

ASX ANNOUNCEMENT

30 October 2023

Thorn Group Limited (ASX:TGA)

Quarterly Activities Report for period ended 30 September 2023

Sydney, 30 October 2023: Thorn Group Limited (ASX:TGA) (**Thorn**) submits its cash flow report for the quarter ended 30 September 2023 and presents the following update on key business activities, and material events after that period.

Principal activities

Thorn is a diversified financial services organisation that provides financing to fuel the growth of small to medium businesses. During this quarter, Thorn completed the sale of its main undertaking (being the majority of its asset finance portfolio to Resimac Group Limited (**Asset Sale**) and sold the majority of its debtor finance portfolio to a third party. As a result of these divestments, Thorn's business operations have reduced significantly and it has pivoted its approach towards new strategic investments in the non-banking financial services and wealth management sections, as previously announced to the market.

Key areas of activity during the quarter ending 30 September 2023

- Thornmoney asset finance originations of \$4.7 million from 1 July to 31 August and invoice finance drawdowns of \$19.8 million for the quarter.
- On 1 September 2023, Thorn announced the completion of the Asset Sale and that it had received approximately \$16.7 million cash proceeds from the Asset Sale. Thorn distributed approximately \$15 million to its shareholders by way of a combination of capital return (\$0.26 per Thorn share) paid on 13 September 2023 and special dividend (\$0.19 per Thorn share) paid on 22 September 2023.
- On 26 September 2023, Thorn sold the majority of its debtor finance portfolio to a third party, with the sale completed on 17 October 2023.
- As announced to ASX on 25 August, Thorn received a binding and conditional proposal from the Somers Limited (**the Bidder**) to acquire 100% of the issued share capital of Thorn that the Bidder does not already own (**the Scheme**).
- As announced to ASX on 28 August 2023, Thorn received a revised binding proposal from the Bidder on the substantially similar terms as the Proposal other than the removal of the Material Adverse Change condition precedent as a condition of the Scheme.
- Following the conclusion of the due diligence process, Thorn entered into the Scheme Implementation Deed with the Bidder on 21 September 2023.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$3.1 million from its operating activities for the quarter. This includes the cash outflow of \$4.7 million for the acquisition of equipment and other assets during the quarter for future income earning asset finance leases. This is in addition to invoice finance drawdowns of \$19.8 million.
- Free cash at the end of the September quarter was \$37.0 million, which includes the Asset Sale proceeds. As at 27 October 2023, free cash totalled \$39.6 million.
- The interest-bearing loan of \$5.0 million to a related party, Somers Limited was fully repaid on 23 August 2023. Accrued interest of \$87,923 was received.
- On 7 September 2023, Somers Limited entered into a separate interest-bearing loan of \$2.5 million with Thorn, with the applicable interest rate at 12% per annum. Accrued interest of \$19,800 was received.
- Other related party payments of \$85,385 have been made during the quarter comprising of non-executive directors' fees for Thorn board members.

Next Two Quarters Activity

- In accordance with orders made by the Supreme Court of New South Wales on 20 October 2023, Thorn will convene a meeting of its shareholders (other than the Bidder and its closely related parties) (**Thorn Shareholders**) to consider and vote on the proposed acquisition by the Bidder of 100% of the shares in Thorn that it does not already own by way of a scheme of arrangement (**Scheme Resolution**) at 11.00am on Monday, 27 November 2023 (**Scheme Meeting**). A general meeting of Thorn Shareholders to vote on inter-dependent financial assistance and related party transaction resolutions (**Scheme Consideration Resolutions**) will be held in advance of the Scheme Meeting at 10.00am on Monday, 27 November 2023 (**General Meeting**). For further details, please refer to the Explanatory Booklet released on 25 October 2023, annexing the Notice of Scheme Meeting and Notice of General Meeting.
- If the Scheme Resolution and the Scheme Consideration Resolutions are passed by the requisite majority of Thorn Shareholders, a second court hearing to approve and implement the Scheme will be held at 9.15am on Thursday, 30 November 2023 in the Supreme Court of NSW.
- If the Scheme is implemented, the Bidder will own 100% of Thorn Shares and Thorn will be delisted from ASX shortly after the Implementation Date, which is currently scheduled to be 14 December 2023. If the Scheme is not approved, a) Thorn Shareholders will not receive the Scheme Consideration (\$1.17 per Thorn share); and b) Thorn Shareholders will retain their Thorn Shares.
- If the Scheme does not become effective, it is likely that Thorn will be suspended by ASX and eventually delisted as Thorn's strategic fintech investment focus may not be considered to be an operating business of sufficient scale to warrant continued listing on the official list of ASX.

This release has been authorised by the Board of Directors.

End of Release.

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

Thorn is a diversified financial services company providing funding solutions for small to medium businesses. Thornmoney is a provider of working capital and business asset lending solutions, working in partnership with Australian brokers and accountants. Thorn has been listed on ASX since 2006.

Thorn Group Limited

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Thorn Group Limited

ABN

54 072 507 147

Quarter ended ("current quarter")

 30th Sep 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	33,636	75,553
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(1)	(24)
(d) leased assets	-	-
(e) staff costs	(3,207)	(4,928)
(f) administration and corporate costs	(1,032)	(2,122)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	252	698
1.5 Interest and other costs of finance paid	(2,089)	(4,237)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) *	(24,462)	(60,409)
1.9 Net cash from / (used in) operating activities **	3,097	4,531

* Total originations and drawdowns are \$24.5 million for the quarter, including Asset Finance originations of \$4.7 million up to 31 August 2023, and Invoice Finance drawdowns of \$19.8 million.

** Net cash used in operating activities has reduced due to change in business strategy resulting in lower originations from previous quarters.

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(89)
	(d) investments*	(84)	(5,084)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses**	16,688	19,649
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities****	2,500	2,500
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)***	(7,570)	(7,570)
2.6	Net cash from / (used in) investing activities	11,534	9,406

* Investments in BNK Banking Corporation Ltd (ASX: BBC) shares.

** On 1 Sep 2023, Thorn announced the completion of the Asset Sale and that it had received approximately \$16.7 million cash proceeds from the Asset Sale.

** As part of the sale of Thorn's Asset finance portfolio, Thorn Warehouse collections bank account with a balance of \$7.6 million was transferred to Resimac Group Limited.

*** On 23 Aug 2023, the interest-bearing loan of \$5.0 million was fully repaid by a related party, Somers Limited. On 7 Sep 2023, a separate \$2.5 million was loaned to Somers Limited at an interest rate of 12% per annum.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	9,890
3.6	Repayment of borrowings	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid*	(6,605)	(6,605)
3.9	Other (provide details if material)**	(9,059)	(9,059)
3.10	Net cash from / (used in) financing activities	(15,664)	(5,774)

*On 22 Sep 2023, eligible Thorn Shareholders received a fully franked Special Dividend of approximately \$0.19 per share (totalling \$6.6m).

** On 13 Sep 2023, eligible Thorn Shareholders received the payment of a Capital Return of \$0.26 per share (totalling \$9.1m).

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	37,997	28,800
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,097	4,531
4.3	Net cash from / (used in) investing activities (item 2.6 above)	11,533	9,406
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(15,664)	(5,774)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	36,963	36,963

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	36,963	37,997
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	36,963	37,997

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1*	85
6.2 Aggregate amount of payments to related parties and their associates included in item 2**	2,500
* Payments of usual fees to directors	
**Loan to related party, Somers Ltd	
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.	

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
The loan facility which was a securitised warehouse facility used to fund asset finance leasing originations was transferred to Resimac Group Limited due to sale of residual interest in asset finance warehouse trust portfolio on 1 Sep 2023.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	3,097
8.2 Cash and cash equivalents at quarter end (item 4.6)	36,963
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	36,963
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable. Refer to 8.5 above.	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable. Refer to 8.5 above.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable. Refer to 8.5 above.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2023

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.