

Managing Director's Report



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Since being appointed Managing Director in April 2014, it has been very satisfying to see the level of growth across our businesses and evidence of our business strategy delivering results. Essentially our strategy is to develop our established business of consumer leasing while diversifying within the financial services sector to provide a broader base of earnings.

Thorn’s consumer leasing business has an enviable track record, with Radio Rentals established nearly 80 years ago. It is still an important component of our operations but it is noteworthy that our other businesses are fast growing and increasing their earnings contribution to the Group. This trend will be more pronounced in coming years, especially given the strong growth of our Commercial Finance business and contribution from the recently acquired invoice discounting business, Cash Resources Australia.

This performance trend illustrates the initiatives we are implementing to support our diversification program – a combination of organic growth and acquisitions which add value and complement existing businesses.

Financial performance

The financial outcomes of our business strategy are encouraging, as demonstrated by our key performance numbers - revenue up 25 per cent, profit up 14 per cent, return on equity strong at 19 per cent, receivables up 68 per cent with reasonable gearing of 39 per cent, and fully franked dividends increasing to 11.75 cents for the full year.

Our vision

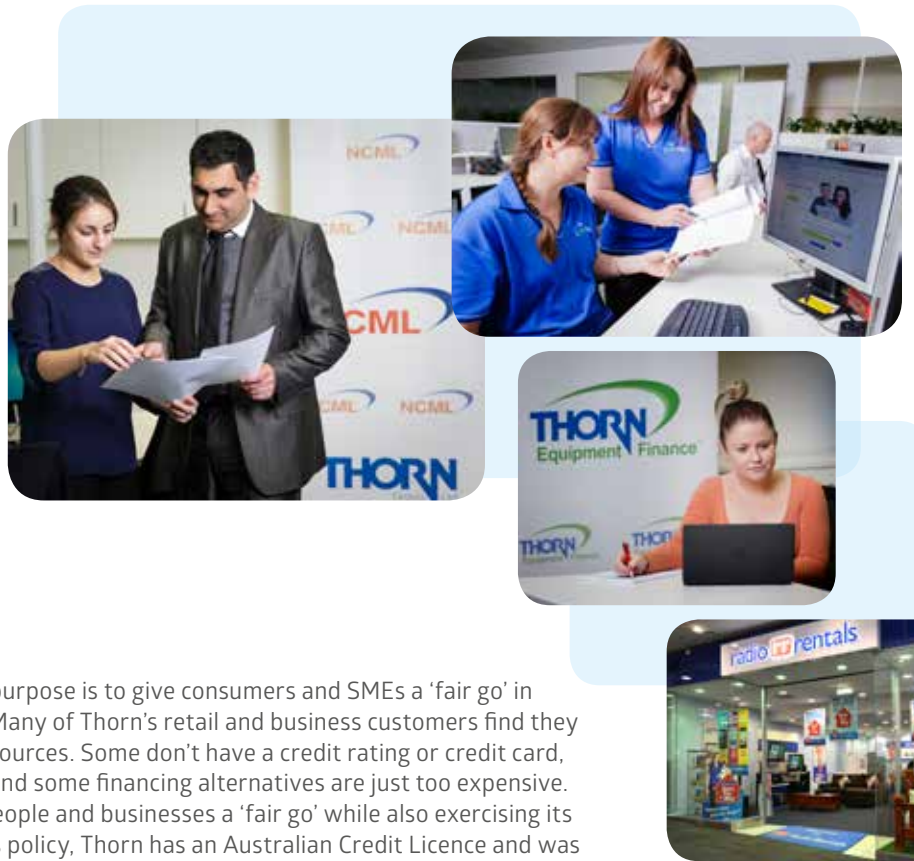
Thorn’s vision is to become a leading provider of financial services to niche consumer and commercial markets. The Group is well structured to implement this through its ‘4 Pillar Strategy’, being the four business divisions of its operations. These are Consumer Leasing, Consumer Finance, Commercial Finance and Receivables Management. The performance of these divisions in FY15, their potential for growth and our intent to foster their expansion, are indicators of how we are working towards achieving our vision.

Our operating priorities

As Thorn grows and pursues its diversification strategy, we also have a number of operating priorities through which we seek to align our business objectives with the interests of our customers and employees. These are intended to ensure that we perform successfully as an enterprise, are governed responsibly, give emphasis to the needs of people and also leave space to contribute to the world around us through our corporate social responsibility initiatives.

As a business, Thorn competes with many service providers and, while banks dominate large parts of the market, they have left gaps, especially in meeting the needs of consumers and small to medium sized businesses. For these groups, Thorn is well placed to offer a broad range of viable alternatives, as it helps households gain access to the goods and services people need and assists businesses which require equipment and cash flow solutions to grow and keep their own customers satisfied. As Thorn broadens its product range and expands its reach, it also meets its other goal of providing a growing return to its shareholders.

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As a service provider, Thorn's principal purpose is to give consumers and SMEs a 'fair go' in accessing goods and financial services. Many of Thorn's retail and business customers find they are excluded from mainstream finance sources. Some don't have a credit rating or credit card, banks are not able to meet their needs and some financing alternatives are just too expensive. In these markets, Thorn exists to give people and businesses a 'fair go' while also exercising its responsible lending policy. Based on this policy, Thorn has an Australian Credit Licence and was one of the first to be licensed in Australia when the National Consumer Credit Protection Act 2009 was introduced.

Placing its customers as a priority, Thorn tracks retention, satisfaction and feedback and in achieving high ratings in all these categories, Thorn gains reinforcement for the way it is meeting the needs of a large demographic nationally.

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As an employer, Thorn recognises the importance of instilling a culture among its people which is focused on treating customers, in consumer and commercial markets, responsibly and fairly. From this there are not only positive outcomes for customers but it is also the basis for making people feel good about the work they do. The culture applies to those on the front line having face-to-face contact with customers and also to those who deal with customers online and help to manage their accounts. Some customers experience hardship, some like innovative and sympathetic solutions when they need guidance about products or business needs and all of them appreciate a personal touch when they are making financial decisions. With responsibility and fairness being Thorn's core values, we are developing a committed team across all our businesses.

The Way Forward

In pursuing its vision and strategy, Thorn seeks to combine sound business performance with meeting the needs of customers and employees as well as connecting with its local communities. In the year ahead, Thorn expects to maintain sustainable growth. Of possible assistance to this may be recent federal government incentives being provided to small and medium sized businesses. Thorn expects its growing base of diversified receivables will be the driving factor in continued growth.

James Marshall
Managing Director