APPENDIX 4E

ANNUAL REPORT

THORN GROUP LIMITED
ACN 072 507 147

YEAR ENDED 31 MARCH 2014

1 Details of the reporting period and the previous corresponding period

Current period:	1 April 2013 to 31 March 2014
Prior corresponding period:	1 April 2012 to 31 March 2013

2 Results for announcement to the market

	Key Information	Year Ended 31 March 2014 $'000	Year ended 31 March 2013 $'000	Change %
2.1	Total Revenue	234,855	203,203	16%
2.2	Profit attributable to equity holders of Thorn Group Limited	28,151	28,021	1%
2.3	Profit attributable to ordinary equity holders of Thorn Group Limited	28,151	28,021	1%

2.4

Dividends	Amount per security	Franked amount per security
Interim dividend (paid 17 January 2014)	4.50 cents	100%
Final dividend (declared, not yet provided at 31 March 2014)	6.50 cents	100%

2.5

Record date for determining entitlements to the dividends
Record date for the final ordinary dividend is 19 June 2014

2.6 Commentary

Overview of the Group

The Thorn Group is a diversified financial services company providing alternative financial solutions to consumers and businesses. Thorn operates through four core segments:

- Consumer leasing of household products through Radio Rentals and the leasing of motor vehicles through Rent Drive Buy.
- Credit management, debt recovery, credit information services, debt purchasing and other financial services through NCML.
- Equipment financing for small and medium enterprises through Thorn Equipment Finance.
- Personal loans through Thorn Financial Services.

Financial Performance

Revenue for the 2014 financial year increased by 16% on the previous corresponding period ("PCP"), growing from $203,203,000 to $234,855,000.

Revenue for the Consumer Leasing segment grew 16%, from $170,020,000 to $196,800,000 as Radio Rentals achieved 10 out of 12 record installation months. Operating lease revenue grew, primarily attributable to increased units on rent, most notably in the furniture category. The growth in finance lease revenue was driven by increased smartphone installations and the introduction of RTB 48 month contract. The introduction of the longer term made larger products and whole room packages more affordable. The change in mix impacted gross margin as a lower margin on sale for smartphones is realised.

Retention performance was again strong, with 48% of customers completing a Rent Try $1 Buy® agreement taking another item.

Write-off performance remained consistent with prior year, however provisioning increased in-line with receivables growth. Costs increased in Radio Rentals as new stores operated and additional resources were required in the store network due to the growth in the number of units on rent.

Operating expenses for the consumer leasing segment also increased versus PCP as Rent Drive Buy continues in its trial phase.

Reported segment earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 3% from $47,998,000 to $49,450,000.

One-off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP. In the current year, losses pertaining to the trial costs associated with Rent Drive Buy as well as depreciation and costs associated with the ERP implementation were incurred. Underlying EBITDA increased by 5.8%.

In thousands of AUD	**31 March 2014**	**31 March 2013**
Consumer Leasing reported EBITDA	49,450	47,998
Debt sale	-	(850)
Rent Drive Buy trial	239	136
ERP Implementation	358	-
Consumer Leasing underlying EBITDA	**50,047**	**47,284**

A restructure of the Credit Management segment commenced in the second half of the 2013 financial year. This restructure, in addition to improved operational performance resulted in a revenue increase of 9.2%, from $18,874,000 to $20,611,000. The uplift was driven by increased contingent collections and PDL revenue. Segment EBITDA increased by 10.4% from $3,670,000 to $4,051,000.

One-off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale. Underlying EBITDA grew by 4%.

In thousands of AUD	**31 March 2014**	**31 March 2013**
Credit Management reported EBITDA	4,051	3,670
Debt sale	(810)	(554)
Credit Management Underlying EBITDA	**3,241**	**3,116**

Revenue for Thorn Equipment Finance ("TEF") grew by 35.7% from $6,129,000 to $8,317,000. The revenue increase is attributable to the growth in receivables, which increased to $63,551,000 versus $46,521,000 in the PCP. Expenses were in-line with PCP, resulting in segment EBITDA increasing by 182% from $1,051,000 to $2,964,000.

Thorn Financial Services ("TFS") revenue increased by 18% from $7,920,000 to $9,346,000. The interest revenue increase was attributable to growth in receivables, from $21,754,000 to $28,431,000 which was driven by the expanded range of offers under the Thorn Money brand.

Bad debts slightly increased as a percentage of the receivables, whilst overheads were higher than PCP as a result of business development initiatives which saw the addition of key personnel. Consequently, segment EBITDA decreased by 27.6% from $1,637,000 to $1,185,000.

Corporate expenses were up 26.9% from $8,302,000 to $10,532,000, primarily increasing in-line with business growth, recruitment and retirement costs in relation to the CEO. Finance expenses increased by 14.7% due to higher borrowings compared to the PCP. Borrowings as at 31 March 2013 were $28,900,000 versus $40,496,000 as at 30 March 2014.

As a result, consolidated profit before income tax increased by 0.6% from $40,788,000 to $41,032,000. Net profit after tax increased by 0.5% from $28,021,000 to $28,151,000.

One-off factors impacted the underlying performance of the consolidated entity versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP and the loss pertaining to the trial costs associated with Rent Drive Buy. Underlying NPAT increased 4.5%.

In thousands of AUD	**31 March 2014**	**30 March 2013**
Reported NPAT	28,151	28,021
Debt sale	(810)	(1,404)
Rent Drive Buy trial costs	239	136
CEO termination/recruitment costs	500	-
Software	358	-
Tax effect	(86)	380
Underlying NPAT	**28,352**	**27,133**

Financial Position

The key assets of the consolidated entity grew during the period.

The consumer lease receivables book grew by 31% to $125,356,000 due to increased installations of smartphones and introduction of RTB 48 month contract. Commercial lease receivables grew by 37% to $63,551,000 through the continued development of strategic partnerships with brokers and introducers. The consumer finance book grew 31% to $28,226,000.

Capital Management

Net cash from operating activities increased from $93,328,000 to $104,025,000. This was primarily attributable to increased receipts from customers in all segments.

Borrowings increased to $40,496,000. Net debt to equity remained relatively low at 22.2%. The consolidated entity continues to meet all debt covenants.

Risks

Credit risk is the most significant risk to the consolidated entity. Credit risk grew in-line with the growth of the loan and lease receivables in all segments, except TFS where bad debts increased slightly as a percentage of the loan receivables.

Legislative changes

The consolidated entity continued to be involved in discussions with Federal Treasury in relation to the enhancements to the National Consumer Credit Protection legislation, which primarily involves more disclosure around financial service products. No changes are expected in the short term.

A review of Centrepay was undertaken by the Federal Government and a draft paper was released in August 2013. The consolidated entity does not expect any changes to its current arrangements in the short term.

Strategic Initiatives

The following initiatives, which include the introduction of new products and the further expansion of each operating segment continues the consolidated entity's strategy of providing alternative financial solutions.

- Thorn Money was launched as an online brand offering unsecured loans to $15,000 and secured loans to $25,000;
- The first Cashfirst store opened in Campbelltown, NSW;
- A new website was launched in October for Radio Rentals, the primary brand of the Consumer Leasing segment, providing a significantly better platform for Radio Rentals to attract new customers;
- An extended term, 48 month Rent Try $1 Buy® contract was launched in November, providing our customers with additional payment flexibility; and
- Work relating to branding and products for Radio Rentals and TFS continues at various phases of the research and development cycle.

Outlook

Despite soft economic conditions, the consolidated entity is trading solidly. The continued investments in new business opportunities are expected to deliver solid NPAT growth.

3 Consolidated Balance Sheet

Refer to the 2014 Annual Financial Report

4 Consolidated Income Statement

Refer to the 2014 Annual Financial Report

5 Consolidated Cash Flow Statement

Refer to the 2014 Annual Financial Report

6 Dividend Details

Since the end of the financial year, the Directors have recommended the payment of the 2014 final dividend of 6.50 cents per fully paid ordinary share to be 100% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 July 2014 is $9.717 million.

7 Dividend or Distribution Reinvestment Plan Details

The DRP will be active for the final dividend and a discount of 2.5% will apply.

8 Retained Earnings

	Year Ended 31 March 2014 $'000	**Year Ended 31 March 2013 $'000**
Balance at the beginning of the financial year	57,121	43,756
Profit attributable to equity holders of Thorn Group Limited	28,151	28,021
Dividends to Shareholders	(15,563)	(14,656)
Total Retained Earnings	69,709	57,121

9 Net Tangible Assets Per Security

	Year Ended 31 March 2014 $	**Year Ended 31 March 2013 $**
Ordinary shares	0.94	0.84

10 Control gained or lost over entities in the Financial Year, and those having material effect

Name of entities where control was gained in the financial year	**Date Control Gained**
Not Applicable	-

	Date Control Lost
Not Applicable	**-**

The above entities did not contribute materially to the reporting entity's profit from ordinary activities during the period they were controlled.

.

11 Investments in Associates and Joint Ventures

Name	**Participating Interest (%)**
Nil	Nil

12 Other Information

Refer to the 2014 Annual Financial Report

13 Foreign Entities

Not Applicable

14 Commentary on results for the Financial Year

Refer to the 2014 Annual Financial Report

15 Audited Report

This report is based on audited accounts.

16 Statement if Financial Report is not audited

Not applicable

17 Statement if Financial Report is Audited

The financial Report has been audited and is not subject to disputes or qualifications