned to the SME when the invoice recipient makes full payment. Invoice discounting accounts for the majority of debtor financing in Australia.

- *Invoice factoring* – The invoice ledger or individual invoice controlled by an SME are sold to a financier at a discount to face value of c. 20%. Invoice factoring is generally more expensive than invoice discounting given the financier acquires the management function and risk associated with receivable collection.

Debtor financing has historically been attractive for SMEs given its flexible and tailored nature. The arrangements can be one-off, causal or on a contractual basis and can include some or all the receivables in an SMEs ledger. Moreover, the finance can be arranged as a loan or a fluctuating line of credit that moves proportionally with the value of the SMEs receivables ledger, increasing as the ledger grows and decreasing as invoices are paid. In addition, debtor finance has served as a critical solution for SMEs with relatively low levels of collateral given security for cash advanced is provided by the SMEs receivable book, as opposed to physical assets which are commonly required with traditional lending arrangements.

Debtor financing has undergone a steady rise in Australia. Statistics from the Debtor and Invoice Finance Association ("DIFA") shows that the total annual industry turnover rose from less than A$25 billion in 2010 to nearly A$63 billion in 2017[25]. Furthermore, the outbreak of COVID-19 positively impacted the debtor market as more business were opting to use debtor financing to fulfil short-term cash requirements. Recent NAB data revealed that the number of businesses using debtor financing has grown by 22% from FY21 to FY22, reaching a post-pandemic high with an average of 1 million invoices being paid each month[26]. The outlook for debtor financing remains positive in the near term as SMEs continue to experience higher operating costs and tackle supply chain challenges.

3.3 Macroeconomic environment affecting the equipment and debtor finance industries

The level of activity in the SME finance industry is influenced by certain key macroeconomic factors which are briefly discussed below.

In the March quarter of 2023, the Australian economy rose by 0.2% which represented the slowest rate of growth since the COVID-19 lockdowns in September 2021 and is an indication of the impacts of lingering

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[25] Sourced from Australian Financial Industry Association Emerging Trends in Business Finance report, released July 2018.
[26] NAB Invoice finance keeps the economy moving despite supply chain constraints, released June 2022.

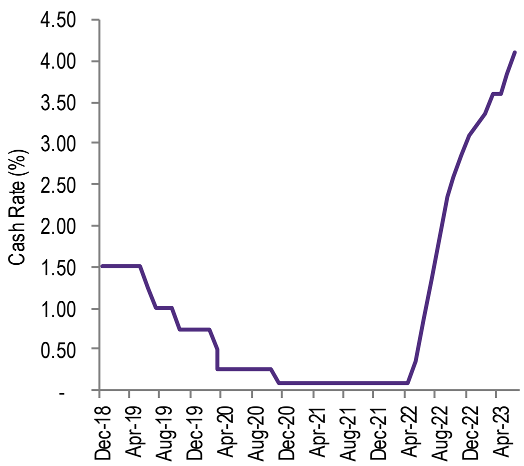
adverse economic, market, and geopolitical conditions. This weakness in growth is a result of higher prices and rising interest rates, as tighter financial conditions and anti-inflationary monetary policy continue to affect Australian consumers. Specifically, GDP growth is forecasted to be 1.4% in June 2024, a decrease from 2.7% in December 2022.

The low inflation and interest rate environment in recent years has constrained growth in new originations of debt products as it has become cheaper to purchase equipment outright rather than financing them.

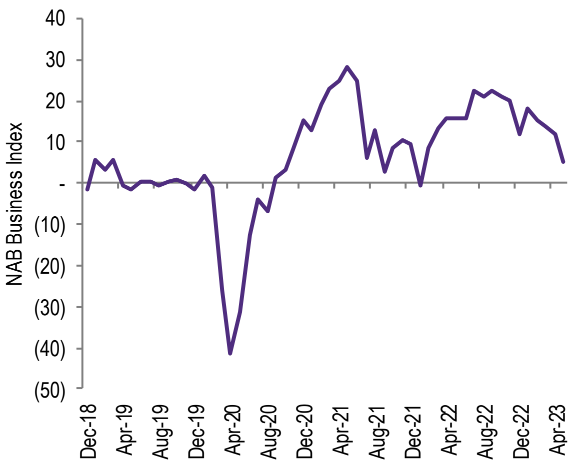
However, since May 2022, the RBA has commenced an aggressive tightening of the monetary cycle with the official cash rate increasing from 0.10% in April 2022 to 4.10% in June 2023. This is an attempt to contain inflation by the RBA and return it to the target range of between 2% to 3%. CPI peaked at 8.4% in December 2022, the highest rate in the last three decades driven by a multitude of global factors such as pandemic related supply chain disruptions and Russia’s invasion of Ukraine as well as domestic factors including the tight labour market, energy prices and prevailing capacity constraints. Though this level of inflation moderated to 5.6% in May 2023, further rate rises are expected in future months.

The adoption of financing arrangements is favoured by a high inflation environment as the purchase price of equipment and machinery assets become dearer, all other things being equal.

RBA Cash Rate (%)



NAB Business Conditions Index



Source: RBA, NAB.

A higher official cash target rate environment is not necessarily always beneficial for financiers as the gains from higher interest income is somewhat offset by higher operating costs, especially for lenders who depend on debt warehouse facilities.

Further, the gradual decline of business conditions in 2023 indicates that businesses are less willing to seek funds for investment and expenditure. As previously mentioned in Section 3.1, lower levels of capital expenditure on equipment, plant and machinery are detrimental for the industry as the expenditure has historically been largely facilitated by equipment financing (c. 40%).

3.4 Strategic investment in the non-bank financial sector

Thorn continues to assess investment opportunities in the non-bank financial sector that align with its core business strategy of operating a diversified, small business focussed, financial services organisation. We provide a brief overview of the listed managed funds sector below which is similar to the listed investment-vehicle business pursued by Thorn.

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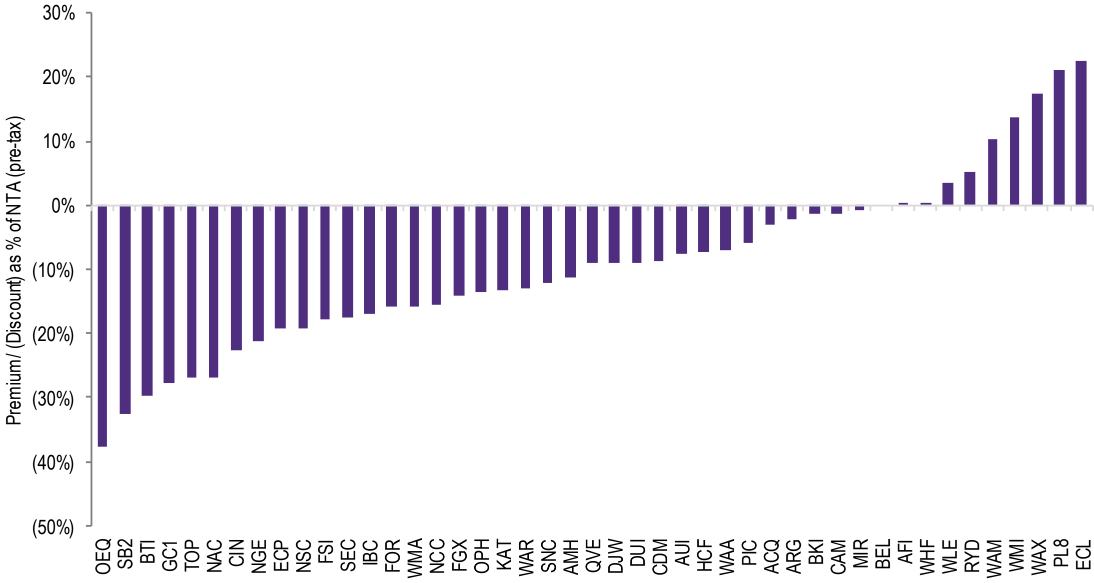
Listed managed funds on the ASX can be categorised into four groups, namely Australian Real Estate Investment Trusts ("AREIT"), LIC, Infrastructure Funds, and Absolute Return Funds. LICs make up most of the listed managed investments entities on the ASX.

These companies allow an investor to invest in a diversified and professionally managed portfolio of financial assets (e.g. listed shares, property, and fixed income assets such as interest bearing deposits) and provides an opportunity for investors who do not have the expertise in investments to gain exposure to the risk and returns of investing in the stock market.

LICs' value of underlying assets or NTA on a per share basis is a metric required to be disclosed on a regular basis (normally every month) to determine whether an LIC is trading at a premium or a discount to its NTA. The premiums/ discounts to NTA at which their shares were trading for LICs listed on the ASX as at 30 June 2023 are illustrated below.

Premium/Discount % NTA (pre-tax) as at 30 June 2023



Sources: ASX Investment Products monthly report dated June 2023, GTCF analysis.
Notes: (1) The NTA (pre-tax) is taken as at 30 June 2023 and provided by Bloomberg.

As evident from the chart above, the vast majority of LICs traded at a discount to NTA as at 30 June 2023 (c. 78% of them). The weighted average discount to NTA of the Australian LICs investing in Australian equities is c. (2.0%)[27] and the simple average is c. (9.3%). There are a range of factors that may cause an LIC to trade a premium or discount to NTA, including but not limited to the following:

- The markets expectation about the ability of the LIC to pay a regular stream of fully frank dividends in the future.
- Consistent good performance of the LIC's investment portfolio, in absolute terms and relative to the benchmark.

[27] Weighted to the market capitalisation of each LIC as at 30 June 2023.

- The LIC's maintenance of skilled management team with long-term experience in trading through various market cycles and implementing proactive marketing and communication initiatives to raise the profile and reputation of the LICs.

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4 Profile of Thorn

4.1 Company overview

Thorn is a specialised non-bank financing company which provides equipment financing for SMEs to acquire revenue generating and business-critical assets. The division operates via two distinct receivable books as outlined below:

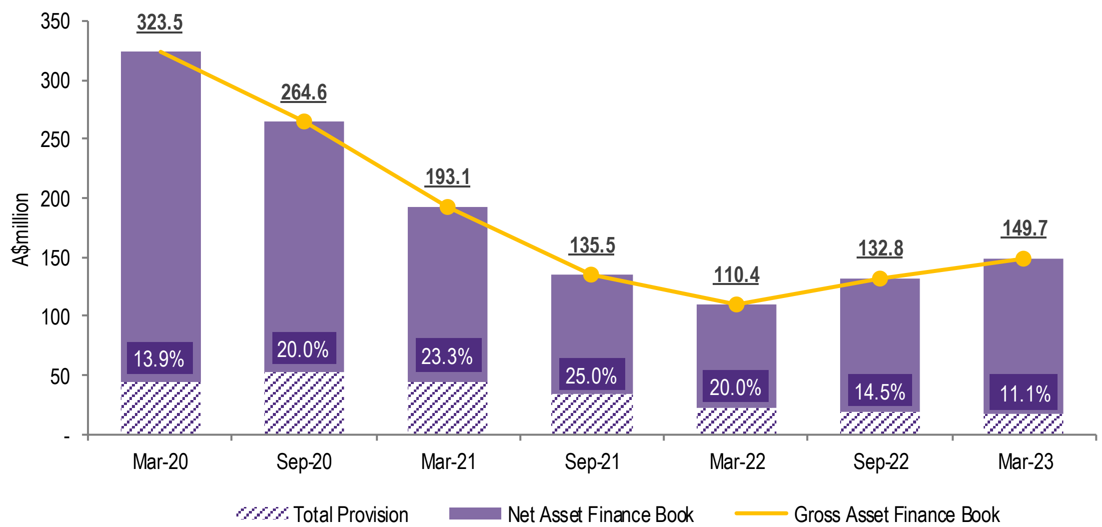
- *Thorn Equipment Finance* – TEF is the established equipment finance book of the Company however, in February 2021, Thorn announced that it had ceased new originations for the TEF and thereby exited the equipment finance market. The decision was a result of the introduction of tighter credit policies since the onset of the pandemic and the amortisation of the Warehouse Facility in May 2020 for this product requiring all new originations to be funded on balance sheet. TEF remains in an orderly run-off mode and is expected to close its last contract in February 2026. The book had gross receivables of c. A$30.3 million and a provision of c. A$3.3 million as at 31 March 2023.

- *Thornmoney* – Thornmoney is the new equipment finance book of the Company that launched in late 2021 with the aim of attracting customers of improved credit quality and asset mix relative to TEF. Its development was critical for the subsequent re-opening of the Company's secured Warehouse Facility in August 2022 for this product. Thornmoney has since become the main equipment finance book of the Company with gross receivables of c. A$119.4 million and a provision of c. A$13.3 million as at 31 March 2023.

Thorn also has an in-pilot debtor finance division which offers an invoice discounting product for SMEs to overcome working capital shortages. The product was launched in early 2021 however is yet to be offered to the public and currently operates in a controlled environment with a selected number of high-quality clients. Accordingly, Thorn has assessed that no impairment provision is required. The net receivable book was c. A$3.4 million as at 31 March 2023 which is entirely funded on balance sheet.

We summarise the historical Asset Finance Portfolio of Thorn below.

Breakdown of Thorn's Asset Finance Portfolio since March 2020



Sources: Management, GTCF analysis.
Notes: (1) The underlined data labels illustrates the gross receivables of Thorns Asset Finance Portfolio whereas the percentages represent the provision of Thorns Asset Finance Portfolio (2) Asset Finance receivables and provision of Thorn excludes the legacy Radio Rentals Portfolio.

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Due to the credit policies associated with the Warehouse Facility, we note that c. A$113.2 million or 76% of the Asset Finance Portfolio was sold into the Warehouse as at 31 March 2023, with the remaining 24% of the Asset Finance Portfolio being funded on balance sheet. As at 31 May 2023, since the introduction of changes in the criteria for inclusion in the Warehouse Trust, the On-Balance Sheet Receivables have reduced to A$18.3 million.

Over the years, the Company has faced several challenges which have adversely affected the performance of the business, its reputation in the marketplace and the trust of the investors. However, since the appointment of the current Management and a refreshing of the Directors, the Company has undergone several important changes including the decision to cease originations in the TEF portfolio in February 2021, the sale of its Radio Rentals business in December 2021[28] and the launch of Thornmoney. These created value for the Thorn Shareholders and bolstered the performance of the share price allowing the Company to distribute c. A$106.9 million to shareholders since October 2020, summarised as follows:

- On 12 October 2020, the Directors declared a fully franked special dividend of 7.5 cents per share, equivalent to A$24.2 million, which was paid on 3 November 2020.
- On 31 May 2021, the Directors declared a fully franked special dividend of 1.0 cents per share, equivalent to c. A$3.4 million, which was paid on 21 July 2021.
- On 24 January 2022, the Directors declared a fully franked special dividend of 7.0 cents per share, equivalent to c. A$23.8 million, which was paid on 9 February 2022.
- On 30 May 2022, the Directors declared a fully franked final dividend of 1.0 cent per share, equivalent to c. A$3.4 million, which was paid on 25 July 2022.
- On 19 August 2022, the Directors declared a fully franked special dividend of 3.0 cents per share, equivalent to c. A$10.4 million, which was paid on 2 September 2022.
- At an EGM on 30 September 2022, Thorn shareholders voted in favour of a return of capital to shareholders of 12.0 cents per share, equivalent to c. A$41.7 million, which was paid on 14 October 2022.

4.2 TEF loan portfolio

On 17 February 2021, the Company announced it had decided to cease new originations for TEF and thereby terminate the equipment finance division through an orderly wind down and collection of its receivables. This strategic decision was a result of the tighter credit policies since the onset of the COVID-19 pandemic and the inability to sell new originations into the Warehouse Facility since its amortisation in May 2020.

The distribution platform of TEF was mainly provided via a network of brokers and key groups offering white-label or vendor origination which are relatively riskier methods of sourcing business given the reduced control on the client management process. As a result, TEF has historically had a higher proportion of receivables in arrears greater than 30 days compared to broker originations. Further, most were tertiary assets[29] characterised by illiquid markets and low recovery value in the event of default.

[28] In December 2021, the Company sold its consumer finance division ("Radio Rentals") to Credit Corp Group for a total consideration of c. A$45 million. The sale of Radio Rentals involved significant reorganisation and restructuring costs.
[29] Tertiary assets refer to assets used by businesses in the cleaning, hospitality and leisure, IT and AV industries. Tertiary assets also include office equipment and non-equipment agricultural assets such as crops, fertiliser, and livestock.

Finally, the receivable book was concentrated in industries such as hospitality and accommodation which were adversely impacted by the COVID-19 outbreak.

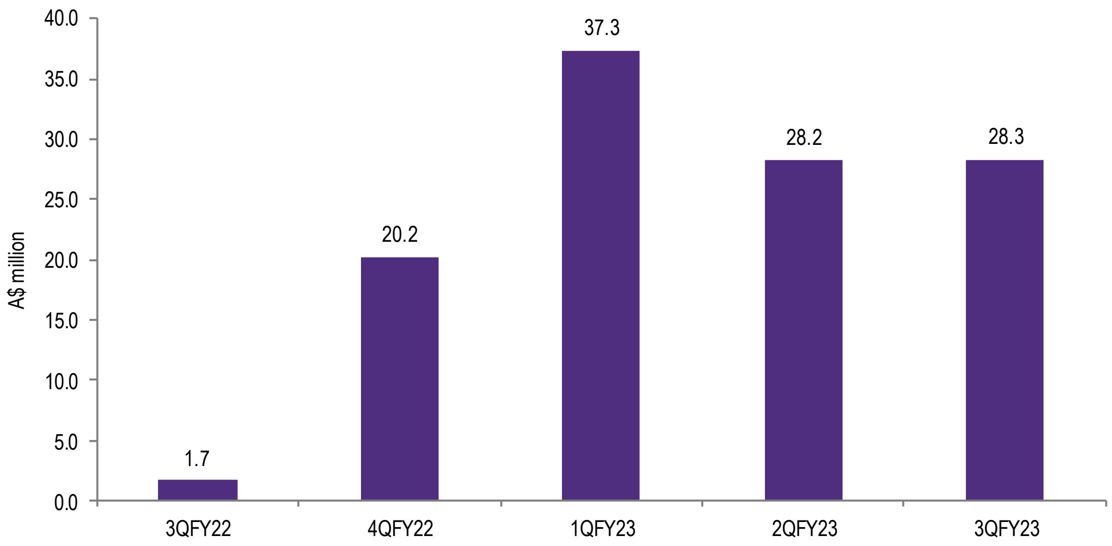
The gross receivable book balance has reduced from A$30.3 million as at 31 March 2023, of which A$4.6 million were On-Balance Sheet Receivables, to A$21.7 million as at 31 May 2023, of which A$3.9 million are On-Balance Sheet Receivables. The reduction of the On-Balance Sheet Receivables was achieved through amendments in the criteria for inclusion in the Warehouse Trust to be more in line with market standard in terms of industry and broker concentration.

4.3 Thornmoney loan portfolio

Thornmoney was launched in December 2021 under the Company's new strategy to target customers with improved credit profiles and asset mix. The development of Thornmoney was pivotal for the re-opening of the Company's Warehouse Facility.

Since launching Thornmoney, the book has experienced significant month on month growth in new originations as shown in the graph below. We note that the substantial drop in new originations between July and September 2022 was a strategic decision to limit new financing in order to preserve cash due to the delays in re-opening the Warehouse Facility, which was finally achieved in August 2022.

Thornmoney new originations quarterly



Source: Management, GTCF analysis.

Thornmoney incorporates a dedicated originations platform and is in the process of having a fully digital end-to-end process management system which allows for an efficient, transparent, and convenient distribution of products to brokers. Furthermore, by purely targeting brokers, the Company gains complete control over the management and engagement of client receivables. Employing a newly automated financial control system has enhanced credit policies and enabled the book to target higher quality customers and thus superior assets. As at 31 March 2023, the Thornmoney loan portfolio is mainly represented by primary assets[30], c. 88% which are characterised with highly liquid secondary markets and high recovery value in the event of default

[30] Primary assets are defined as per Managements credit policy of Thornmoney as assets having deep established resale market that is stable through the economic cycle. Primary assets include core business equipment (directly engaged for revenue generation of the Customer) which will have a Fair Market Value that is greater than the depreciated value of the equipment at the end of the term.

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Products are limited to chattel mortgages. Contracts are skewed towards longer maturities and larger values, with an average contract duration of 51 months and average deal size of $89,000 as at 31 March 2023.

Thornmoney is primarily exposed to the transport and construction industries. Motor vehicle and transport as well as earth moving, mining and construction assets account for c. 68% and 17% of the book respectively. Accordingly, the receivables are concentrated on relatively stable and defensive industries with small exposure to COVID-19 impacted sectors.

As at 31 March 2023 and 31 May 2023, the proportion of the gross receivables sold into the Warehouse Trust was 80% and 94% respectively.

Notwithstanding the higher quality of the Thornmoney book compared to TEF, we note that the covenants within the reopened Warehouse Trust require the Company to finance a relatively greater proportion of the receivables. Accordingly, this significantly restricts the client base of Thornmoney to near-prime and prime customers. Although this lowers the risk of default, the narrower margins associated with such customers hinders the overall profitability of the Company and increases the opportunity cost when a prime customer defaults, all other things being equal. In addition, the prime sector in the equipment finance industry has historically been concentrated with large companies such as Humm and Scottish Pacific who offer similar financing options but more cost effectively.

We also note that, as a new endeavour, Thornmoney remains unseasoned and thereby lacks the experience of an established longstanding book.

4.4 Warehouse Facility

The Warehouse Facility is a special purpose vehicle where the borrowing advanced by the bank and the mezzanine financier is secured by the loan/rental payments from customers and is non-recourse to Thorn, except if it breaches the Warehouse documents or is required to buy back an ineligible receivable. The Company has subscribed for 15,000 Class G Notes totalling A$15 million which provide credit enhancement to the Warehouse Trust. Thorn also provides additional support via a liquidity reverse facility of A$1.4 million and a collection reserves facility of A$0.8 million as at 31 March 2023.

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 with the 30 days arrear of c. 10.5%, exceeding the agreed cap of 6% of the receivable balance. This was attributable to the increased presence of COVID-19 affected customers, many of whom had requested a payment holiday and had stopped repayments under their contracts. Accordingly, under the terms of the contract, the Warehouse Facility was placed into amortisation and as a result the Company was unable to sell new originations into the Warehouse Facility.

Subsequently, the Company has undergone significant restructuring initiatives in an effort to improve the capital efficiency of the business and renew funder confidence.

In May 2023, the Warehouse Trust amended certain pool parameters which allowed the Company to reduce the On-Balance Sheet Receivables from A$36.6 million as at 31 March 2023 to A$18.3 million as at 31 May 2023 by selling On-Balance Sheet Receivables into it. Further, the Company increased its investment in Class G Notes of the Warehouse Trust from A$10.0 million or 5.0% of the Warehouse

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Facility to A$15.0 million or 7.5% of the Warehouse Facility to provide additional credit enhancement and Class A notes, held by Westpac, were reduced by an equivalent amount.

The Company has access to the Warehouse Facility to fund products until 10 August 2023, unless it negotiates an extension with funders. Whilst the Company believes an extension will be obtained, the commercial terms are yet to be agreed, the Warehouse Facility has a limit of A$200 million which was drawn down to A$139.8 million as at 31 May 2023. Hence, the Company has limited growth opportunities in the absence of renegotiating the size of the Warehouse Facility. Negotiations were in progress to extend the date of expiry for the Warehouse Facility, those negotiations were suspended upon the emergence of the Proposed Transaction. There is no certainty that Thorn will be capable of extending the expiry date of the Warehouse Facility should the Proposed Transaction not proceed, and in any case this process may require an extended period of time without guarantee of success. The risk is exacerbated by the limited track record of Thornmoney which was only launched at the end of 2021, with the Warehouse Facility re-opening in August 2022.

4.5 Debtor financing division

The debtor financing division was launched in February 2021 and offers an invoice financing product for SMEs to assist with short-term working capital funding. The invoice financing product provides funding against the value of an SMEs outstanding invoices and is relatively short-term in nature as the balance is returned once invoices are paid.

The invoice financing product remains in a preliminary testing phase and is yet to be launched officially in the market. It is currently operating in a controlled environment with selected number of high-quality clients. Thorn utilises an invoice financing platform which accesses live financials of the customer SMEs keeping ahead of potential risks of default and securing the recoverability of the loan facility. In addition, Thorn manages the loan in-line with robust credit collection policy. As at 31 March 2023, the debtor finance division had gross receivables of c. A$3.4 million with nil provisions.

The future growth is limited by the fact that the Company cannot rely on the Warehouse Facility[31] to fund the division, with new originations needed to be entirely supported by Thorn balance sheet.

4.6 Strategic investment in non-bank financial institutions

After completion of the Proposed Transaction, Thorn will act as a holding company for all investment activities, and it will undertake an assessment of the functions required to conduct the business based on its scale ensuring, among other things, continue compliance with ASX and ASIC requirements. This will be achieved by outsourcing all those responsibilities to an independent specialist corporate services organisation.

Thorn will specialise in the non-bank financial services segment of the market for the first five years. The investment philosophy applied to Australia will reflect an active, conviction focused management style. In the first two years of operations, target investee companies are expected to be micro to small entities operating in Australian financial markets and where Thorn can play an active role in influencing the operations and improving efficiencies, including by acquiring stakes in the investee companies sufficient to obtain a board seat.

[31] Under the term, the Warehouse Facility is specific to TAPL and Thornmoney's Asset Finance Receivables.

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Returns to investors will arise from the capital growth of Thorn's portfolio of investee companies and from dividends expected to be accrued for payment from the end of 2026.

The current Directors are evaluating the specialist skills required for the Board and new appointments, if any, will be undertaken in due course.

As at the date of this report, Thorn holds the following investments:

- Thorn holds 64,408,413 ordinary shares in Moneyme, of which 62,500,000 shares were purchased on 22 May 2023, equivalent to a cost of A$5.8 million, as part of Moneyme's institutional placement which closed on 19 May 2023. As a result, Thorn increased its voting interest to c. 8.64% and was required to lodge a notice of initial substantial shareholder on 24 May 2023.

- Thorn holds 5,909,564 ordinary shares in Humm Group Ltd ("Humm"), equivalent to a cost of A$3.6 million and voting interest of c. 2.6%.

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4.7 Financial information

4.7.1 Income Statement

The table below illustrates the Company's audited consolidated statements of comprehensive income for FY21 (restated), FY22 and FY23.

Consolidated statements of financial performance A$ '000	FY21 Restated	FY22 Audited	FY23 Audited
Interest revenue	32,626	15,490	14,443
Other revenue	816	1,806	890
Revenue	**33,442**	**17,296**	**15,333**
Employee benefit expense	(13,171)	(14,137)	(9,290)
Impairment losses on loans and receivables	(12,492)	19,898	5,738
Marketing expenses	76	(359)	(199)
Property expenses	(422)	220	(374)
Communication & IT expenses	(4,566)	(3,942)	(1,771)
Insurance expenses	(1,628)	(2,601)	(1,901)
Legal expenses	(3,007)	(1,592)	(936)
Other expenses	(922)	(4,362)	762
Impairment of intangibles & property, plant and equipment	(216)	(389)	(583)
Net gain on sale of financial asset	-	119	-
Recovery of impaired loan	1,330	-	-
Corporate expense allocated to discounted operation	7,745	8,025	-
Total operating expenses	**(27,273)**	**880**	**(8,554)**
Earnings before interest and tax ("EBIT")	**6,169**	**18,176**	**6,779**
Fair value gain on derivative	-	1,453	(1,106)
Finance expenses	(10,617)	(6,764)	(7,020)
Profit/(Loss) before income tax	**(4,448)**	**12,865**	**(1,347)**
Income tax	-	-	-
Profit from discontinued operations, net of tax	12,844	19,481	3,884
Profit/(Loss) after tax for the year	**8,396**	**32,346**	**2,537**
Other comprehensive income	2,601	2,352	(308)
Total comprehensive profit/(loss)	**10,997**	**34,698**	**2,229**

Sources: Thorn annual reports, GTCF analysis.

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

- The Company generated A$15.3 million annual revenue in FY23, which corresponds to a 11.6% reduction compared to revenue of A$17.3 million in FY22. This was largely due to lower growth in new originations on the back of stricter selection process, compounded by the continuation of the TEF run-off.

- The overall financial performance in FY22 and FY23 was affected by the profit on the sale of Radio Rentals and the write back of impairment expenses recognised in prior years of A$20 million in FY22 and A$5.7 million in FY23. If these one-off items are normalised out, the core business incurred a loss of A$21.2 million in FY22 and of A$7.1 million in FY23. This is driven by the small scale operations of the business and the digital investment for the launch of Thornmoney.

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- In FY21, the Company incurred one-off expenses in relation to the closure of the consumer finance store network including redundancy costs of A$3.5 million, IT related costs of A$0.6 million (offset by A$1.4 million net gain on exiting lease obligations) and A$2.9 million in JobKeeper grants.

4.7.2 Balance Sheet

The table below illustrates the Company's audited statements of the financial position as at 31 March 2021, 31 March 2022 and 31 March 2023 are set out in the table below.

Consolidated statements of financial position	Mar-21	Mar-22	Mar-23
A$ '000	Audited	Audited	Audited
Assets			
Cash and cash equivalents	88,045	86,760	28,800
Trade and other receivables	67,093	34,984	46,775
Prepayments and other assets	2,935	6,480	2,240
Inventories	128	-	-
Total current assets	**158,201**	**128,224**	**77,815**
Trade and other receivables	129,549	53,600	94,708
Derivative financial instruments	-	-	12
Financial assets at fair value through other comprehensive income	1,000	-	2,744
Total non-current assets	**130,549**	**53,600**	**97,464**
Total assets	**288,750**	**181,824**	**175,279**
Liabilities			
Trade and other payables	15,723	8,810	4,949
Lease liability	507	11	-
Loans and borrowings	78,203	43,412	-
Employee benefits	3,951	5,090	2,936
Provisions	1,944	4,090	1,512
Total current liabilities	**100,328**	**61,413**	**9,397**
Loans and borrowings	88,100	17,179	114,890
Lease liability	427	-	-
Employee benefits	170	77	19
Derivative financial instruments	3,721	359	-
Provisions	870	-	-
Total non-current liabilities	**93,288**	**17,615**	**114,909**
Total liabilities	**193,616**	**79,028**	**124,306**
Net assets	**95,134**	**102,796**	**50,973**

Sources: Thorn annual reports, GTCF analysis.

We note the following in relation to the consolidated statement of financial position as at 31 March 2023:

- The cash balance includes the free cash available to the Company plus the cash in the Warehouse Facility (a mixture of customer receipts collected in the last month of the year and cash reserves). As at 31 March 2023, free cash was A$17.4 million and cash in the Warehouse was A$11.4 million. Comparatively, free cash was A$68.1 million and cash in the Warehouse was A$18.7 million as at 31 March 2022. The reduction in the free cash balance was largely a result of the capital return of A$41.7 million paid to eligible shareholders on 14 October 2022.

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- Receivables are stated at their gross amount less unearned interest and a provision for expected credit losses. In accordance with AASB 9, chattel mortgages are classified as loan receivables. The asset finance receivables gross book grew from A$110.4 million as at 31 March 2022 to A$149.7 million as at 31 March 2023, an increase of c. 35.6%, due to strong originations in Thornmoney during the financial year. The provision reduced by c. 24.9% to A$16.6 million over the same period, reflecting the continual run-off of the higher risk TEF receivables and introduction of higher quality loan book. We have set out a breakdown of the key receivable components of the Company below.

Trade and other receivables breakdown A$ '000	Mar-21 Audited	Mar-22 Audited	Mar-23 Audited
Trade receviables	6,970	2,430	891
Asset finance lease receivables	130,216	24,451	7,652
Asset finance loan receivables	133,840	83,492	141,121
Invoice finance receivables	-	272	3,381
Related party loan receivables	-	-	5,000
Total gross amount	**271,026**	**110,645**	**158,045**
Allowance for impairment	(74,384)	(22,061)	(16,561)
Net receivables	196,642	88,584	141,484

Sources: Thorn annual reports, GTCF analysis.

- In accordance with AASB 9, the Company estimates a provision for ECL taking into account the time value of money, past events, current and forecast economic conditions. In measuring the ECL, the Company adopts the following criteria:

  - A provision equal to 12 months estimated losses are applied to receivables that are not in arrears or have arrears which are less than 30 days
  - Receivables that have been in arrears for more than 30 days are considered to have experienced a significant increase in credit risk ("SICR") and thereby have a lifetime loss estimate applied. A SICR is based on quantitative information at the receivable level.
  - When an account is cured, it retains an adjusted and higher probability of default within the impairment model for the next six months.
  - An account is considered to be in default when the receivable is 90 days past the due date.
  - The Company writes off receivables in whole or in part, when it deems there is no reasonable expectation of recovery after having exhausted all the practical recovery efforts.
  - The Company employs an overlay model to capture the risk associated with the current macro-economic environment of high inflation and rising interest rates which is estimated at 3.7% of the Asset Finance Portfolio as at 31 March 2023

- On 17 October 2022, Thorn entered into a secured loan of A$5.0 million with Somers repayable on 30 December 2022 at an interest rate of 9% per annum. The principal repayment date was extended to 31 March 2023 at an interest rate of 10% per annum and subsequently extended to 30 June 2023 at an interest rate of 12% per annum. The term of the loan has been negotiated to be extended to 30 September 2023, with an applicable interest rate of 12% per annum.

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- Borrowings in the Warehouse Trust increased by c. 90% from A$60.6 million as at 31 March 2022 to A$114.9 million as at 31 March 2023 as the strong growth in new equipment finance receivables are being directly funded by the Warehouse Facility which is capped at A$200.0 million.

- During the financial year ending 31 March 2023, the Company acquired shares in ASX listed companies for a total cost of A$4.4 million.

4.7.3 Cash flows

The table below illustrates the Company's audited statement of cash flows for FY21 (restated), FY22 and FY23.

Consolidated statements of cash flow A$ '000	FY21 Restated	FY22 Audited	FY23 Audited
Cash flows from operating activities			
Cash receipts from customers (excluding interest)	131,780	108,763	129,288
Interest revenue received	32,001	16,623	13,036
Cash paid to suppliers and employees	(31,282)	(40,494)	(20,532)
Asset finance originations and Invoice finance drawdowns/transfers	(5,452)	(24,454)	(167,511)
Cash generated from operations	**127,047**	**60,438**	**(45,719)**
Net borrowing costs	(11,076)	(6,422)	(6,649)
Income tax refund	3,051	-	-
Net cash flow from operating activities	**119,022**	**54,016**	**(52,368)**
Cash flow from investing activities			
Acqusition of property, plant and equipment and software	(107)	(257)	(583)
Loan to related parties	-	-	(5,000)
(Acquisition)/sale of equity investments	(1,000)	1,154	(4,410)
Net cash outflow from investing activities	**(1,107)**	**897**	**(9,993)**
Cash flow from financing activities			
Proceeds from borrowings	11,339	-	114,890
Repayment of borrowings	(138,582)	(105,711)	(24,790)
Redemption of borrowings	-	-	(35,801)
Repayment of lease liabilities	(382)	(247)	-
Proceeds from issues of shares	2,588	491	1,990
Payment for share buy back	-	(354)	(404)
Return of Capital	-	-	(41,716)
Dividends paid	(24,176)	(27,167)	(13,821)
Net cash (outflow)/inflow from financing activities	**(149,213)**	**(132,988)**	**348**
Net increase / (decrease) in cash - continuing operations	**(31,298)**	**(78,075)**	**(62,013)**
Net increase/(decrease) in cash - discounted operation	**69,724**	**76,790**	**4,053**
Cash and cash equivalents at the beginning of the financial year	49,619	88,045	86,760
Cash and cash equivalents at year end	**88,045**	**86,760**	**28,800**

Sources: Thorn annual reports, GTCF analysis

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

- *Operating cash flows:* Net cash flows from operating activities declined in FY23 due to faster growth in Thornmoney's originations relative to the run-off of TEF. As a result, new originations were initially

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funded on the balance sheet until the Warehouse Facility opened at the end of August 2022 for Thornmoney's receivables. In addition, the Company generated significant negative operating cash flows in FY23 resulting from A$118.2 million worth of asset finance originations and A$37.2 million in drawdowns for the period.

- *Investing cash flows:* Net cash flows from investing activity declined in FY23 primarily due to the acquisition of A$5.0 million Moneyme shares and the extension of a A$5.0 million interest-bearing loan to Somers at a new interest rate of 12% per annum. The net cash inflow from investing activities in FY22 was aided by A$1.2 million in proceeds as a result of the sale of Quicka Holdings Pty Ltd, an investment held by Thorn since March 2021, to RapidPay in December 2021.

- *Financing cash flows:* Net cash from financing activities improved from a net outflow of A$133.0 million in FY22 to net inflow of A$0.3 million in FY23, largely on account of the reopening of the Warehouse Facility in August 2022 for Thornmoney's receivables and associated improvements in the repayment of borrowing, reducing from A$105.7 million to A$24.8 million over the period. In FY23, a total of A$13.8 million of dividends were paid to shareholders comprising a final dividend in July 2022 and a special dividend in September 2022. Further, A$41.72 million was paid as a capital return to shareholders in October 2022.

4.7.4 Capital Structure

As at the date of our report, Thorn has 34,764,019 fully paid ordinary shares on issue.

The top 10 shareholders of Thorn as at 30 May 2023 are set out below.

Top ten ordinary shareholders as at 30 May 2023		No. of shares	Interest (%)
1	JP Morgan Nominees Australia Pty Ltd	18,581,872	53.45%
2	Moat Investments Pty Ltd	2,512,021	7.23%
3	Mr Sean Patrick Martin	1,103,640	3.17%
4	ACE Property Holdings Pty Ltd	860,000	2.47%
5	Jet Invest Pty Ltd	401,905	1.16%
6	Mr Sunny Yang and Mrs Connie Yang (Yang Family Account)	372,153	1.07%
7	Mast Financial Pty Ltd	276,724	0.80%
8	Netwealth Investments Limited	190,391	0.55%
9	Trober No 57 Pty Ltd	185,027	0.53%
10	Mr Sunny Yang and Mrs Connie Yang (Yangs Superannuation)	179,866	0.52%
Top 10 shareholders		**24,663,599**	**70.95%**
Remaining shareholders		10,100,420	29.05%
Total ordinary shares outstanding		**34,764,019**	**100.00%**

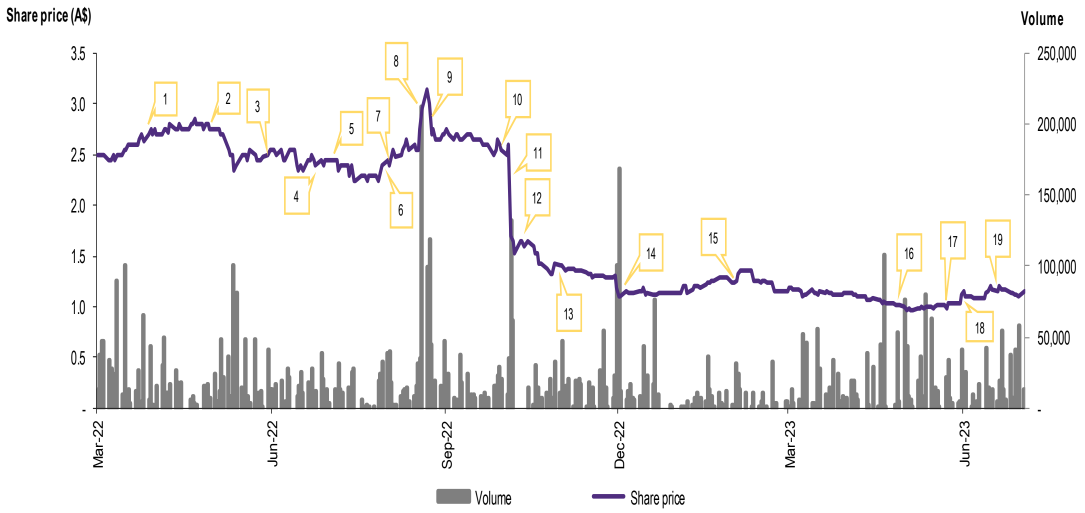
Source: Management, GTCF analysis.

Somers holds c. 49.3%[32] of the issued capital and Moat Investments Pty Ltd holds 7.2%[33] of the issued capital, both of which have made substantial shareholder declarations.

[32] Somers Limited lodged a substantial holder notice with Thorn on 27 July 2022, disclosing it held 171,571,633 shares. This was prior to the 10:1 share consolidation approved by shareholders on 30 September 2022 and completed on 14 October 2022. The number of shares referred to has been calculated on 10:1 consolidation ratio. Accordingly, there may be rounding changes and Somers may have acquired or disposed of shares after the date of lodgement of the notice.
[33] Based on Moat Investments Ltd last substantial shareholder notice lodged with ASX on 16 May 2023.

The daily movements in Thorn's share price and volumes for the period from March 2022 are set out below:

Thorn share price analysis



Sources: S&P Capital, GTCF analysis.

The following table illustrates the key events from March 2022 to June 2023, which may have affected the share price and volume movements shown above.

Event	Date	Comments
1	28 March 2022	Thorn announced its intentions to undertake a minimum holding buy-back of ordinary shares for Thorn shareholders who hold less than a marketable parcel of Thorn shares. The buy-back allows shareholders who were eligible on 25 March 2022 to sell their shares back to Thorn for a buy-back price of A$0.2580 per share.
2	29 April 2022	Thorn released the quarterly activity report for the quarter ending 31 March 2022, reporting: - Thorn successfully launched a tailored broker portal for a select group of brokers. - Negative cash flow of A$2.0 million from operating activities, as the Company funded 100% of the Asset Finance originations, leading to a cash balance decrease from A$132.4 million to A$86.8 million. - During the quarter, Thorn paid its special dividend of A$23.8 million.
3	30 May 2022	Thorn declared a final dividend of A$0.01 and announced the completion of its minimum holding buy-back, under which it bought back and cancelled 81,977 fully paid ordinary shares from 109 eligible shareholders.
4	24 June 2022	Thorn released the annual financial report for FY22, reporting: - Annual net profit of A$32.3 million, compared with a net profit of A$8.4 million in the previous corresponding period. - Thorn business finance net receivables of A$88.0 million - Thornmoney originated A$21.7 million since re-launch.
5	6 July 2022	Ex-date of final dividend.
6	29 July 2022	Thorn released the quarterly activity report for the quarter ending 30 June 2022, reporting: - Thorn entered advanced negotiations with its financiers to reopen the warehouse facility. - Negative cash flow of A$20.4 million from operating activities, as the Company funded 100% of the Thornmoney originations, leading to a cash balance decrease from A$86.8 million to A$43.5 million. - Repayment of A$18.9 million of warehouse debt funding.
7	3 August 2022	Thorn announced its Warehouse Facility was restructured and will recommence utilisation with a A$200 million funding limit.
8	19 August 2022	Thorn declared a special dividend of A$0.03 and announced the director's consideration for a further A$0.12 per share return of capital and share consolidation in Q3 FY23.
9	24 August 2022	Ex-date of the special dividend.
10	30 September 2022	Thorn held an EGM where shareholders voted in favour of both resolution 1 (return of capital to shareholders of A$0.12 per share) and resolution 2 (consolidation of shares of 1:10).

Event	Date	Comments
11	5 October 2022	Ex-date of the return of capital to shareholders.
12	11 October 2022 - 13 October 2022	Thorn completed the consolidation of shares on the basis of every ten (10) shares to one (1) share.
13	28 October 2022	Thorn released the quarterly activity report for the quarter ending 30 September 2022, reporting: - Negative cash flow of A$11.7 million from operating activities, an improvement from the negative A$32.2 million in the previous quarter on account of Thornmoney and Invoice Finance originations. - Improved repayment of borrowings of A$14.3 million, compared to A$33.3 million in previous quarter, as a result of eligible Thornmoney originations being funded by the Warehouse Facility. - Cash balance increased from A$43.5 million to A$86.7 million over the quarter, of which A$73.0 million is free cash. The larger cash balance is primarily driven by the abovementioned improvements in cash flows from operating and financing activities.
14	30 November 2022	Thorn released the financial report for the first half FY23, reporting: - Half year net profit of A$0.6 million, compared with a net profit of A$13.8 million in the previous corresponding period. - Revenue from continuing operations fell 31% from A$10.4 million to A$7.2 million. - Asset Finance originations of A$65.6 million for six months ended 30 September 2022
15	31 January 2023	Thorn released the quarterly activity report for the quarter ending 31 December 2022, reporting: - Negative cash flow of A$12.7 million from operating activities - Cash balance decreased from A$86.7 million to A$33.2 million - Capital return of A$41.7 million was paid
16	28 April 2023	Thorn released the quarterly activity report for the quarter ending 28 April 2023, reporting: - Negative cash flow of A$7.4 million from operating activities - Cash balance decreased from A$33.2 million to A$28.8 million - Cash out flow includes A$24.7 million for the acquisition of equipment and other assets during the quarter for future income earning asset finance leases
17	24 May 2023	Thorn announced that it had subscribed for additional shares in ASX listed company Moneyme. The cost of the investment totalled A$5.0 million. Following this investment, Thorn held an aggregate of 64,408,413 ordinary shares in Moneyme, representing voting power in Moneyme of approximately 8.64%.
18	31 May 2023	Thorn released their annual report for FY23, reporting: - Revenue fell 11.6% to A$15.3 million for FY23 - Net profit after tax declined from A$32.3 million to A$2.5 million due to one-off profits from the sale of Radio Rentals
19	20 June 2023	Thorn announced that it had entered into an agreement with Resimac for the sale of Thorn's Asset Finance Portfolio. Thorn expects to receive c. A$15 million cash proceeds from the sale. The sale reaffirms Thorn's core business strategy of being a diversified small business focussed financial services organisation.

Source: Thorn Annual Reports, Thorn ASX announcements and various news articles.

The volume weighted average price ("VWAP") analysis for Thorn's shares over the last 12 months is set out in the table below.

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Thorn Group Limited	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Apr 2022	2.850	2.670	2.750	63
May 2022	2.800	2.220	2.550	125
Jun 2022	2.600	2.200	2.450	73
Jul 2022	2.450	2.100	2.400	57
Aug 2022	3.200	2.300	2.700	179
Sep 2022	2.750	2.450	2.550	67
Oct 2022	2.600	1.300	1.400	95
Nov 2022	1.465	1.170	1.180	99
Dec 2022	1.200	1.050	1.140	92
Jan 2023	1.290	1.140	1.235	30
Feb 2023	1.350	1.150	1.155	39
Mar 2023	1.180	1.080	1.135	75
Apr 2023	1.140	0.985	1.020	87
Week ended				
10 Feb 2023	1.350	1.260	1.260	22
17 Feb 2023	1.290	1.230	1.245	17
24 Feb 2023	1.245	1.150	1.155	39
3 Mar 2023	1.180	1.150	1.175	27
10 Mar 2023	1.175	1.080	1.110	127
17 Mar 2023	1.170	1.100	1.145	89
24 Mar 2023	1.150	1.120	1.120	61
31 Mar 2023	1.140	1.120	1.135	49
7 Apr 2023	1.140	1.100	1.100	52
14 Apr 2023	1.110	1.065	1.090	68
21 Apr 2023	1.085	0.985	1.040	167
28 Apr 2023	1.020	1.020	1.020	59
5 May 2023	1.035	0.955	0.970	134
12 May 2023	1.020	0.965	1.000	144
19 May 2023	1.015	0.985	1.015	90
26 May 2023	1.075	0.990	1.030	66

Sources: S&P Capital, GTCF analysis.

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5 Valuation methodologies

5.1 Introduction

Grant Thornton Corporate Finance has assessed the value of Thorn using the fair market value standard of 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.

5.2 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 and the estimated realisable value of any surplus assets ("DCF Method").
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- Amount available for distribution to security holders in an orderly realisation of assets ("NAV Method").
- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

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 any above methodologies as the method(s) that 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.

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5.3 Selected valuation methods

Grant Thornton Corporate Finance has selected the market value of net assets under an orderly realisation approach to assess Thorn's equity value having regard to the audited balance sheet as at 31 March 2023 as a starting point. However, given that the loan book is changing rapidly, we have relied on the management accounts as at 31 May 2023 as a more accurate proxy of the loan book in the Asset Finance Portfolio at completion.

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

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6 Valuation assessment of Thorn

6.1 Orderly Realisation Scenario

As discussed in Section 5, Grant Thornton Corporate Finance has adopted a market-based approach by assuming an orderly realisation scenario on or around completion of the Proposed Transaction to assess the theoretical proceeds that could be realised by Thorn Shareholders and the benefits of entering into the Proposed Transaction. In our analysis, we had regard to the unaudited balance sheet included in the management accounts as at 31 May 2023 given there have been material changes in the amount of the receivables sold in the Warehouse Trust since the preparation of the audited accounts as at 31 March 2023.

The table below summarises the amount available for distribution to security holders on an orderly realisation of assets at the end of the TSA but before the payment of the Capital Return and Special Dividend.

Orderly Realisation A$	Section Reference	Low	High
Asset realisation:			
Adjusted Purchase Price upon Transaction completion	*6.1.1*	17,324,219	18,936,119
Cash from additional sale of On-Balance Sheet Receivables	*6.1.1*	4,254,949	4,254,951
Retained On-Balance Sheet Receivable (Net of provision)	*6.1.1*	2,302,717	-
Cash and Cash equivalent post sale Warehouse Facility	*6.1.2*	22,380,341	22,380,341
Cash from sale into the Warehouse in May 2023 not included in the cash balance	*6.1.1*	7,496,322	7,496,322
Cash and cash equivalent post sale of the Warehouse Facility		**29,876,663**	**29,876,663**
Investment Assets	*6.1.2*	7,539,910	8,918,142
Debtor Financing receivables	*6.1.2*	2,970,533	3,126,877
Solar Receivables	*6.1.2*	348,653	348,653
Loans to Somers	*6.1.2*	5,102,667	5,102,667
Total Assets post Transaction		**69,720,311**	**70,564,073**
Less:			
Significant Provisions and Contingent Liabilities	*6.1.3*	(2,986,886)	(2,986,886)
Payment of Other Liabilities	*6.1.4*	(1,919,006)	(1,919,006)
Trade and Other Payables	*6.1.4*	(2,796,816)	(2,796,816)
Other Liabilities		**(4,715,822)**	**(4,715,822)**
Total Liabilities 31 May 2023		**(7,702,708)**	**(7,702,708)**
Net realisation balance sheet post Transaction		**62,017,603**	**62,861,364**
Additional Orderly Realisation items			
Notice of Period Payments		(981,205)	(981,205)
Redundancies Payments		(1,165,856)	(1,165,856)
Ongoing employee costs over orderly realisation period		(105,048)	(105,048)
Realisation Off-balance sheet receivables		368,503	521,168
Loss on sale of CFI		(200,000)	(200,000)
Other Costs		(438,723)	(438,723)
Total Orderly Realisation Costs	***6.1.5***	**(2,522,330)**	**(2,369,664)**
Shareholders potential net realisation		**59,495,273**	**60,491,700**
Number of shares	*4.7.4*	34,764,019	34,764,019
Potential net realisation per Share (as at 31 May 2023)		**1.71**	**1.74**

Sources: Management, GTCF analysis

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Whilst the Directors have elected to continue to operate Thorn as a diversified, small business, focused financial services organisation and only distribute to Thorn Shareholders the Capital Return and Special Dividend, Non-Associated Shareholders are effectively able to monetise the balance sheet at a premium to the net assets as at 31 March 2023. This is largely as a result of the sale of the Warehouse Asset Finance Portfolio to Resimac with a discount to face value materially lower than the provisions applied to those receivables as at 31 March 2023.

However, as discussed in more detail in our reasonableness consideration, Thorn's trading prices after completion of the Proposed Transaction may be at a discount, potentially material, to our valuation assessment given Thorn's business will be subscale for a financial investment company, the balance sheet will be predominantly comprised by cash and listed securities and the Company will continue to incur corporate costs and management expenses, although at a materially reduced amount.

6.1.1 Adjusted Purchase Price as at 31 May 2023

The table below summarises Thorn's adjusted gross proceeds from the Proposed Transaction assuming the Warehouse Trust's financial position as at 31 May 2023.

Purchase Price - Warehouse Trust as at 31 May 2023 A$	*Notes*	Low	High
Consideration for Thorn G Notes hold in the Warehouse Trust	*1*	15,000,000	15,000,000
Thorn Liquidity Reserve in the Warehouse Trust	*1*	1,877,071	1,877,071
Thorn Collection Reserve in the Warehouse Trust	*1*	752,520	752,520
Discount to the receivables in the Warehouse Trust (1.3%)	*1*	(1,772,498)	(1,772,498)
Total Purchase Price - Warehouse Trust as at 31 May 2023		**15,857,092**	**15,857,092**
Discount to the SelfCo loan receivables (15.0%)	*2*	(386,504)	(386,504)
Sale of additional receivables not in the Warehouse Trust as at 31 May 2023	*3*	1,908,945	3,520,845
Discount to addition receviables sold in the Warehouse upon Transaction completion (1.3%)	*4*	(55,314)	(55,314)
Adjusted Purchase Price - Warehouse Trust as at 31 May 2023		**17,324,219**	**18,936,119**

Sources: GTCF analysis, Management.

Regarding the above we note the following:

- *Note 1* – Resimac has agreed to pay, in cash, the invested amount of Class G notes currently held by Thorn (estimated at A$15 million), repay to Thorn the amounts of the Liquidity Reserve (A$1.9 million) and the Collections Reserve account (A$0.75 million) less a discount equal to 1.30% of receivables in the Warehouse Trust. As at 31 May 2023, the Warehouse Trust receivables balance totalled c. A$139 million including the amount associated with the white labels loan categorised as SelfCo ("SelfCo") for c. A$2.6 million and CFI ("CFI") for c. A$3.3 million. The discount of 1.30% on the gross receivables amount is computed on Warehouse Trust's balance excluding SelfCo loan balance.

- *Note 2* – Resimac and Thorn, as per the treatment table in the SPD, are negotiating the discount on the transfer of the SelfCo loan balance in the Warehouse Trust, which is estimated at 15.0%.

- *Note 3* – Resimac and Thorn, as per the treatment table in the SPD, are negotiating the purchase of a certain portion of the off-balance sheet receivables at a c. 37% discount. Proceeds are expected to be in the range of between c. A$1.9 million and A$3.5 million on the low and high end respectively.

- *Note 4* – Thorn is currently in discussion with the Warehouse Trust for the sale of an additional c. A$4.3 million asset finance receivables prior to Resimac purchasing the Warehouse Trust and hence automatic transfer to Resimac at a 1.3% discount.

Based on the above, at completion of the Proposed Transaction, Thorn would hold c. A$3.5 million and A$0.9 million gross On-Balance Sheet Receivables or c. A$2.3 million and nil (net of provision) at the low and high end respectively.

Our valuation assessment includes the cash proceeds for c. A$7.5 million of receivables sold into the Warehouse Trust for May 2023.

We note that the Proposed Transaction could give rise to a taxable gain, however Management has advised that Thorn has significant tax losses to offset any potential taxable income and hence we have not considered it in our valuation assessment.

6.1.2 Other assets

- *Cash balance* – The cash balance as at 31 May 2023 is estimated at A$29.9 million before considering the cash inflow from the Purchase Price and the sale of additional On-Balance Sheet Receivables into the Warehouse Trust and off-balance sheet receivables to Resimac, which are considered separately, and the payment of the Capital Return and Special Dividend.

- *Debtor Finance Receivables* – We note the debtor finance book is relatively small at c. A$3.1 million as at 31 May 2023 and that Thorn has not allocated any provision for expected credit losses as a result of the high creditworthiness of the underlying clients. Given the short-term nature of the receivable, we have assumed the fair market value to be at a 5% and nil discount to face value at the low and high end respectively.

- *Investment in listed companies* – Thorn holds 64,408,413 ordinary shares in Moneyme equivalent to c. 8.64% of the issued capital and 5,909,564 ordinary shares in Humm equivalent to c. 2.6% of the issued capital. We have assessed the value of these investments, having regard to the recent trading prices. Given the relatively small size of the investment, we have assumed the Company can realise its investment net of transaction costs/realisation discount of 2%. We have estimated the market value between A$7.5 million and A$8.9 million net of transaction costs and on a post-tax basis.

- *Somers loan* – On 17 October 2022, Thorn entered into a secured loan of A$5.0 million with Somers repayable on 30 December 2022 at an interest rate of 9% per annum. The principal repayment date was extended to 31 March 2023 at an interest rate of 10% per annum and subsequently extended to 30 June 2023 at an interest rate of 12.0% per annum. The term of the loan has been negotiated to be extended to 30 September 2023, with an applicable interest rate of 12% per annum. We have adopted the face value of the outstanding amount and the accrued interests as at 31 May 2023 in our valuation assessment.

- *Solar Portfolio* – As a part of the legacy of consumer finance operations, Thorn retained a relatively small book associated with the financing of solar panels and related equipment of c. A$0.3 million. The book is in run-off with the last contract due to be repaid in April 2027 and c. 25% are 106 days in arrears. Given the small size of the receivables, we have assumed Thorn would be able to realise the full portfolio at face value at the low and high end.

The Company had in place hedging derivatives interest rate swaps to fix the interest rate on the warehouse funding balance, which were in the money. In the Orderly Realisation scenario, we have assumed that this benefit will not be realised.

6.1.3 Significant Provision and Contingent Liabilities

As at 31 May 2023, Thorn's balance sheet included c. A$4.5 million as a provision for potential future expenses to be incurred by the Company in association with the Consumer Finance book sold in December 2021 to Credit Corp. The provision is mainly associated with the following:

- *Indemnities and warranties* – This is a general provision which covers a number of potential obligations, including indemnities and warranties in connection with the sale.

- *Legacy cost from historical legal proceedings* – Between 2017 and 2020, the Consumer Finance division became subject to a customer class action and ASIC enforceable undertaking because of historical breaches in the lending practices of the division resulting in customers overpaying in respect to their actual lending agreements. As at the date of this report, Thorn carries a provision regarding the matter to reflect the potential payment obligations for a set of customers affected by the lending breaches that were not identified during the process and outstanding repayments towards inactive clients of the Consumer Finance division.

Regarding the above provisions and contingent liabilities as at 31 May 2023, we understand that management assesses the probability of payment to be relatively low. As a result, we have adopted management's projected amortised carrying amount as at 30 September 2023.

6.1.4 Other liabilities

As shown in the table below, other liabilities are related to the ongoing normal operations of the business and include employee related liabilities as well as general accruals and other payables.

Other Liabilities A$	
Employees liabilities	(2,796,816)
Ongoing business operations (General accruals, audit fee, interest payables, etc)	(1,919,006)
Total	**(4,715,822)**

Sources: GTCF Analysis, Thorn 1HFY22 financial report

The largest component of other liabilities is the provision reflecting the accrued bonus of executives as at 31 May 2023. Overall, we have assumed Thorn would settle those other liabilities at full face value as part of the Orderly Realisation process.

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6.1.5 Orderly Realisation adjustments

Employee costs

Thorn's management has provided an estimate of the employee related costs as a result of the implementation of the Proposed Transaction and the winding down of the equipment finance business.

As at the date of this report, Thorn employs c. 33 staff which are expected to reduce to nil over the four-month period after the implementation of the deal. Management has computed the redundancy costs inclusive of notice period for each employee based on the different length of employment and other aspects peculiar to each employee. Certain employees are retained during the TSA period to fulfil Thorn's obligations. The redundancy expenses plus management expenses are deducted from our orderly realisation assessment.

Realisation off-balance sheet receivables and CFI

In addition to assets recognised on the balance sheet, Thorn has c. A$7.5 million in off-balance sheet financial lease receivables. Those receivables are associated with accounts in arrears for more than 120 days, and are therefore fully provided for, however the Company is still actively engaged in the recovery process through third parties. Management has indicated it expects to be able to recover between 5% and 7% of the off-balance sheet receivables and to incur collection costs between 1% to 2% of the receivables based on historic costs. The table below summarises the valuation assessment of these off-balance sheet receivables.

Off-Balance Sheet Receivables A$	Low	High
Off-balance sheet receivables	7,520,467	7,520,467
Proportion assumed collectible	5%	7%
Gross collectible amount before collecting costs	**376,023**	**526,433**
Collecting costs as %	(2%)	(1%)
Estimated collectible amount	**368,503**	**521,168**

Sources: Management, GTCF analysis

In addition, we have reflected the loss upon the sale of the CFI loan book completed in June 2023 of c. A$200,000.

Other costs

Other costs relate to IT costs and other operating expenses, such as rent, allowing Thorn to operate during the winding down of the business.

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6.2 Implied Multiple Cross Check

As mentioned in Section 5, we have benchmarked the P/NA multiple implied in the Orderly Realisation Scenario with listed peers and comparable transactions. The table below presents the P/NA multiple implied in our valuation assessment.

Implied P/NA Multiple A$000	*Section Reference*	Low	High
Orderly Realisation Scenario	*6.1*	59,495	60,492
Net assets value as at 31 March 2023	*4.7.2*	50,973	50,973
Implied Multiple (times)		**1.17x**	**1.19x**

Source: GTCF analysis

6.2.1 Comparable Trading Peers and Transactions

To assess an appropriate P/NA multiple range for the valuation of Thorn, we have had regard to the current trading multiples of broadly comparable companies ("Trading Multiples") and acquisitions of companies with broadly similar operations ("Transaction Multiples"). A brief description of each listed peer is provided in Appendix B. We have relied on the NA multiple rather than the NTA multiple as several of the listed peers have grown their market capitalisation and loan book by acquisitions and hence, in order to ensure like for like comparison with companies like Thorn, which have grown organically, goodwill and intangible assets should be included in the balance sheet.

6.2.1.1 Trading Multiples

In selecting comparable companies, we have considered Australian-based companies to be more comparable as they are exposed to similar growth and revenue drivers and are impacted by similar industry risks to Thorn. Additionally, we focus on companies with predominantly equipment finance operations and thereby place limited attention on debtor finance, given its insignificant role in Thorn's business operations. Summarised below are the P/NA trading multiples for the selected comparable companies.

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Company	Year-end	Country	Market Cap[1] A$m	NA A$m	Net Book A$m	P/NA Multiple Minority	Control[2]
Tier 1							
Earlypay Limited	31-Dec-22	Australia	59.4	75.7	302.1	0.78x	1.02x
FSA Group Limited	31-Dec-22	Australia	122.9	101.1	572.4	1.22x	1.58x
Solvar Limited	31-Dec-22	Australia	347.1	378.0	730.3	0.92x	1.19x
FleetPartners Group Limited	30-Sep-22	Australia	576.8	633.5	327.6	0.91x	1.18x
Humm Group Limited	31-Dec-22	Australia	216.7	637.3	3,214.8	0.34x	0.44x
Median - Tier 1 (excluding Humm)						**0.91x**	**1.18x**
Average - Tier 1 (excluding Humm)						**0.96x**	**1.08x**
Tier 2							
COG Financial Services Limited	31-Dec-22	Australia	266.9	206.7	212.7	1.29x	1.68x
Pepper Money Limited	31-Dec-22	Australia	562.9	836.3	18,327.8	0.67x	0.87x
Resimac Group Limited	31-Dec-22	Australia	371.8	405.3	15,109.2	0.92x	1.19x
Judo Capital Holdings Limited	31-Dec-22	Australia	1,265.8	1,442.0	7,407.8	0.88x	1.14x
Median - Tier 2						**0.90x**	**1.17x**
Average - Tier 2						**0.94x**	**1.22x**
Median - Overall (excluding Humm)						**0.91x**	**1.19x**
Average - Overall (excluding Humm)						**0.95x**	**1.23x**

Source: Companies' financial reports, S&P Global, GTCF analysis.
Notes: (1) Market capitalisations sourced from S&P Global as at 30 May 2023 and presented on a minority basis; (2) Control multiple calculated by applying a control premium of 30% to the market capitalisations of the listed peers. Refer to Appendix C for further details on the control premium.

Regarding the above, we note the following:

- The observed trading prices of shares and therefore the observed Trading Multiples reflect the value of the companies on a minority basis and does not include a premium for control.
- The carrying value of the net assets is calculated based on the latest balance sheets released by the listed peers as at the date of this report. Accordingly, the trading prices incorporates market expectations of growth and performance of the loan books and other assets, which is yet to be publicly announced.
- Due to the unique characteristics of Thorn and its Asset Finance Portfolio, the number of highly comparable listed companies is limited. Services similar to Thorn are generally provided by larger and more diversified companies with highly established and seasoned receivable books.
- Overall, all the Tier 1 selected peers have significantly larger operations than Thorn, with net loan portfolios varying between c. A$302.1 million and A$730.3 million (excluding Humm) compared to Thorn's net Asset Finance Portfolio of c. A$133.1 million as at 31 March 2023.

We divide the comparable companies into two categories to assist in the determination of an appropriate P/NA multiple range. Companies in Tier 1 primarily offers equipment financing, whilst companies in Tier 2 have equipment financing as a secondary business function and are therefore less relevant.

Solvar Limited ("Solvar")

Solvar, formerly Money3 Corporation Limited, is a provider of automotive and personal finance across the Australian and New Zealand markets. Solver had net receivables of A$771.8 million as at 31 December

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2022. Accordingly, it is significantly larger than Thorn. Similar to Thorn, the primary offering of Solvar is equipment financing products, specifically motor vehicle financing. Motor vehicles have historically represented c. 50% and 85% of the total assets financed by Thorn and Solvar respectively. Unlike Thorn, Solvar attracts both consumer and SME clients, however, we note that both groups receive similar interest rates and possess comparable risk profiles. Comprised of three unique brands, Solvar targets a mixture of prime, near prime, and non-conforming loans and had a receivable provision of 5.4% as at 31 December 2022. Despite Thorn's Asset Finance Portfolio provision of c. 11.1% as at 31 March 2023, which is largely driven by the legacy equipment finance book currently in run-off mode, the receivables of both companies are riskier relative to the other Tier 1 comparable peers (excluding Earlypay) which have an average provision of 1.6% at the date of this report. Solvar has a strong history of company success, having grown its gross receivables book by a CAGR of c. 27.9% between FY17 and FY22. Further, Solvar forecasts annual growth of 8.5% in FY23 despite the outlook of deteriorating macroeconomic conditions.

To provide a deeper insight into the comparability of the two companies, we have summarised below several KPIs for the two businesses:

KPIs - Thorn and Solvar	TGA	SVR
PBT margin[1], latest reported	16.5%	35.2%
Gross loan receivable (A$million), latest reported	149.7	771.8
Provision as % of asset finance gross receviables, latest reported	11.1%	5.4%
Active contracts, latest avaliable	5,438	58,146
Number of Warehouse Funding Facilities	1	5
Warehouse Facility Funding Limit (A$million)	200	898

Source: Companies' annual reports and interim reports, Management, S&P Global, GTCF analysis.
Notes: (1) PBT includes profit attributable to discontinued operations. (2) Gross loan receivable and provision of Thorn excludes the legacy and Radio Rentals Portfolio. (3) Thorn latest reported figures as at 31 March 2023 sourced from FY23 Annual Report. (4) Solvar latest reported figures as at 31 December 2022 sourced from 1HFY23 Financial Report.

Earlypay Limited ("Earlypay")

Earlypay provides equipment and debtor finance to SMEs in Australia and had net receivables of A$302.1 million as at 31 December 2022. Accordingly, Thorn is closer in size and has a more comparable scope of operations to Earlypay than the other trading peers. Earlypay has historically targeted a greater concentration of prime credit clients and primary assets, which is comparable to Thornmoney. Additionally, Earlypay's debtor finance book is considerably larger than Thorn with gross receivables of c. A$187.8 million as at 31 December 2022. However, we note that Earlypay has recently incurred company specific challenges which has affected its financial performance.

On 7 December 2022, Earlypay released to the market that its largest borrower, RevRoof Pty Ltd and its related entity Painted Steel Technologies Pty Ltd (collectively "RevRoof"), entered into administration. Earlypay had c. A$29 million of outstanding exposure to RevRoof, secured by invoice, equipment and trade finance assets, and as a result led to Earlypay withdrawing its earnings and dividend guidance on 23 December 2022. Consequently, the market capitalisation of Earlypay fell sharply from A$119 million as at 6 December 2022 to A$58 million as at 23 December 2022. Based on the ASX announcement of RevRoof Business on 5 June 2023, we understand that the receivership process has taken longer and been more complex than originally anticipated and as a result, the specific provision recognised for the RevRoof exposure was increased from A$9.6 million as at 31 December 2022 to A$10.5 million as at 5 June 2023. Further, the anticipated costs of the receivership have grown from A$2.0 million to A$4.0 million over the same period. The market capitalisation of Earlypay remains c. 50% lower compared to what it was as at 6 December 2022 thereby supressing the implied P/NA multiple.

FleetPartners Group (“FleetPartners”)

FleetPartners, formerly Eclipx Group Limited, provides vehicle fleet leasing, fleet management, and diversified financial services in Australia and New Zealand and had net receivables of A$327.6 million as at 31 March 2023. Unlike the other Tier 1 comparable companies, FleetPartners owns a large proportion of motor vehicles among the assets under management/finance (c. 37% as at 30 September 2022). Consequently, the company has been able to record strong growth in new business writing despite the continuing supply chain constraints for new vehicles. FleetPartners has a strong history of implementing and achieving its strategic initiatives. During 1HFY21, FleetPartners engaged in a restructuring phase which led to the divestment of five non-core divisions and a 38% reduction in corporate debt. Over FY22, FleetPartners improved its operating performance, delivering EBITDA of A$171.4 million and NPAT of A$103.3 million, up 20% and 36% respectively compared to the pcp. However, the financial performance was subsequently hindered in 1HFY23 due to ongoing supply delays and the unwinding of COVID-19 pandemic railways with EBITDA and NPAT falling c. 29% and 34% respectively compared to pcp. Notwithstanding this, FleetPartners is well-positioned for future growth, recently executing a A$350 million assets backed securitisation deal in March 2023 at the lowest cost of funds for any public Australian securitisation company since May 2022. In addition, unlike Thorn, the outlook of FleetPartners’ earnings is predictable given the contracted nature of annuity income, compounded by the low portfolio risk with a net provision of 1.2% as at 31 March 2023.

FSA Group (“FSA”)

FSA offers debt and lending services to individuals and SMEs in Australia. Specifically, the groups lending operations consist of home loans for residential property, personal loans for motor vehicles and equipment finance for SME assets and had total net receivables of A$572.4 million as of 31 December 2022. Accordingly, FSA is much larger than Thorn and relatively more diversified. Although home loans are the primary product of the group, with net receivables of A$369.6 million as of 31 December 2022, the remaining two loan portfolios are comparable to Thorn. However, with a provision of 2.3% as at 30 September 2022, the equipment and personal receivables of FSA are of relatively higher credit quality. Unlike Thorn, FSA also offers client services such as informal arrangements, debt agreements, personal insolvency, and bankruptcy and is the largest provider of these services in Australia, representing 24.5% of the group’s net profit after tax for 1HFY23.

Humm Group (“Humm”)

Humm provides commercial and consumer finance products in Australia and New Zealand. The commercial segment provides asset finance solutions for SMEs and had net receivables of A$1,922 million as at 31 December 2022. The largest balance, however, with net receivables of A$1,789 million as at 31 December 2022 is associated with the consumer segment of Humm which comprises of cards and Buy Now Pay Later (“BNPL”) businesses. As a result, we do not consider it comparable to Thorn and have excluded it from our assessment of Trading Multiples.

Tier 2

We placed limited reliance on the Tier 2 trading companies as explained below:

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- Consolidated Operation Group ("COG") Financial Services is Australia's largest equipment and asset finance broking company. The company predominantly provides asset finance broking and aggregation but is also a provider of non-prime commercial equipment finance. As a result, the company's revenue structure is largely commission based.

- Pepper Money Limited ("Pepper Money") and Resimac Group Limited ("Resimac") are primarily residential mortgage lenders with small asset finance operations. Specifically, asset financing represented A$4.7 billion of Pepper Money's total A$19.2 billion assets under management as at 31 December 2022. Similarly, Resimac recorded asset finance settlements of A$210 million compared to A$2.4 billion for home loan settlements in 1HFY23. Accordingly, the operations of these companies differ significantly to that of Thorn.

- Judo Capital Holdings Limited ("Judo Capital") is an Australian challenger bank that offers business loans, lines of credit, home loans and equipment finance to SMEs. The company is an ADI financial institution and hence not comparable to Thorn.

6.2.1.2 Transaction Multiples

Similar to the selection of trading multiples, we consider Australian-based transactions where the target primarily offers equipment finance to be more comparable for the purpose of our valuation assessment. Whilst we observe transactions in the debtor financing industry, we assign limited relevance given its marginal role in Thorn's business model.

Summarised below are the P/NA trading multiples for the selected comparable transactions.

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Comparable transaction analysis				Stake	Value	NA	Mutiple
Date	Target Company	Country	Bidder Company	(%)	A$m	A$m	P/NA
Tier 1 - Equipment Finance							
Nov-21	Westlawn Finance Ltd	Australia	COG Financial Services	24%	38.9	34.5	1.1x
Sep-21	Azora Finance Pty Ltd	Australia	Azora Finance Group Pty Ltd	100%	15.0	12.1	1.2x
Jan-21	GMF Australia Pty Ltd	Australia	Money3 Corporation Ltd	100%	17.1	Na	Na
Dec-20	Automotive Financial Services Pty	Australia	Money3 Corporation Ltd	100%	10.8	3.1	3.5x
Aug-20	Westpac Vendor Finance	Australia	Cerberus Capital Managemer	100%	600.0	Na	Na
Jul-20	Westlawn Finance Ltd	Australia	COG Financial Services	19%	38.8	33.8	1.1x
Jun-20	UDC Finance Ltd	New Zealand	Shinsei Bank Ltd	100%	762.0	635.0	1.2x
Dec-19	Silver Chef Rentals Pty Ltd	Australia	Next Capital Pty Ltd	100%	18.3	30.4	0.6x
Sep-19	Classic Funding Group	Australia	CML Group	100%	10.6	5.5	1.9x
Feb-19	Money3 Corporation Ltd	Australia	Money3 Corporation Manage	100%	46.0	48.3	1.0x
Feb-19	Go Car Finance Ltd	Australia	Money3 Corporation Ltd	100%	21.6	19.5	1.1x
Sep-18	Westlawn Finance Ltd	New Zealand	COG Financial Services	32%	45.0	Na	Na
Mar-15	Telecom Rentals Ltd	Australia	FlexiGroup Ltd	100%	108.4	95.6	1.1x
Nov-12	Southern Finance Group Ltd	Australia	Bendigo and Adelaide Bank L	100%	286.8	289.3	1.0x
Tier 1 - Median							**1.1x**
Tier 1 - Average							**1.4x**
Tier 2 - Debtor Finance							
Dec-19	CML Group	Australia	Scottish Pacific Group	100%	130.5	44.8	2.9x
Sep-18	Scottish Pacific Group Ltd	Australia	SME Capital Investments Pty	100%	612.4	206.6	3.0x
Feb-18	lstCash Pty Ltd	Australia	CML Group	100%	38.7	35.2	1.1x
Jun-16	Suncorp-Metway Ltd	Australia	Scottish Pacific Group Ltd	100%	3.0	2.8	1.1x
Jun-16	GE Capital Finance Pty Ltd	Australia	Scottish Pacific Group Ltd	100%	23.9	18.5	1.3x
May-16	180 Group Holdings Pty Ltd	Australia	CML Group	100%	35.5	Na	Na
Feb-16	CashFlow Advantage Pty Ltd	Australia	CML Group	100%	11.5	Na	Na
Jan-16	Bibby Financial Services Pty Ltd	Australia	Scottish Pacific Group Ltd	100%	120.3	33.7	3.6x
Oct-15	Fisher & Paykel Finance Ltd	New Zealand	FlexiGroup Ltd	100%	284.9	128.7	2.2x
Apr-15	Cashflow Finance Australia Pty Lt	Australia	CML Group	100%	13.5	Na	Na
Tier 2 - Median							**2.2x**
Tier 2 - Average							**2.2x**
Overall - Median							**1.1x**
Overall - Average							**1.7x**

Source: Companies' annual reports, GTCF analysis.
Notes: (1) Deal values are stated in AUD, unless the country is New Zealand where the value is stated in NZD.

In relation to the above, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special value paid for by the acquirers. Notably, the implied multiples generally reflect identified synergies that can be uniquely accessible to the acquirer.

- The selected transactions occurred during the period between November 2012 and November 2021. Notably, the economic and market factors, including the interest rate environment, business confidence, competition dynamics and level of business capital expenditure may be significantly different from those relative to our valuation date. Accordingly, these relevant factors may have a material impact on the value of each transaction.

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Westlawn Finance Ltd ("Westlawn")

- In September 2018, COG announced it had acquired a 32% stake in Westlawn for a total consideration of A$45 million. Subsequently, COG acquired an additional 19% stake in July 2020 and 24% stake in November 2021 for a total consideration of A$38.8 million and A$38.9 million respectively. Accordingly, COG currently holds a 75% controlling ownership in Westlawn.

- Westlawn was primarily a commercial equipment leasing business and had net receivables of A$190 million as at 30 June 2020 and A$192 million as at 30 June 2021. Hence, the equipment financing operations were larger than Thorn. Similar to Thorn, however, the company was a predominant financier of plant and equipment assets using chattel mortgages. Plant and equipment chattel mortgages represented 78% and 74% of Westlawn's total loan portfolio in FY20 and FY21 respectively. Westlawn had a relatively high-quality receivable book with provisions of 1.2% in FY20 and 2.3% in FY21, with the rise in the latter influenced with the onset of COVID-19. Westlawn was also a secondary provider of general insurance broking operations which represented c. 27% of total revenue after interest expense in FY20 and FY21. Westlawn had a unique funding structure, utilising funds from debenture holders, equity and fixed interest securities to finance the commercial leasing segment. Accordingly, Westlawn had superior operational and funding diversification relative to Thorn.

- Overall, we consider Westlawn comparable to Thorn despite its significantly larger scale and superior receivables quality. We note that the two subsequent transactions occurred whilst COG held a significant stake in the company and are thereby likely to be associated with a smaller than average control premium.

Azora Finance Pty Ltd ("Azora Finance")

- In September 2021, Azora Finance Group ("AFG") acquired 100% of the ordinary shares from Azora Finance in exchange for the issue of new AFG ordinary shares, resulting in a total consideration of A$15 million. Azora Finance was an equipment finance lender offering SMEs finance for vehicles and business-critical equipment and had net receivables of c. A$42 million as at the date of acquisition. Despite having a relatively small receivables book, the company had access to three different non-resource warehouse facilities.

UDC Finance Limited ("UDC")

In June 2020, Shinsei Bank Limited announced the acquisition of UDC for a total consideration of NZ$762 million. UDC was the largest non-bank lender in New Zealand with a business history of over 80 years. Offering automotive loans for individuals, asset-backed finance for institutional customers and inventory finance for automotive dealers, UDC had a strong sales base and sales structure for individual and corporate clients. UDC recorded NZ$97 million of EBIT and NZ$70 million NPAT for the financial year ended 30 September 2019.

Personal vehicles represented 29% of total assets financed, followed by construction equipment and transport equipment accounting for 14% and 12% respectively. Accordingly, the customer portfolio was significantly diversified. UDC had a predictable and stable earnings outlook and operated a low risk and middle-return asset-backed finance business with high quality assets. Although UDC is of significantly larger scale and mature operations, we consider it broadly comparable to Thorn.

Silver Chef Rentals ("Silver Chef")

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In September 2019, Next Capital Pty Ltd announced the acquisition of the Silver Chef, a collection of seven hospitality equipment financing subsidiaries of SIV Capital Limited, for a total consideration of A$18.25 million for a receivables book of c. A$190.5 million.

We note that at the time of the acquisition, Silver Chef was at real and substantial near-term risk of becoming insolvent. Prior to the date of acquisition, Silver Chef breached the debt covenants under its syndicated debt facility and its secured warehouse facility following large statutory losses in FY18. On the date Silver Chef received the conditional proposal from Next Capital, Silver Chef remained in default of its banking obligations and had less than seven days to reach an agreement with its banking syndicate on a large-scale debt restructure or consequently face the risk of going into administration. The offer may represent a distressed value for the business.

Classic Funding Group ("Classic")

In September 2019, CML Group announced the acquisition of Classic for a total consideration of A$10.6 million. Classic had 25 years' experience operating in the equipment financing and debtor financing markets across Australia. The equipment financing division offered commercial equipment finance, small ticket commercial rental, and homeowner solar finance and had net receivables of c. A$99 million as at the date of acquisition. Accordingly, the size and composition of Classic's equipment book are highly comparable to Thorn. The debtor financing division provided invoice discounting for commercial clients and had net receivables of c. A$30 million as at the date of acquisition. Similar to Thorn, debtor financing represented a much smaller portion of Classic's total receivables, however with 47 debtor financing clients and an average loan size of A$600,000, the division was significantly more established in comparison to Thorn. The acquisition of Classic generated significant benefits for CML. Specifically, CML expected c. A$1 million annual cost synergies with the dilution of warehouse facility funding costs and c. A$2 million annual operational synergies upon business integration and revenue benefits achievable from cross-selling products to Classic's client base.

Telecom Rentals Limited ("Telecom")

In March 2015, FlexiGroup Limited (which has since been rebranded to Humm Group) announced the acquisition of Telecom for a total consideration of c. NZ$108 million. Telecom was a wholly owned subsidiary of Spark New Zealand Group and was established to provide IT and telecommunication equipment financing solutions for Spark Digital customers, primarily through operating leases. Telecom was similar size to Thorn with net receivables of NZ$101 million as at the date of acquisition. We therefore consider Telecom to be moderately comparable with Thorn.

Transactions undertaken by Money3 Corporation Limited ("Money3")

- In February 2019, Money3 announced the acquisition of Go Car Finance ("Go Car") Limited for an initial consideration of c. NZ$16 million (NZ$14 million cash and NZ$2 million Money3 shares). Go Car specialised in non-conforming automotive loans in New Zealand and had net receivables of A$43.9 million as at the date of acquisition. We note that the founder and management team of Go Car remained with the business over the next three years and were entitled to additional payments (earnouts) of up to NZ$8 million contingent on certain performance hurdles being achieved. Go Car was well positioned for the future having secured an additional funding facility of NZ$35.8 million from a leading New Zealand bank prior to the acquisition.

- In February 2019, Money3 announced the sale of its residual Small Amount Credit Contract ("SACC") lending business through a management buyout ("MBO") for a total consideration of c. A$46 million. Money3 flagged its intentions to exit SACC in FY18 so that it could focus its attention on the automotive loans sector. The SAAC business operated via branch and online presence, offering loan amounts of A$2,000 or less with maturities ranging from 16 days to one year. Money3 had net receivables of A$36.1 million as at the date of acquisition.

- In December 2020, Money3 announced the acquisition of Automotive Financial Services Pty Ltd ("AFS") for a total consideration of A$10.8 million. AFS had more than 30 years' operating in the near prime lending market for consumer and commercial vehicles. The company had net receivables book of A$45.9 million as at the date of acquisition with less than 1% of the total book in 30+ days arrears. Accordingly, AFS had a deep base of high credit quality clients and allowed Money3 to extend its product offering along the credit quality curve. Since the acquisition, the warehouse facility of AFS has grown by 246% to reach A$190 million as at 30 June 2022, from A$55 million at the date of acquisition. Given the superior quality of receivables to Thorn and the additional benefits gained from the warehouse facility, we have placed limited reliance on this transaction.

Southern Finance Group Limited ("Southern Finance")

In November 2012, Bendigo and Adelaide Bank Limited announced that it entered into an agreement to acquire 100% of Southern Finance for a total consideration of A$286.8 million. Southern Finance primarily provided loan and lease equipment finance to agriculture and farming clients in regional Victoria and South Australia. Southern Finance had net receivables of A$243 million at the date of acquisition. Southern Finance was also a provider of financial planning services. Notably, at the time of acquisition, Southern Finance was in a state of financial distress and required an immediate cash fix to pay noteholders whose investments had matured.

6.2.1.3 Tier 2 Transaction

As a part of our procedures, we have also analysed transactions involving debtors financing operations. However, we have put limit reliance on them since the debtor finance division of Thorn is relatively new and has no proper funding solution in place to expand.

6.2.2 P/NA Multiple Conclusion

Our Orderly Realisation of Net Assets method of valuation implies a P/NA multiple between 1.17x and 1.19x. In the chart below, we compare our implied P/NA multiple range with the selected listed peers and comparable transactions.

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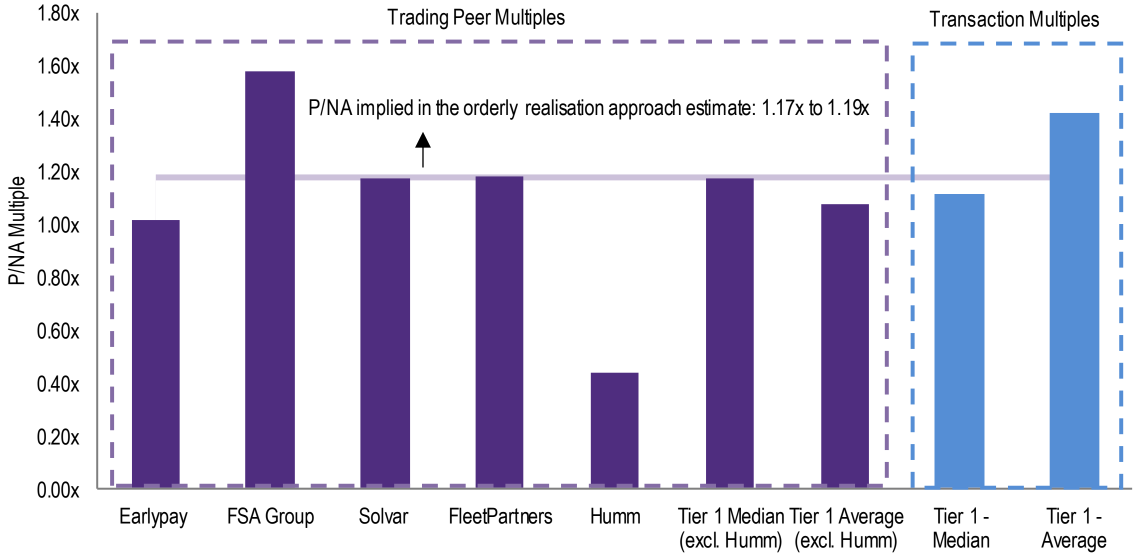
GT Implied multiple compared to listed peers (control basis) and comparable transactions



Source: S&P Global, GTCF analysis.
Notes: (1) A control premium of 30% has been applied to the market capitalisations of the listed peers sourced from S&P Global as at 30 May 2023. Refer to Appendix C for further details on the applied control premium.

The valuation of Thorn based on the orderly realisation approach is at the high-end of the trading multiples of the listed peers, after the application of a premium for control of 30%, and largely in line with the implied multiples of the comparable transactions, albeit slightly below average. Hence, no financial benefits are provided to the Related Party.

However, we note that the Directors have elected to continue to operate Thorn as a diversified small business focussed financial services organisation and only distribute to Thorn Shareholders the Capital Return and Special Dividend. Hence, Thorn Shareholders may not necessarily be capable of realising this price by selling Thorn's shares on the market. However, the benefits of the Proposed Transaction pre-empt the decision of the Directors to continue to operate the business as a small investment company and the value implications of this strategy for the Non-Associated Shareholders have not been considered in forming our opinion on the Proposed Transaction.

6.3 Quoted securities prices

In our assessment of the Proposed Transaction, we have also compared the fair market value of Thorn under an orderly realisation with the trading price of the listed securities on the ASX.

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.

6.3.1 Liquidity

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

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from May 2022 to April 2023[34] as a percentage of the total outstanding shares 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
May 2022	548	2.4918	1,365	1.6%	1.6%	4.3%	4.3%
Jun 2022	322	2.4252	781	1.0%	2.6%	2.6%	6.9%
Jul 2022	238	2.3373	556	0.7%	3.3%	2.2%	9.1%
Aug 2022	823	2.8319	2,330	2.4%	5.7%	7.4%	16.5%
Sep 2022	295	2.6280	774	0.9%	6.5%	2.7%	19.2%
Oct 2022	401	1.6386	657	1.2%	7.7%	3.6%	22.8%
Nov 2022	435	1.3089	570	1.3%	8.9%	4.0%	26.8%
Dec 2022	406	1.1191	455	1.2%	10.1%	3.7%	30.5%
Jan 2023	131	1.2308	161	0.4%	10.5%	1.2%	31.7%
Feb 2023	156	1.2515	195	0.4%	10.9%	1.4%	33.1%
Mar 2023	344	1.1289	389	1.0%	11.9%	3.2%	36.3%
Apr 2023	347	1.0478	364	1.0%	12.9%	3.1%	39.4%
Min				**0.4%**		**1.2%**	
Average				**1.1%**		**3.3%**	
Median				**1.0%**		**3.2%**	
Max				**2.4%**		**7.4%**	

Sources: S&P Global and GTCF Analysis

With regard to the above analysis, we note that:

- The level of free float for Thorn is at c. 32%[35]. The free float of the Company is limited by the concentrated shareholders base characterised by Somers holding a c. 49.3% interest in Thorn (based on its lasted ASX substantial shareholder notification lodged with ASX on 25 July 2022). During the last 12 months, c. 39.4% of the free float shares were traded with an average monthly volume of 3.3% of the total free float shares.

- A relatively higher level of trading can be noticed in August 2022 as a result of the declaration of a 3.0 cents per share fully franked special dividend, equivalent to A$10.4 million, and the consideration of a 12.0 cents per share return of capital, equivalent to A$41.7 million, and share consolidation in October 2022.

- Below we have benchmarked the liquidity of Thorn with the comparable trading peers employed in Section 6.2.1. Thorn's cumulative volume traded as a percentage of free float is in line with the average and median of the listed peers.

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

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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	31.9%	1.1%	3.3%	12.9%	39.4%
Earlypay Limited	Australia	82.5%	2.0%	2.4%	23.7%	28.8%
Solvar Limited	Australia	81.9%	3.0%	3.6%	35.8%	43.5%
FleetPartners Group Limited	Australia	98.0%	5.3%	5.4%	64.0%	64.8%
Humm Group Limited	Australia	65.2%	3.4%	5.1%	41.0%	60.8%
COG Financial Services Limited	Australia	70.2%	0.6%	0.9%	7.3%	10.3%
Pepper Money Limited	Australia	38.1%	1.0%	2.7%	12.5%	32.7%
Resimac Group Limited	Australia	25.0%	0.8%	3.1%	9.9%	36.8%
Judo Capital Holdings Limited	Australia	57.6%	2.5%	4.2%	29.9%	50.6%
Low		**25.0%**	**0.6%**	**0.9%**	**7.3%**	**10.3%**
Average		**61.2%**	**2.2%**	**3.4%**	**26.3%**	**40.9%**
Median		**65.2%**	**2.0%**	**3.3%**	**23.7%**	**39.4%**
High		**98.0%**	**5.3%**	**5.4%**	**64.0%**	**64.8%**

Source: S&P Global, GTCF analysis.

- In the absence of a takeover or alternative transactions, the trading prices represents 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 any investment analysts.
- When the stock of a company 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. We have set out below the bid and ask price since 30 May 2022.

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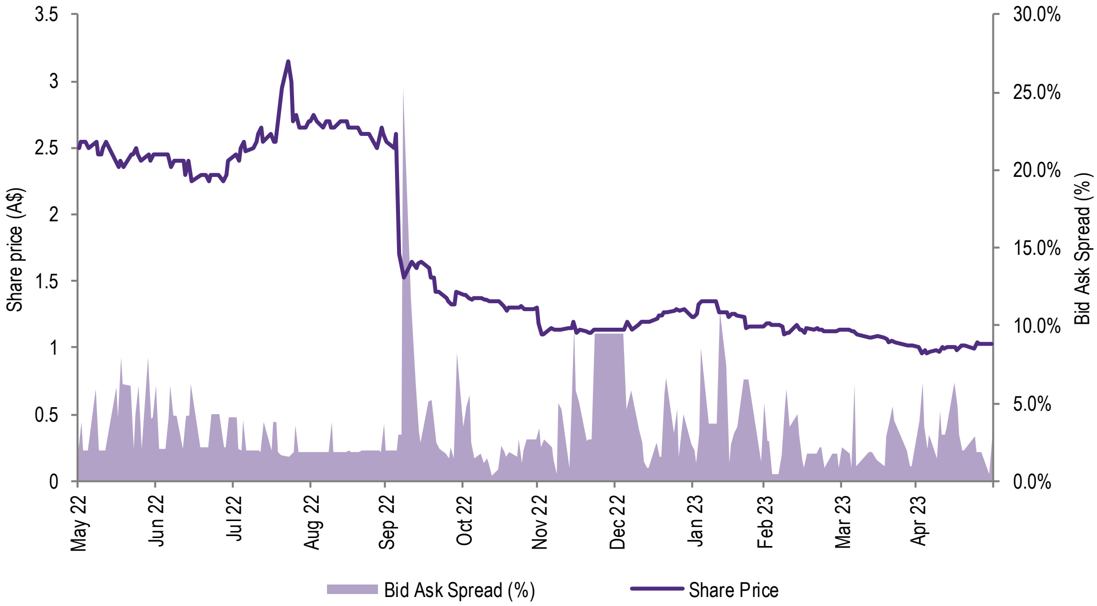
Thorn Group– Bid/Ask Spread 30 May 2022 to 30 May 2023



Sources: S&P Global, GTCF Analysis.

As set out in the graph above, we note that the historical average and median bid-ask spread over the previous 12 months have been at c. 3.2% and 2.2%, respectively.

Based on the analysis above, we conclude that whilst the liquidity of Thorn's share price is somewhat limited due to the high holding interest of Somers, the trading volumes are in line with comparable trading peers, although at the lower end of the range and the Thorn stock does not show days without trading.

6.3.2 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 since 30 June 2022.

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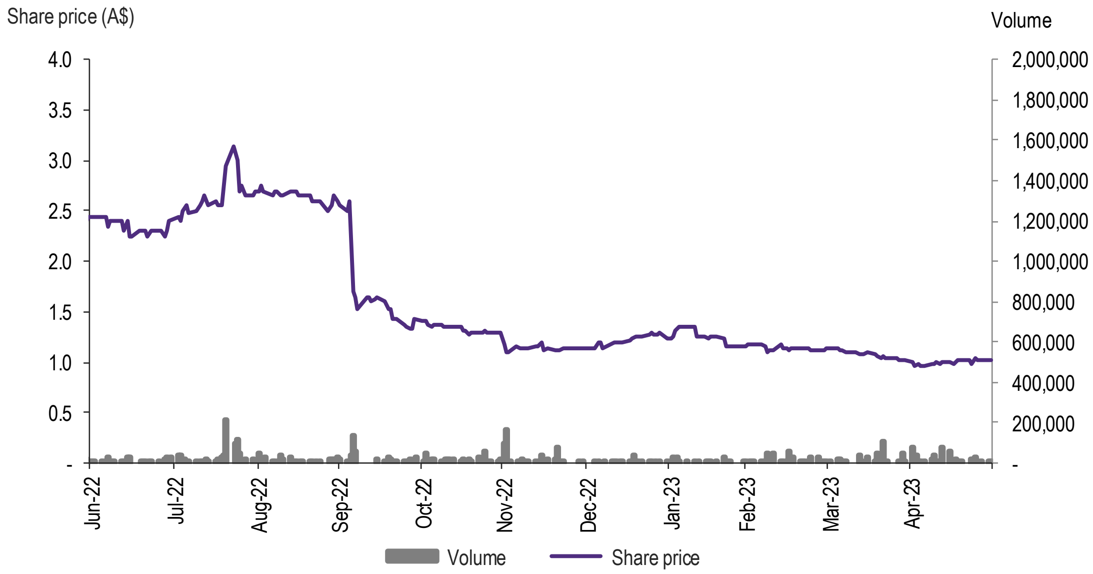
Thorn Group – Historical share trading price and volume between 30 June 2022 and 30 May 2023



Sources: S&P Global and GTCF Analysis

In relation to the graph above, we note the following:

- Between June 2022 and October 2022, the share price of Thorn was affected by the following company-specific factors, mostly associated with the Company implementing different capital management solutions to return surplus cash to the Shareholders (refer to Section 4.2 for further details):
    - The re-opening of the Warehouse Facility to new origination in August 2022.
    - The spike in the middle of August 2022 is associated with the Company announcing on 19 August 2022 another special dividend of A$0.03 cents per share (A$0.30 cents per share on a post Shares Consolidation basis), equivalent to c. A$10.4 million, with 24 August 2022 as the ex-dividend date. In addition, the Company also announced its intentions to undertake a capital return to Shareholders of A$41.7 million in conjunction with the share consolidation 10 to one.
    - The decline in Thorn's share price between 6 October 2022 and 7 October 2022 is associated with the record dates of the capital return and the share consolidation respectively.
- We note that outside the effect of the Company's capital return initiatives described above, which were completed on 14 October 2022, Thorn's share prices kept following, to some extent, the Peer Index as set out in the graph below.

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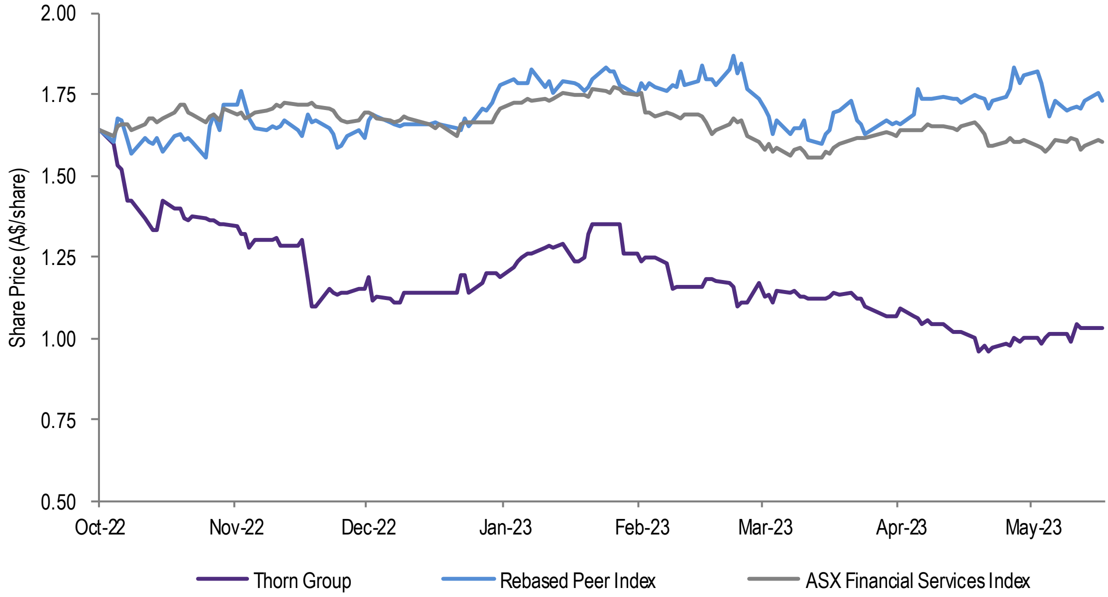
Share price performance (rebased to Thorns share price as at 14 October 2022)



Sources: S&P Global and GTCF Analysis.

- On 4 May 2022, the RBA commenced the aggressive tightening of the monetary cycle by increasing the official cash rate target by 0.25%. As described in the Section 3.3, the new economic environment characterised by higher interest rates generates negative pressure on non-bank lenders since it increases their operating costs related to their funding as well as impacts their customers, often characterised with relatively riskier credit profiles than bank clients. Further, the increase in the cash rate created a significant volatility in the markets causing fear of a potential recession.

- Both Thorn and the Peer Index has begun a downward trend as a result of the prolonged hikes in the official cash rate target, which has increased from 0.10% in April 2022 to 4.10% in July 2023. The same downward movement is not fully reflected in the ASX Financial Service Index as it also comprises financial institutions which benefitted from the increase in cash rates such as major banks.

Based on the above, in our opinion, Thorn's share price reflects both the industry factors effecting 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.

Set out below is a summary of the VWAP of Thorn's shares over the last three months up to 30 May 2023 before the announcement to the market that Thorn was in discussions for the sale of the Asset Finance Portfolio.

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VWAP	Low	High	VWAP
Up to 30 May 2023			
1 day	1.030	1.045	1.030
5 day	0.990	1.075	1.034
10 day	0.985	1.075	1.026
1 month	0.955	1.075	1.004
2 month	0.955	1.140	1.025
3 month	0.955	1.180	1.055

Source: S&P Global and GTCF calculations.

Based on the above discussions and analysis, we have assessed the fair market value of Thorn's shares based on the trading price between A$1.00 and A$1.05 on a minority and ex-dividend basis.

The trading prices presented above reflects 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 C for an overview of this control premium study).

We have assessed the value of Thorn on an orderly realisation basis after completion of the Proposed Transaction between A$1.71 and A$1.74 which implies a premium between 71% and 66% based on the trading prices before the announcement. This is in excess of the average premium for control implied in Australia for successful takeovers.

Quoted security price - implied premium for control A$ per share	*Section Reference*	Low	High
Orderly Realisation Scenario	*6.1*	1.71	1.74
Equity Value per share - QSPM approach (on a minority basis)	*6.3*	1.00	1.05
Premium/(Discount)		**71%**	**66%**

Source: S&P Global, GTCF analysis.

The premium for control implied in the orderly realisation approach is at the high-end of the premium for control typically applied in Australia for control transactions.

However, the analysis above should be considered with caution as the Directors have elected to continue to operate Thorn as a diversified small business focussed financial services organisation and only distribute to Thorn Shareholders the Capital Return and Special Dividend. Hence, Thorn Shareholders may not necessarily be capable of realising this premium for control. However, the benefits of the Proposed Transaction prescind the decision of the Directors to continue to operate the business as a small investment company and the value implications of this strategy for the Non-Associated Shareholders have not been considered in forming our opinion on the Proposed Transaction.

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7 Sources of information, disclaimer and consents

7.1 Sources of information

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

- Notice of Meeting and Explanatory Memorandum
- 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

7.2 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 Proposed Transaction 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 Proposed Transaction.

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 Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, 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 Proposed Transaction. 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.

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7.3 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 Proposed Transaction. 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 Proposed Transaction 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.

7.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting 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.

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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.

Appendix B – Description of comparable companies

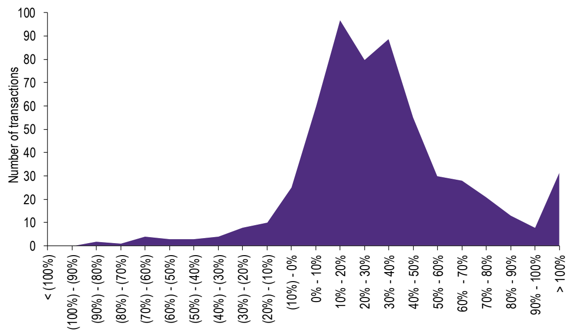
Company	Description
Earlypay Limited	Earlypay Limited offers financial solutions to businesses in Australia. It operates through Invoice Finance, Equipment Finance, and Other Services segments. The company offers invoice factoring and discounting, and clean energy finance services, as well as business line of credit. It 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, the company offers employment solutions comprising labor sourcing and project management; and trade finance services. Further, it operates Skippr, an online platform that provides finance solutions to SME's. The company was formerly known as CML Group Limited and changed its name to Earlypay Limited in November 2020. Earlypay Limited was incorporated in 2001 and is based in North Sydney, Australia.
FSA Group Limited	FSA Group Limited, together with its subsidiaries, provides debt solutions and direct lending services to individuals and businesses in Australia. The company operates in Services and Lending segments. The Services segment offers informal arrangements, debt agreement, personal insolvency agreement, and bankruptcy services. The Lending segment provides home loans and personal loans to clients to purchase a property and motor vehicle, as well as consolidate their debt. This segment also offers asset finance to small and medium enterprises to purchase a vehicle and business-critical equipment. The company also provides accounting and taxation services. FSA Group Limited was incorporated in 2000 and is headquartered in Darlinghurst, Australia.
Solvar Limited	Solvar Limited provides automotive and personal finance in Australia and New Zealand. The company offers vehicle loans that include loans for new and used cars, motorbikes, utility vehicles, trailers, tractors, trucks, caravan, boats, horse floats, ride on mowers, equipment, and jet skis, as well as secured and unsecured personal loans. It provides loans through brokers and dealers under the Money3, AFS, and Go Car Finance brand names. The company was formerly known as Money3 Corporation Limited and changed its name to Solvar Limited in November 2022. Solvar Limited was incorporated in 2005 and is headquartered in Bundoora, Australia.
FleetPartners Group Limited	FleetPartners Group Limited provides fleet management services in Australia and New Zealand. The company operates in three segments: Australia Commercial, Novated, and New Zealand Commercial. It offers vehicle fleet leasing and management, novated leasing, and vehicle sales solutions. The company provides its services under the FleetPlus, FleetPartners, FleetChoice, and 1800 Accident brands. The company was formerly known as Eclipx Group Limited and changed its name to FleetPartners Group Limited in March 2023. FleetPartners Group Limited was founded in 1987 and is based in St Leonards, Australia.
Humm Group Limited	Humm Group Limited provides various financial services in Australia, New Zealand, Ireland, the United Kingdom, and Canada. The company operates through four segments: BNPL, New Zealand Cards, Australia Cards, and Commercial and Leasing. It offers buy now, pay later solution under the bundll brand name; humm, an interest-free payment platform with repayment options; long term interest free finance and everyday spend solutions under the humm90 brand; humm pro, a buy now pay later solution for small to medium businesses; Q Mastercard, an interest free credit card; FlexiCommercial, a business financing solution, which includes leasing and chattel mortgages for small and medium businesses; and leasing solutions and SME financing services. 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.
COG Financial Services Limited	COG Financial Services Limited, together with its subsidiaries, engages in equipment financing and broking, aggregation, insurance broking, and novated leasing activities in Australia. The company operates through three segments: Finance Broking and Aggregation; Funds Management and Lending; and All Other/Intersegment. It also provides management of investment funds; provides financing arrangements to commercial customers for essential business assets; and managed IT services. The company was formerly known as Consolidated Operations Group Limited and changed its name to COG Financial Services Limited in November 2020. COG Financial Services Limited was incorporated in 2002 and is based in Chatswood, Australia.
Pepper Money Limited	Pepper Money Limited operates as a non-bank lender in the mortgage and asset finance markets in Australia and New Zealand. It operates through three segments: Mortgages, Asset Finance, and Loan and Other Servicing. The Mortgages segment engages in the financing of residential home loans and small balance commercial real estate loans. The Asset Finance segment finances a range of asset types for consumer and commercial customers. The Loan and Other Servicing segment provides independent loan servicing for mortgages and personal loans, and broker administration servicing. It also engages in auto and equipment finance, and novated leasing as well as third party loan servicing. The company was formerly known as Pepper Group Pty Limited. The company was incorporated in 2000 and is based in North Sydney, Australia.
Resimac Group Limited	Resimac Group Limited, a non-bank financial institution, provides residential mortgage and asset finance lending solutions in Australia and New Zealand. The company operates in two segments, Australian Lending Business and New Zealand Lending Business. It offers prime and specialist lending products; SME/commercial finance products; and home and car loans. The company also provides mortgage originator, trustee, lender, manager, and broker services; and LMI captive insurer and record lending services. In addition, it acts as a trust manager and servicer; and an issuer of residential mortgage-backed securities. Further, the company provides warehouse mortgages and managed investment trust services. Resimac Group Ltd offers its products and services through brokers, wholesale partners, and direct retail networks, as well as direct-to-consumer channel primarily under the Resimac, Resimac Asset Finance, and homeloans.com.au brands. The company was formerly known as Homeloans Limited and changed its name to Resimac Group Resimac Group Limited in December 2018. Resimac Group Limited was founded in 1985 and is based in Sydney, Australia.
Judo Capital Holdings Limited	Judo Capital Holdings Limited provides various banking products and services for small and medium businesses in Australia. It accepts term deposits; and provides business loans, lines of credit, home loans, asset financing, equipment loan, and bank guarantees. The company was incorporated in 2016 and is based in Southbank, Australia.

Source: S&P Global, GTCF Analysis.

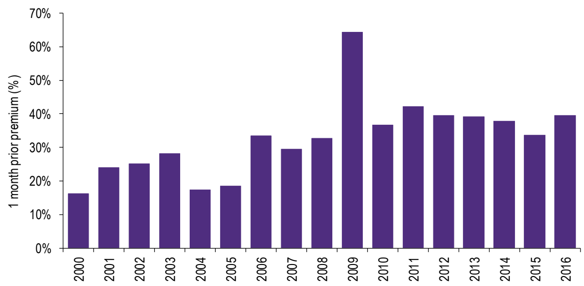
Appendix C - Control Premium

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.

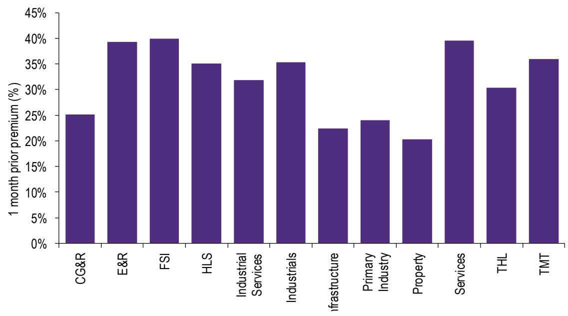
1 Month Prior Control Premium



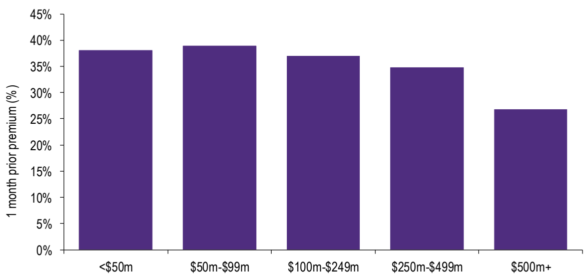
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis

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Appendix D – Glossary

$ or A$	Australian Dollar
1HFYxx	6-month financial period ended 31 September 20xx
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumers Commission
AFS	Australian Financial Services
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
Asset Finance Portfolio	Thorns gross asset finance receivables
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BNPL	Buy Now Pay Later
CAGR	Compound annual growth rate
LIC	Listed investment company
TSA	Transition Services Agreement
Capital Return	Subject to approval and implementation of the Proposed Transaction, it is expected that eligible Thorn Shareholders will receive payment of a capital return of 26.0 per share on or around 13 September 2023.
Corporations Act	Corporations Act 2001
COVID-19	Coronavirus pandemic
DCF	Discounted cash flow
Directors	The directors 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 March 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
Independent Director	Mr Paul Oneile
KPI	Key performance index
NAB Index	NAB Online Retail Sales Index
NAV	Net asset value
New Strategy	On completion of the Proposed Transaction, Thorn will commence a staged transition of its business with a focused on active investment in the non-banking financial services that align with Thorn's core business strategy as a diversified, small business, focused financial services organisation.
NIM	Net interest margins
Non-Associated Shareholders	Thorn shareholders who are not associated with Somers

NPAT	Net profit after tax
NTA	Net tangible assets
On-Balance Sheet Receivables	Receivables equity funded by Thorn
P/NA Multiple	Price net assets multiple
Performance Rights	Thorn performance rights
Proposed Transaction	Proposed SPD with Resimac for the sale of the Warehouse Asset Finance Portfolio
Resimac Group Ltd	Resimac
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
SPD	Sale and Purchase Deed
SME	Small and medium enterprises
Somers or Related Party	Somers Limited
Special Dividend	Subject to approval and implementation of the Proposed Transaction, it is expected that eligible Thorn Shareholders will receive payment of a fully franked special dividend of 19.0 per share on or around 22 September 2023.
SPV	Special Purpose Vehicle holding the Warehouse Facility
TEF	Thorn Equipment Finance
TAPL	Thorn Australian Pty Ltd
Thorn Management or Management	Thorn Management
Thorn or the Company	Thorn Group Limited
Thornmoney	Thornmoney Pty Ltd
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 G note held by Thorn
VWAP	Volume weighted average price
Warehouse Asset Finance Portfolio	Receivables for sale to Resimac held in the Warehouse Trust at completion
Warehouse Facility	Thorn securitised warehouse facility for the business finance division
Warehouse Trust	Thorn ABS Warehouse Trust No 1
Warehouse Notes	15,000 class G Notes in the Warehouse Trust with a face value of A$1,000 per note

THORN GROUP LTD
ACN 072 507 147

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YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **2:00pm (AEST) on Tuesday, 29 August 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 182795
SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

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Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Thorn Group Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Thorn Group Limited to be held as a virtual meeting on Thursday, 31 August 2023 at 2:00pm (AEST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention in step 2) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Paul Oneile as a Non-Executive Director	☐	☐	☐
Resolution 3	Approval of Proposed Transaction	☐	☐	☐
Resolution 4	Return of Capital to Shareholders	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

Mobile Number ____________________

Email Address ____________________

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically