



2014 Shareholder Review

# BUILDING FOR THE FUTURE



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## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street Sydney on 26th August 2014, commencing at 11.00am.



Thorn is one of Australia's leading financial services providers, meeting the needs of niche consumer and commercial markets.

In 2014, Thorn demonstrated both the resilience and the potential of its business model, by delivering strong growth in revenue and a significant increase in receivables. Thorn's core business, Radio Rentals, continued its growth path as the main contributor to group results, while newer business divisions continue to grow and gain scale.

Over the past three years Thorn's strategy has been to diversify and invest in the extension of its financial services to target a wider demographic. Benefits from this are now apparent, as Thorn builds for the future it reaches out to more customers and delivers growing financial rewards for shareholders.



KEY FACTS:

Thorn Group has over

**110,000**

customers and

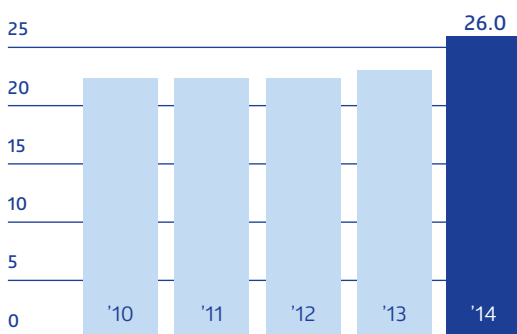
**90**

outlets nationally

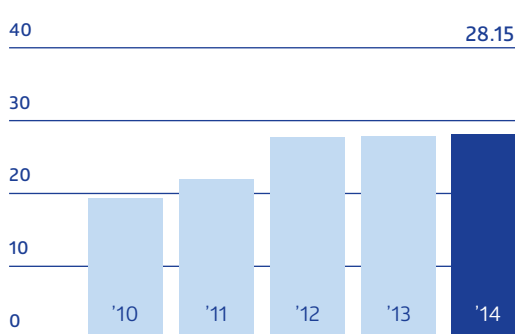


# RESULTS & HIGHLIGHTS

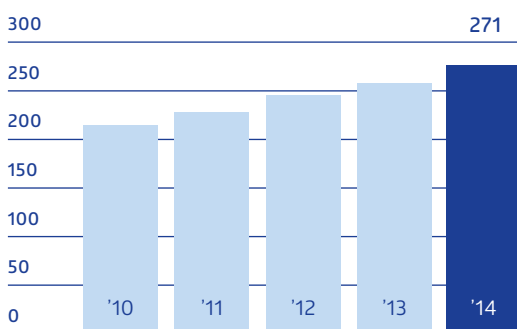
 **AVERAGE CONTRACTED TERM**  
(months)



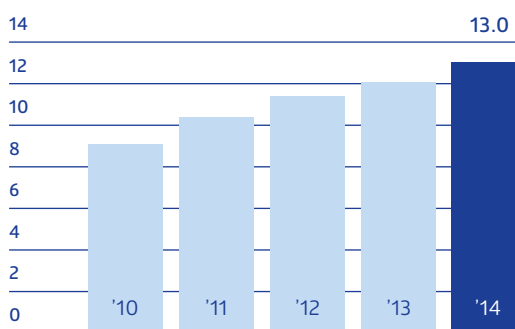
 **NET PROFIT AFTER TAX**  
(A\$m)



 **AVERAGE UNITS ON RENT**  
('000s)



 **AVERAGE RENTAL DUES**  
(A\$m)



## FINANCIAL HIGHLIGHTS

- Revenue up 16% to \$235M
- Net profit after tax \$28.15M
- Net cash from operating activity \$104M
- Gearing levels remain conservative at 22%
- Earnings per share up to 18.94c
- Full year dividend 11 cents fully franked

## OPERATIONAL HIGHLIGHTS

- Group receivables up 32% to \$217M
- Record installations and earnings for Radio Rentals/Rentlo
- Launch of Thorn Money as part of Thorn Financial Services
- Thorn Equipment Finance strong book build to \$63.55M
- Higher earnings from NCML, improved operational performance

## “THORN HAS DELIVERED A SOLID RESULT IN A YEAR OF INVESTMENT”



**DAVID CARTER**  
CHAIRMAN



With business origins nearly 80 years ago, this is Thorn Group's eighth Annual Report as an ASX listed company, presenting another year of strong financial performance and returns for investors.

The core consumer rental division has again delivered a record performance and, with a strong base of recurring revenue streams and significant cash flows. This result underscores its resilience and strength. This continued strong performance has enabled the business to maintain investment in new initiatives, which has laid the foundation for sustainable future growth.

In financial year 2014, Thorn recorded some significant achievements:

- Radio Rentals/Rentlo, achieved record installations and revenue during the year
- Cashfirst now has an unsecured personal loan book of \$23 million, creating a solid cornerstone for broader development of Thorn Financial Services
- Thorn Money was launched to further expand the financial services capability of the group and expand the consumer financial services offerings.
- Thorn Equipment Finance is growing strongly with new financing up 22.9 per cent to \$63.55 million, and further growth will be assisted by the establishment of a SPV finance facility.
- The restructure of NCML is progressing well as it resumes a longer term growth path.

### EARNINGS, BALANCE SHEET

Thorn has been able to keep profit steady at \$28.15 million in financial year 2014, even after investing to build the business. The soundness of the group's business model is reflected in the return on average capital employed of 21.83 per cent. The ongoing strength of Thorn's balance sheet, with relatively low gearing, is a reflection of Thorn's conservative approach to capital

management as well as indicating a potential to fund future growth.

### DIVIDEND

Final dividend was increased to 6.5 cents, taking full year dividend to 11 cents a share fully franked. The dividend reinvestment plan continues at a discount of 2.5 per cent, providing further opportunity for investors to share in future growth.

### CORPORATE GOVERNANCE AND SUSTAINABILITY

Investors have a right to expect a high degree of attention to the best standards of corporate governance and as a board we seek to foster and uphold those standards. The financial report component of this Shareholder Review sets out our policies and practices, including those related to remuneration. This year we have considerably enhanced this section of the report to provide greater transparency to our remuneration strategies.

We also see great importance in Thorn embracing corporate social responsibility, which the group achieves through a number of endeavours. We adhere strictly to a code of responsible lending in the way we relate to customers. Our caring attitude has been reinforced by the introduction of a hardship contract which assists customers during a time of financial difficulty. It is pleasing to note that this initiative was actually suggested by our staff which shows their genuine concern for customer welfare. We actively seek to empower and support our staff and so provide a range of learning and development opportunities which is key to developing a positive culture. Our priority is to ensure Thorn is a sustainable business and a positive contributor to the community. This incorporates financial support for charitable organisations and local welfare groups, integrating environmental considerations into purchasing and supply decisions, participation in industry associations and pro-active consultation with legislative bodies and regulators.

### OUTLOOK

The board has a very positive view of the medium term outlook for Thorn as it begins to see the outcomes of its strategy to build a broader based financial services business. This has involved absorbing costs from investing in the future but, as our track record shows, we have a strong and profitable base which has allowed us to proceed in this direction without it being significantly detrimental to overall performance.

In coming years, Thorn will continue its drive to become a broader based contemporary style business which will enable it to meet the needs of many more Australians and becoming a significant industry participant in financial services.

### PEOPLE

The strategy on which Thorn is embarking would not have been possible without the foresight and capabilities of a talented management team. Mr John Hughes, our Managing Director since ASX listing in 2006, retired on 30 June 2014. Mr Hughes has been a strong driver and innovator of the business and the Board is grateful for his hard work and contribution over the preceding 8 years. Mr James Marshall has been appointed as Managing Director with effect from 1 June 2014. Mr Marshall was previously the Chief Operating Officer and prior to that, General Manager of the Radio Rentals/Rentlo business. He has been with the business for 20 years and will continue to lead Thorn as it develops its current strategic path. The Company is very fortunate to have a strong group of senior executives and staff who are committed and passionate about the business and we thank our staff for their efforts in driving our business forward.

**David Carter**  
Chairman

## “OUR INVESTMENT IN EXPANSION WILL GIVE US A BIGGER BUSINESS OVER THE NEXT FEW YEARS.”



**JAMES MARSHALL**  
MANAGING DIRECTOR



In financial year 2014, Thorn has recorded a solid result while demonstrating that the investment in its diversification strategy was now producing higher revenue and strong receivables growth in all divisions.

It is very rewarding to see our “investing for expansion” strategy gaining momentum and showing positive results. Over the past few years we have concentrated our efforts on a number of critical areas for Thorn to achieve its strategic objectives and there is now clear evidence of these initiatives adding value to the framework of the organisation.

### FINANCIAL PERFORMANCE

Radio Rentals was again the standout performer and remains the main contributor to group performance. After more than 75 years, Radio Rentals, is still going strong, defying industry trends and continuing to grow each year, which shows its relevance to the market, particularly through its “Rent, Try, \$1Buy” offering. Confirming this, is our

### IT IS VERY REWARDING TO SEE OUR “INVESTING FOR EXPANSION” STRATEGY GAINING MOMENTUM AND SHOWING POSITIVE RESULTS.

customer retention rate which has been maintained at over 48 per cent, which means nearly half of all our customers who complete a contract sign up to take out a new contract for another product.

Pleasingly we have seen strong revenue growth across all business divisions and higher earnings from Radio Rentals, Thorn Equipment Finance and NCML.

While additional investment costs relating to systems, people and marketing have impacted the short term profit performance of Thorn Financial Services, the investment was essential to develop a platform to launch new products, including the introduction of Thorn Money, which offers higher value consumer loans as well as a tailored solution for solar financing. Notably, NCML profit grew after a restructure of the business last year, which has resulted in improved operational performance. The Thorn Equipment Finance book is now at \$63.55 million, continuing to build towards the \$100 million target which would substantiate its position as a significant contributor to growth.

### BUSINESS RENEWAL

We understand that every business needs renewal and reinvention to remain contemporary and relevant. Last year, we started a rigorous review of the core business to ensure we stayed in a leadership position. This review highlighted a strong potential existed in new demographic markets where identified consumers were finding it difficult to access contemporary products and services from existing providers. Consequently, we have been developing a suite of financial products to expand our offering and we are looking to test these initiatives, together with an evolution of the Radio Rentals brand in two selected markets, later this year.

We have also taken the concept of renewal beyond Radio Rentals to the rest of our business with plans to further expand the range of products we offer in financial services. This year we launched a higher value loan offering through Thorn Money, and we are now developing a ‘Small Amount Credit

Contract’ to leverage off the significant levels of inquiry generated by Cashfirst advertising. This will see the introduction of short term loans with risk being mitigated through lower balances and shorter terms, typically between \$1000 and \$2000 for periods less than 12 months.

In Thorn Equipment Finance, we are broadening our business development relationships to further improve our reach and source of origination. Improved origination has enabled the business to expand the product range across leasing, rental, chattel mortgages, commercial hire purchase and funding packages tailored for franchising operations. While maintaining strong relationships with business introducers, the company also sees opportunity in developing a “commercial direct” model to meet the needs of small and medium sized enterprises in the market.

Among our new business initiatives, one we are reviewing closely is Rent, Drive, Buy. The success of this proposition depends principally on customers being eligible and able to buy their rented motor vehicle at the end of the initial contract term. Initial results from this trial have not met our sell-through expectations and coupled with increasing competition driving up customer acquisition costs in the market, it is likely this trial will be concluded in the coming months.

### VISION

At Thorn, we take great pride in the relationships we have with our retail and business customers. We are passionate about our values and maintaining a responsible attitude to providing products and services that meet the needs and financial capacity of our customers. While we provide the goods and services our customers want, our overriding intention is to treat them

fairly. This links to our vision of developing a broader based financial services organisation, taking a wider range of products and services to a broader range of customers nationally, all based on the values we stand for and utilising the credit skills we have in the group.

Thorn is a people business and there are many stories of how we have helped people over the years, with just a few of them highlighted in this report.

## OUTLOOK

While our transformation strategy to become a broader based financial services group is gaining momentum with strong growth across consumer and commercial portfolios, continued investment in systems, people and marketing to further develop these platforms has seen profit held steady over the past few years. In 2015, we are expecting a resumption of profit growth as revenue increases flow to the bottom line to deliver NPAT growth above \$30 million.

Our investment to diversify and expand our operations will result in a bigger business over the next few years, extending rewards to shareholders, customers and employees while substantiating a national presence across a wider array of financial services.

This annual report marks the retirement of John Hughes. John has been instrumental in re-shaping the organisation since listing in 2006 and he has been central to Thorn's success over that period. John's leadership has included developing a strong executive team and culture to take the company forward. I have been appointed Managing Director of Thorn from 1 June 2014, which follows having worked with the company for the past 20 years and for the past year in the role of Chief Operating Officer. The board and management are confident Thorn will deliver strong results as we execute our strategy to expand and diversify into new markets.



**James Marshall**  
Managing Director



## RADIO RENTALS AND RENTLO

### BUSINESS PERFORMANCE

- ✓ Record installations, revenue and earnings
- ✓ Introduction of 48 month Rent, Try, \$1Buy contract
- ✓ Strong demand for smartphones and tablets



Radio Rentals provides an extensive range of technology, home and office needs, through a range of consumer lease products, principally under the Rent, Try \$1Buy!®

banner. Radio Rentals operates over 90 outlets nationally and has been a market leader since 1937.

A feature of the core Radio Rentals and Rentlo division, which becomes more apparent each year, is its resilience. Radio Rentals has been a household brand in Australia since 1937 and continues to show it provides a service that many Australians value greatly.

The division has defied industry trends, challenging economic conditions, and once again posted record revenue of \$197 million (\$170M) with record installations achieved in 10 of the 12 months, driving growth in operating lease and finance lease revenue for financial year 2014. Furniture and technology products remain the main contributors, with significantly increasing demand for quality "smart enabled" devices.

Over the past few years we have experienced low levels of consumer confidence across the country, with increasing costs of living, especially utility costs, continuing to have an impact and making it harder for families to budget.

This year we have introduced a 48 month Rent, Try, \$1Buy! contract with a view to improving affordability while still applying our responsible lending policy. This gives some customers a greater ability to enjoy larger size products, whole room packages or additional items they were unable to afford on shorter term contracts.



I couldn't afford to buy a new fridge and didn't qualify for the interest free deals advertised by retailers on TV. I was walking two kilometres a day to get bags of ice which were costing me \$6 a day, but Radio Rentals were able to help me with a 250 litre fridge for just \$1 per day, delivered and installed! (Radio Rentals customer, Victoria)



## STORE NETWORK AND PRODUCT DEVELOPMENT

- ✓ Hub and Spoke store structure as shopping habits change
- ✓ Rent, Try, \$1Buy – Industry Icon
- ✓ Expanding financial products offering

Changing shopping habits over the years have led us to rethink shop structures in metropolitan areas and introduce the 'hub and spoke' business model. We are moving away from full service branches in metropolitan suburbs to kiosks and showrooms in high traffic shopping centres, which are supported by distribution centres located in neighbouring industrial

### THE DIVISION HAS DEFIED INDUSTRY TRENDS, CHALLENGING ECONOMIC CONDITIONS, AND ONCE AGAIN POSTED RECORD REVENUE OF \$197 MILLION

areas. This has led to a more efficient cost structure while achieving a higher level of customer interface.

At the same time as evolving our store footprint, we have completely redesigned and enhanced our website. Our current experience is that around 70 per cent of new inquiries

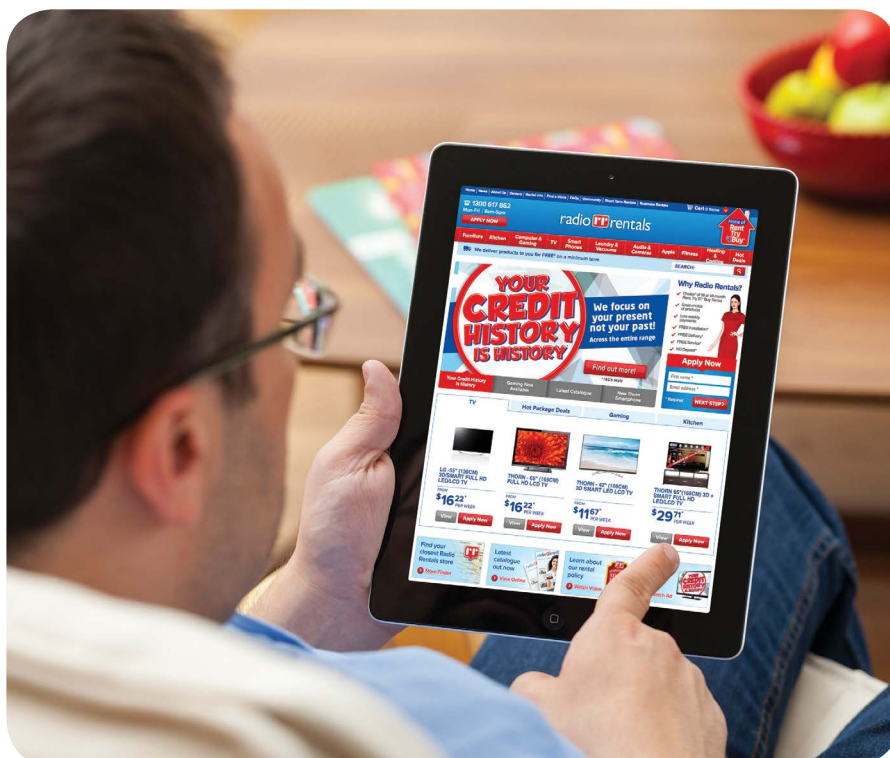
are coming from online and telephone, with our website recording over a million visits a year. Marketing is also supported by advertising, with television continuing to be a powerful medium.

The Rent, Try, \$1Buy™ offering continues to be very popular with our customers as they enjoy the benefits and flexibility of rental as well as the potential to obtain ownership. In line with our "Responsible Rental Policy", we ensure customers are provided with products that suit their needs and budget and that they are not over committed. Difficult economic conditions combined with customer interest has led to us

introducing a hardship contract in the past year, which has been helpful in assisting customers at a time of need by giving them extended terms.

In line with our strategy to expand our offering and access a broader demographic, we are developing a number of additional

financial products, such as take home layby, interest free, savings club and extended length contracts, which will give our customers different alternatives to access household goods. We will be looking to trial these initiatives in selected markets later this year.



←

I couldn't get a mobile phone because of a 'black mark' on my credit rating from global roaming charges years ago, I desperately needed a mobile phone to keep in touch and Radio Rentals were able to help me out. (Radio Rentals customer, NSW)



## CUSTOMERS & PRODUCTS

- ✓ Thorn Branded Smartphones
- ✓ Introduction of new product categories
- ✓ “Fair Go” credit policy appreciated by customers

Leveraging off the popularity of the Apple and Samsung smartphone range and the growing technology category, we are looking to introduce a high quality Thorn branded smartphone. Our experience with Thorn branded products has been very positive over the years, especially with flat panel televisions and refrigerators. We believe there is scope to expand this concept further, offering the products to a broader range of consumers, with it having a positive effect on margins and supporting the business.

As part of reviewing our product offering to ensure we are responding to our customers’ needs we are reintroducing gaming products such as the new PlayStation 4. Advances in technology have improved the quality and reliability of these types of machines meaning we can more effectively allow customers to enjoy a gaming experience.

We know from our market research and customer surveys that new product development and product range expansion is appreciated by consumers. This is further

supported by our “fair go” credit policy which provides affordable access to goods and services that might not otherwise have been available.

## EVOLUTION OF CONSUMER RENTAL

- ✓ Potential Second Brand
- ✓ Expanding Demographic

- ✓ Increasing Affordability

We recognise that while Radio Rentals has been very successful for nearly 80 years, the market and the demographics have changed. We particularly see potential in higher demographic markets where people are currently finding it hard to access some products.

Coinciding with the trial of new products, we will test a new branding treatment for our core business in two different market areas.

Additionally, we believe there is an opportunity to launch a second rental brand that would cater for consumers who may find themselves in challenging circumstances and need access to essential household goods. To this end, work has commenced to further explore this opportunity.



## THORN EQUIPMENT FINANCE

- ✓ Building towards a \$100M receivables book
- ✓ New 'Rental Advantage' product
- ✓ Ongoing relationships with brokers, introducers and vendors



Thorn Equipment Finance provides rental and financing solutions for businesses and government, with SMEs a key target market for supply of a diversified range of products.

Examples of equipment financed over the past year are information technology systems, telephony, point of sale systems, printers and copiers and equipment ranging across gaming, audio visual, hospitality, industrial and commercial uses. The key target market is small to medium enterprises and meeting their funding requirements under \$100,000, an area we consider underserved by the major financial institutions and consequently representing a considerable opportunity for growth. The business also continues its long standing relationship with TABs to which we supply technology equipment and provide a high level of service support. An opportunity to expand on this platform to include an integrated 'Commercial Direct' model offering a full suite of commercial financing products directly to a broader base of SME's is being developed and is expected to be launched in the coming year.

After investing in a specialist team to drive growth and quality business, strategic alliances with vendors and brokers have been expanded and place the business in a sound position for attracting clients and lifting its size and positioning in the market.

Financial performance has reflected this investment, with the loan book now at \$63.55 million compared with \$36 million a year ago and the average deal size being \$27,000 compared with \$22,000 in FY13.

Our focus on being a significant player in hospitality equipment leasing has led to the release of the 'Rental advantage' product which provides a cost effective alternative financing option to the hospitality industry.



Given the group's strength in credit assessment, financing and collections, a key area for potential development is invoice discounting, which we see as a significant opportunity to link with other forms of financial packages, to assist our clients with their cash flow positions.

Additionally, we believe an opportunity exists within the franchise network space to provide a one-stop financing solution for franchisees and franchisors, and we are currently holding discussions with key stakeholders to explore this opportunity further.



**We were having cash flow issues in the business and needed new equipment to improve our situation but were finding it difficult to get finance. Thankfully we were able to lease the products through Thorn Equipment Finance and now the business is growing and cash flow is improving. (Thorn Equipment Finance customer, NSW)**

# THORN FINANCIAL SERVICES

- ✓ Three brand strategy
- ✓ Expansion of Thorn Money
- ✓ New partnerships



Thorn Financial Services comprises Thorn Money, which provides unsecured loans up to \$15,000 and secured loans up to \$25,000, and Cashfirst,

which provides unsecured loans between \$2,000 and \$5,000.

Expansion in financial services is a key driver of Thorn's business strategy and involves the introduction of new products and targeting new market segments, which our research shows is underserved by other financial institutions.

As part of our expansion strategy, we have launched Thorn Money to expand the consumer financial services offerings, targeting the mid-prime demographic. Thorn Money provides unsecured loans up to \$15,000 and secured loans up to \$25,000, as well as specific loans for solar power up to \$20,000.

Our cornerstone business, Cashfirst, which provides unsecured term loans of \$2,000 to \$5,000 has continued its strong growth trajectory with the loan book exceeding

\$23 million by year-end, compared with \$21 million 12 months earlier, representing growth of 9.5 per cent. The loan approval rate was maintained at 15-20 per cent of applications, with customer arrears and bad debts remaining within budgeted levels and demonstrating Thorn's ongoing commitment to responsible lending policies.

This year, a Cashfirst pilot store opened in Campbelltown, NSW, and further expansion of this program through a 'store-in-store' concept is being considered in conjunction with the Radio Rentals review process.

In addition to these two distinct brand strategies under the financial services umbrella, which focus on the distinct needs of different demographics, we are also developing a third brand. This will be driven via a 'Small Amount Credit Contract' (SACC) loan product and will leverage off the significant levels of inquiry generated by Cashfirst advertising. This product has the potential to build volume at lower

acquisition costs while meeting the needs of customers for smaller loan amounts and shorter terms. SACC will provide loans between \$1,000 and \$2,000, over periods less than 12 months, for customers who find themselves in unexpected circumstances. We believe the SACC product is also very applicable to the Radio Rentals demographic and we are exploring opportunities to offer this loan product through the Radio Rentals store network later in FY15. SACC is distinctly different from the payday lending market, where loans of less than \$1,000 are offered for very short periods.

Investments in a new core loan system, origination system and decisioning system have provided TFS a new level of capability and enabled the business to form a new partnership with a national phone provider with a view to providing retail finance. Initial results of this trial have been positive and suggest we will be in a position to expand this offering nationally in coming months. Thorn's growing technology capability and capacity will support more of these partnerships into the future.

In addition to Thorn Money's solar power and telecommunications partnerships, we are currently looking at a number of other alliances that will further broaden our footprint in offering a wide range of financial services.

New online platforms have recently been introduced to further improve our digital presence and transactional capability. In addition to advancements in online capability, we are actively exploring opportunities to establish or acquire a broader geographic presence in the domestic market to provide customers greater access to products and services.



I recently started a plumbing apprenticeship and the engine in my car just gave up. Without a car my job was at risk and it was hopeless relying on public transport. I got a Cashfirst loan to get the car fixed and now I'm back at work. (Cashfirst customer, NSW)

## NCML

- ✓ Better results
- ✓ Increased focus on business development
- ✓ Complete systems review



CML is a provider of credit and receivables management services throughout Australia.

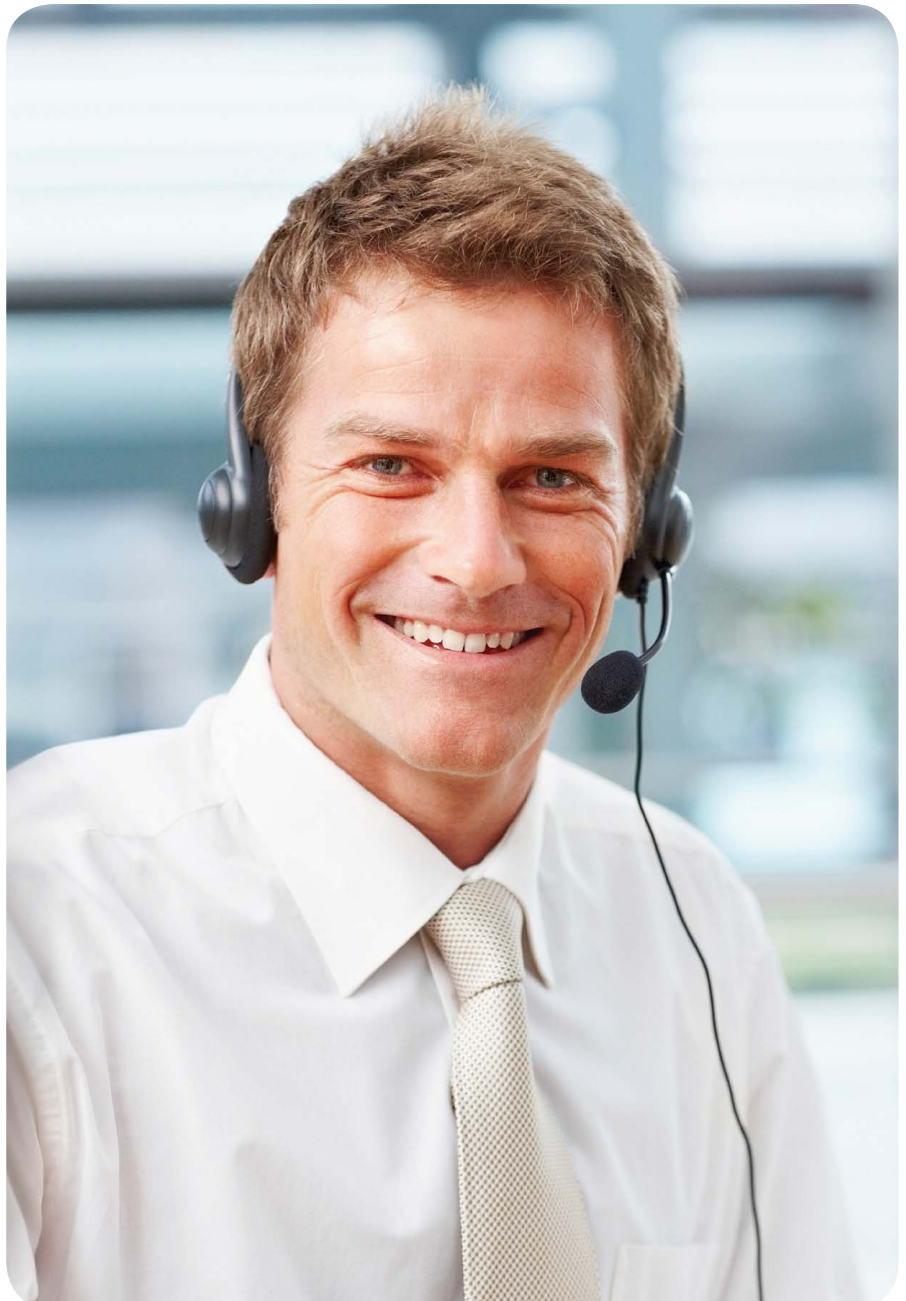
While NCML encountered a number of challenges during FY14, the business is now positioned for stronger growth in the future.

A restructure of NCML, which began in the second half of FY13, has resulted in improved operational performance in FY14, with revenue growth of 9.2 per cent to \$20.6 million compared with \$18.9 million in FY13.

Along with significant streams of activity coming from the NSW Government, in the areas of State Debt Recovery and Roads and Maritime, and a substantial lift in local council work in South Australia, there has been a greater variety of revenue sources for NCML contributing to its 2014 performance. We believe new business opportunities in the commercial and consumer debt recovery as well as purchased debt ledgers will contribute to continuing growth.

An ongoing focus on improving our operational execution has led to a complete systems review, with a view to introducing new IT platforms to improve transactional capability in the year ahead. We have also appointed dedicated General Managers to improve the areas of operations as well as business development.

The acquisition of new business development tools and systems will support the team in expanding our geographical footprint and tap into new market areas leveraging off our strengths and competencies in specialised areas of credit management.



## PEOPLE AND THE COMMUNITY



Thorn recognises that it has many responsibilities as an organisation, encompassing shareholders, customers, employees and the wider community and environment.

In all that it does, Thorn sets high standards of ethical behaviour and is mindful of how it can have a positive impact on the surrounding world.

Thorn is built on basic principles of openness, honesty and trust, enhanced by a strong "challenge" culture where everyone within the organisation is encouraged to create and advocate ideas that can improve reputation and performance. In addition, there is a philosophy of "Above the Line" behaviour which focuses on taking responsibility, accountability and ownership for whatever we do.

Thorn is committed to operating its businesses honestly, efficiently and fairly with high moral, ethical and legal standards. Our Code of Conduct sets clear expectations for all of our people in their interactions with each other, with customers and the wider community. In return we provide our people with training, support and opportunities to fulfil their potential. We recognise and value the unique contribution people can make because of their individual backgrounds and different skills, experiences and perspectives. This operates at all levels of the organisation, with our Board of Directors also reflecting our gender diversity policy.

A key part of Thorn's philosophy is in providing optimum service to customers to ensure they get a "fair go", particularly those people who may have encountered difficulties in their lives and need assistance to obtain basic household items. Our "Responsible Lending & Rental Policy" is in place to ensure we provide customers with products that meet their needs and financial capacity. This has been an important component of building our customer base and generating long term customer loyalty. Another element is also our "Mum Test" which staff are encouraged to consider whenever dealing with a customer who is experiencing difficulties. Put simply, it is to treat customers "as if they were your mum" and do whatever is reasonable to assist them. In addition, Radio Rentals/Rentlo has introduced a specific 'hardship contract' that enables customers of good standing to extend the balance of their contract at a lower payment without any charges or penalties.

### COMMUNITY

We believe community involvement is a component of good business practice. Consequently, we are committed to developing and maintaining long term strategic partnerships with community organisations where we can utilise our networks, resources and expertise to create mutual benefit. As part of our commitment, staff are encouraged to participate in community activities along with Thorn providing direct financial support, including matching staff donations dollar for dollar for approved activities.

Two of the major initiatives supported by Thorn are the Children's Tumour Foundation of Australia and Project New Dawn.



### CHILDREN'S TUMOUR FOUNDATION OF AUSTRALIA

The Children's Tumour Foundation and NF Australia have as their objectives the funding of research to find a cure for Neurofibromatosis (NF) and the support of people affected by NF.

If you said "Neuro-what?" you are not alone. Although Neurofibromatosis (NF) affects one in every 3000 births, and more people/kids have NF than Cystic Fibrosis, Duchenne Muscular Dystrophy, Tay Sachs Disease and Huntington's disease combined – it is relatively unknown. In a nutshell, NF is a genetic disorder that causes tumours to grow on the nerves throughout the body. Every nerve cell in a child's body has the potential to become a tumour causing blindness, deafness, bone deformities, learning

disabilities and severe chronic pain. NF is a lifetime condition, and there is no cure.

Radio Rentals is the major sponsor of The Children's Tumour Foundation and Thorn Corporate along with other divisions is lending its support. Importantly sponsorship activities are tangible and many involve direct store and local community participation.



### PROJECT NEW DAWN

Radio Rentals is also proud to be a founding partner in Project New Dawn which was created as an enterprise that could offer both jobs and accommodation to the homeless. The core partners are The Salvation Army (accommodation management and personal coaching), Radio Rentals (white goods and furniture) and BP (rental guarantee, training and employment opportunities). Participants selected for the project receive 12-18 months of employment and housing. With a stable source of income, participants pay their own rent and utilities which gives them a suitable rental history acceptable to other landlords when they graduate from the program.

The first house went live in 2008 in Melbourne and there are now six houses across Australia – two in Melbourne and one each in Newcastle, Adelaide, Perth and Brisbane. Since 2008, 26 people have been recruited nationally and roughly half of those selected have stayed on or graduated from the program. The project aims to have 30-40 properties Australia wide, giving 60-80 homeless men and women the opportunity to move from the street and into regular employment.



# OUR COMMUNITY

## NATURAL DISASTER

When disaster strikes across Australia, such as the Victorian Bushfires and Queensland Floods or there is a worthwhile cause needing assistance, then there is a good chance that someone from Thorn will be there to assist our customers and the community in general. Over the years assistance has been provided in various forms including the loan of bedding and refrigerators for relief centres, three month goodwill credits on customer accounts and donation of products for fundraising.

## ENVIRONMENT

As an importer of product under the Thorn brand, the Company is heavily focused on integrating environmental considerations into our purchasing and supply strategies. Thorn is also a member of the Australia New Zealand Recycling Platform (ANZRP), which has responsibility for recycling end of life televisions.

## HEALTH AND SAFETY

Thorn recognises its responsibility to provide a safe environment for our people, our customers and others who come into contact with our business. Our Health and Safety program is regularly reviewed and our Regional Safety Teams provide two way feedback on managing potential hazards and best practices.

## GOVERNMENT AND INDUSTRY

As a market leader, Thorn believes it has an important role to play in having a proactive relationship with Government bodies in crafting and reviewing legislation and regulations. Thorn is an active member of the Australian Finance Conference (AFC) and Australian Equipment Leasing Association (AELA). Thorn has provided input and feedback to Federal Treasury and ASIC in relation to a number of matters including proposed enhancements to the National Consumer Credit Protection Act and enforcement of current regulations.

Ultimately Thorn's objective is to create a positive working environment where everyone can feel fulfilled about the work they do and the contribution Thorn as a whole is making to society.



*Left: Treadmill Challenge May 2014; Above: Children's Tumour Foundation Cupids Undie Run 2014 (Red - Queensland, Blue - Victoria).*



# OUR BRANDS



radio  rentals



 rentlo



**THORN**  
Equipment Finance



**NCML**

**THORN**  
Financial Services





**Providing Support for the Community**

- Children's Tumour Foundation Sponsorship
- Project New Dawn
- Local Activities



**Providing  
a Positive Working  
Environment for  
our People**

**THORN'S 2014  
CSR FOCUS AREAS**

**Providing  
Optimum Service  
for our Customers**

- Responsible Lending  
& Rental Policy
- "The Mum Test"
- New Hardship Policy

**Health,  
Safety and  
Environmental  
Responsibility**

**Contributing  
to Legislative  
and Regulatory  
Improvement**

# FINANCIAL SUMMARY

## INCOME STATEMENT

For the year ended 31 March

<i>In thousands of AUD</i>	2014	2013
Revenue	<b>234,855</b>	203,203
Profit before income tax	<b>41,032</b>	40,788
Income tax expense	<b>(12,881)</b>	(12,767)
Profit for the period	<b>28,151</b>	28,021

## BALANCE SHEET

As at 31 March

<i>In thousands of AUD</i>	2014	2013
<b>Assets</b>		
Cash and cash equivalents	<b>2,393</b>	4,871
Trade and other receivables	<b>68,981</b>	58,463
Total current assets	<b>71,374</b>	63,334
Trade and other receivables	<b>89,015</b>	67,139
Deferred tax assets	<b>3,260</b>	2,898
Property, plant and equipment	<b>4,423</b>	3,655
Rental assets	<b>52,644</b>	52,929
Intangible assets	<b>31,734</b>	31,401
Total non-current assets	<b>181,076</b>	158,022
Total assets	<b>252,450</b>	221,356
<b>Liabilities</b>		
Trade and other payables	<b>25,903</b>	26,117
Loans and borrowings	<b>9,099</b>	-
Employee benefits	<b>5,621</b>	4,719
Income tax payable	<b>7,039</b>	4,520
Provisions	<b>498</b>	502
Total current liabilities	<b>48,160</b>	35,858
Loans and borrowings	<b>31,397</b>	28,900
Employee benefits	<b>248</b>	338
Provisions	<b>1,025</b>	887
Total non-current liabilities	<b>32,670</b>	30,125
Total liabilities	<b>80,830</b>	65,983
Net assets	<b>171,620</b>	155,373
<b>Equity</b>		
Issued capital	<b>99,060</b>	95,483
Reserves	<b>2,851</b>	2,769
Retained earnings	<b>69,709</b>	57,121
Total equity	<b>171,620</b>	155,373

## STATEMENT OF CASH FLOWS

As at 31 March

*In thousands of AUD*

	2014	2013
Cash flows from operating activities		
Cash receipts from customers	<b>255,109</b>	222,660
Cash paid to suppliers and employees	<b>(138,438)</b>	(120,612)
Cash generated from operations	<b>116,671</b>	102,048
Interest paid	<b>(2,073)</b>	(1,807)
Interest received	<b>151</b>	260
Income tax paid	<b>(10,724)</b>	(7,173)
Net cash from operating activities	<b>104,025</b>	93,328
Cash flows from investing activities		
Proceeds from sale of assets	<b>1,655</b>	1,126
Acquisition of rental assets	<b>(70,178)</b>	(60,463)
Thorn Equipment Finance settlements	<b>(32,325)</b>	(33,161)
Acquisition of property, plant and equipment	<b>(2,538)</b>	(1,874)
Acquisition of software	<b>(2,727)</b>	(1,784)
Net cash used in investing activities	<b>(106,113)</b>	(96,156)
Cash flows from financing activities		
Proceeds from borrowings	<b>24,996</b>	18,900
Repayment of borrowings	<b>(13,400)</b>	(4,000)
Dividends paid	<b>(11,986)</b>	(13,071)
Net cash used in financing activities	<b>(390)</b>	1,829
Net decrease in cash and cash equivalents	<b>(2,478)</b>	(999)
Cash and cash equivalents at April 1	<b>4,871</b>	5,870
Cash and cash equivalents at 31 March	<b>2,393</b>	4,871

# FOUR YEAR PERFORMANCE SUMMARY

<i>In thousands of AUD</i>		2014	2013	2012	2011
<b>Operating Performance</b>					
Total revenue	\$m	<b>234.9</b>	203.2	188.4	157.6
Normalised net profit (before significant items)	\$m	<b>28.4</b>	28.0	27.8	23.0
Significant items	\$m	-	-	-	(1.0)
Reported net profit	\$m	<b>28.2</b>	28.0	27.8	22.0
Operating cash flow	\$m	<b>104.0</b>	93.3	71.6	68.4
Capital expenditure – rental assets	\$m	<b>70.2</b>	60.5	54.8	52.6
<b>Balance Sheet Structure</b>					
Total assets	\$m	<b>252.5</b>	221.4	185.3	171.8
Capital employed	\$m	<b>209.7</b>	179.4	148.4	122.0
Equity	\$m	<b>171.6</b>	155.4	140.2	95.0
Net debt	\$m	<b>38.1</b>	24.0	8.2	27.0
<b>Per Share Performance</b>					
Number of shares	m	<b>149.5</b>	147.6	146.4	129.9
Weighted average number of shares – basic	m	<b>148.6</b>	146.6	144.7	130.8
Weighted average number of shares – diluted	m	<b>148.8</b>	146.8	146.5	132.0
Basic earnings per share	cents	<b>18.94</b>	19.11	19.24	16.84
Diluted earnings per share	cents	<b>18.91</b>	19.09	19.01	16.69
Share price at year end	cents	<b>2.15</b>	2.06	1.57	2.19
Dividend per share <sup>1</sup>	cents	<b>11.00</b>	10.50	9.50	8.49
Dividend payout ratio	%	<b>55</b>	55	50	50
<b>Financial Ratios</b>					
Interest cover based on EBITA	x	<b>22.4</b>	24.4	27.2	53.1
Net debt to equity	%	<b>22.2</b>	15.4	6.0	28.4
Debt to equity	%	<b>23.6</b>	18.6	10.0	37.8
Return on capital employed <sup>2</sup>	%	<b>21.8</b>	24.8	30.3	35.0
Return on equity <sup>3</sup>	%	<b>26.2</b>	28.1	33.0	37.0

1 Dividends declared during the year.

2 Calculated as total profit before interest and tax divided by the average capital employed.

3 Calculated as total profit before interest and tax divided by the average equity.

# CORPORATE DIRECTORY

## Directors

**David Carter**

Chairman

**James Marshall**

Managing Director

**Peter Henley**

Non-Executive Director

**Joycelyn Morton**

Non-Executive Director

**Stephen Kulmar**

Non-Executive Director

## Company Secretary

Peter Eaton

## Registered office

Thorn Group Limited

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Chullora NSW 2200

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Telephone: +61 2 9101 5000

Facsimile: +61 2 9101 5033

## Auditor to Thorn Group Limited

KPMG

10 Shelley Street

Sydney NSW 2000

## Registry

Computershare Investor Services Pty Limited

Level 3

60 Carrington Street

Sydney NSW 2000

**THORN**  
Group Ltd.

