APPENDIX 4E

ANNUAL REPORT

THORN GROUP LIMITED
ACN 072 507 147

YEAR ENDED 31 MARCH 2015

1 Details of the reporting period and the previous corresponding period

Current period:	1 April 2014 to 31 March 2015
Prior corresponding period:	1 April 2013 to 31 March 2014

2 Results for announcement to the market

	Key Information	Year Ended 31 March 2015 $'000	Year ended 31 March 2014 $'000	Change %
2.1	Total Revenue	293,846	234,855	25%
2.2	Profit attributable to equity holders of Thorn Group Limited	30,593	28,151	9%
2.3	Profit attributable to ordinary equity holders of Thorn Group Limited	30,593	28,151	9%

2.4

Dividends	Amount per security	Franked amount per security
Interim dividend (paid 22 January 2015)	5.00 cents	100%
Final dividend (declared, not yet provided at 31 March 2015)	6.75 cents	100%

2.5

Record date for determining entitlements to the dividends
Record date for the final ordinary dividend is 2 July 2015

2.6 Commentary

The 2015 Operating and Financial Review is presented by the Board to provide shareholders with an overview of the Company's operations, financial position and potential for future years.

Thorn Group is a diversified financial services group providing alternate financial solutions to consumers and businesses. Activities are predominantly in leasing of household products with increasing diversification into consumer loans, commercial finance, invoice discounting and the provision of receivables management services.

Apart from the acquisition of invoice discounting business Cash Resources Australia, there were no other significant changes in the nature of the activities of the consolidated entity during the year.

Thorn operates through four core segments:

- Consumer Leasing of household products through Radio Rentals and Rentlo;
- Consumer Finance provides personal loans through Cash First and Thorn Money;
- Commercial Finance including equipment financing and invoice discounting for small and medium enterprises through Thorn Equipment Finance and Cash Resources Australia respectively; and
- Receivables Management, debt recovery, credit information services, debt purchasing and other financial services through NCML.

Financial performance

Revenue for the 2015 financial year increased 25.1% on the previous corresponding period ("PCP"), growing from $234.9m to $293.8m.

Underlying Cash NPAT increased by 13.6% from $30.1m to $34.2m. Reported NPAT increased by 8.5% from $28.2m to $30.6m.

There was significant organic growth in both consumer leasing and commercial finance driven by strong originations. Consumer Leasing in particular benefited from the increased mix of finance leases from operating leases. The result also included $0.8m after tax contribution from Cash Resources Australia that was acquired on 1 December 2014.

The investment in people, processes and systems over the previous three years has supported the increase in current year Underlying Cash NPAT.

Segment performance

Consumer Leasing:
Revenue for the Consumer Leasing segment grew 25.1%, from $196.8m to $246.2m driven by both record originations during the year and a significant shift in contract mix from operating leases to finance leases. Originations increased 88.7% from $51.5m to $97.2m from PCP. Finance leases represented 88% of leases in 2015 compared to 45% in the PCP.

The growth in finance lease revenue was driven by the continued adoption of the Rent Try $1 Buy® month contract that was introduced in December 2013. Originations of finance lease contracts during the year numbered 112,700 of which 76.3% or 86,000 were 48 month contracts. The introduction of the longer term made larger products and whole room packages more affordable.

Customer retention performance remains consistently strong with 48% of customers completing a Rent Try $1 Buy® agreement taking a subsequent agreement for another item at a discounted rate.

Write-off performance remained consistent with prior year however provisioning increased in-line with receivables growth. Costs increased in the segment in-line with new stores and additional resources required in the store network to support the growth in units on rent.

Other operating expenses for the Consumer Leasing segment also increased in-line with the increased level of originations.

Reported segment earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 13.3% from $49.5m to $56.1m.

Consumer Finance:
Consumer Finance revenue increased by 48.4% from $9.3m to $13.8m. The revenue increase was driven from interest through a 56.0% growth in receivables, from $28.4m to $44.3m. Originations increase by 69.7% from $18.8m in the PCP to $31.9m.

Net bad debts increased from 10.9% to 12.3% as a percentage of average receivables. This increase in bad debts resulted in a revision to the collections strategy of the segment in March 2015. Overheads were higher than PCP as a result of business development initiatives and increased volumes. Segment EBITDA increased by 16.7% from $1.2m to $1.4m.

Commercial Finance:
Commercial Finance consists of both equipment finance through Thorn Equipment Finance (TEF) and invoice discounting through Cash Resources Australia (CRA).

Revenue for TEF grew by 30.1% from $8.3m to $10.8m. Originations in TEF increased from $32.3m to $61.5m during the year, an increase of 90.4%. The revenue increase was driven by the growth in gross receivables, which increased from $63.5m to $104.8m, which in turn was driven by strong originations.

Originations increased via both direct and strategic partner channels.

Expenses increased in line with volumes as TEF continues to achieve scale.

CRA contributed $4.3m in revenue and $1.2m EBITDA during the four months it was part of the group. This was in line with acquisition metrics.

Overall like for like segment EBITDA increased by 93.3% from $3.0m to $5.8m. Including CRA segment EBITDA increased 133.3% from $3.0m to $7.0m.

Receivables Management:
The Receivables Management division revenue decreased by 6.8%, from $20.6m to $19.2m. This decline was driven by a decrease in contingent collections as a result of lower placements due to changing business practises in long standing clients. It was however offset by an increase in Purchased Debt Ledger (PDL) revenue where PDL receivables increased 61.8% from $8.9m to $14.4m. PDL net additions during the year were $12.5m compared to $5.9m in the previous, an increase of 111.9%.

Segment EBITDA decreased by 36.6% from $4.1m to $2.6m.

The Receivables Management division was also impacted with one off costs incurred as part of an operational restructure that will create 'Centres of Excellence' for contingent collections in Melbourne and PDL collections in Adelaide. This restructure is expected to provide annualised savings of $1.6m, and geographically centralise the divisions functional expertise and infrastructure across two major collection platforms.

Corporate expenses:
Corporate expenses were up 24.8% from $10.5m to $13.1m primarily increasing in-line with business growth including acquisition costs and recruitment. This included $2.2m relating to the acquisition of CRA.

Net borrowing costs increased by 126% from $1.9m to $4.3m driven by borrowings that have increased from $40.4m to $144.0m as at 31 March 2015. The increase in borrowings supported the acquisition of CRA and the increased level of equipment finance originations within the Commercial Finance segment.

Consolidated:
Underlying Cash NPAT increased 13.6%. from $30.1m to $34.2m. Below is a reconciliation of reported to Underlying Cash NPAT.

Consolidated profit before income tax increased by 9.0% from $41.0m to $44.7m. Reported net profit after tax increased by 8.5% from $28.2 to $30.6m.

The variance between underlying performance of the group and reported was predominantly the costs of acquisition of CRA and the amortisation of intangibles as detailed in the reconciliations below.

In thousands of AUD	**31-Mar-15**	**31-Mar-14**
Reported NPAT	30,593	28,151
Acquisition costs CRA	2,235	-
Amortisation of intangibles	1,759	1,760
Rent Drive Buy trial (revenue)/costs	(363)	239
Debt sale	-	(810)
CEO termination/recruitment costs	-	500
Software	-	358
Tax effect	(25)	(87)
Underlying Cash NPAT	**34,199**	**30,111**

Financial position and cash flows

Summarised financial position	**Mar-15**		**Mar-14**	
($m)	excl. Trust	incl. Trust	excl. Trust	incl. Trust
	(i)		(i)	
Cash at Bank	13.9	13.9	2.4	2.4
Receivables	215.8	289.6	126.8	158.0
Investment in unrated notes	13.8	-	6.2	-
Other assets	40.1	40.1	60.3	60.3
Intangibles	32.9	32.9	31.7	31.7
Total Assets	**316.5**	**376.5**	**227.4**	**252.4**
Borrowings	84.0	144.0	15.5	40.5
Other liabilities	43.0	43.0	40.3	40.3
Total Liabilities	**127.0**	**187.0**	**55.8**	**80.8**
Total Equity	**189.5**	**189.5**	**171.6**	**171.6**
Net Gearing (ii)	38.6%	n/a	8.4%	n/a
Cash flows from operating activities	102.9	102.9	104.0	104.0
EPS Basic	n/a	20.3	n/a	18.9
EPS Diluted	n/a	20.3	n/a	18.9
ROE (iii)	16.9%	16.9%	17.2%	17.2%
Underlying Cash ROE (iv)	18.9%	18.9%	18.4%	18.4%

(i) Excludes the impact of receivables from TEF that are sold down to a warehouse funding facility.
(ii) Gearing is calculated as net debt (senior borrowings less free cash) divided by closing equity.
(iii) ROE is calculated as NPAT divided by the average of opening and closing equity.
(iv) Underlying Cash ROE is calculated as Underlying Cash NPAT divided by the average of opening and closing equity.

Receivables:
Net receivables increased by 83.3% to $289.6m during the year. Gross consumer lease receivables grew by 75.2% to $219.6m driven by both the movement to finance leases from operating leases and increased originations since the introduction of RTB 48 month contract. Gross consumer finance receivables increased by 56% to $44.3m. Gross equipment finance lease receivables within the commercial finance segment increased by 65.0% to $104.8m.

Other assets:
The decrease in other assets is predominantly from the decrease in rental assets by 36.9% from $52.6m to $33.2m. This decrease has been driven by the move from operating lease to finance lease.

Borrowings and gearing:
Total borrowings have increased from $40.5m in the PCP to $144.0m. This increase has been driven predominantly by the acquisition of CRA and the increase of TEF lease receivables.

Net gearing has increased from 8.4% PCP to 38.6%. This increase is predominantly due to the funding of the CRA acquisition and increase in consumer finance receivables from senior debt. Senior debt increased from $15.5m PCP to $84.0m.

The consolidated entity continues to meet all debt covenants.

ROE:
The group has continued to achieve high returns underpinned by growth in earnings and close management of capital. Underlying Cash ROE increased from 18.4% to 18.9% whilst ROE decreased from 17.2% to 16.9% predominantly due to the acquisition costs of CRA.

EPS:
Earnings per share increased from 18.9 cents to 20.3 cents during the year in line with increased NPAT supported by an increase in lower cost debt funding.

Cash flows:
Net cash from operating activities decreased from $104.0m to $102.9m. This was primarily attributable to the overall lower average lease payment received due to the expansion of the RTB 48 month contract, increased PDL acquisition and increased Consumer Finance originations.

Cash flows from investing activities were an outflow of $182.0m compared to the previous year's outflow of $106.1m. This was predominantly driven by the net cash outflows for the acquisition of CRA ($43.3m) and the increased net cash originations in Commercial Finance, up from $32.3m to $61.5m.

Cash flows from financing activities increased to a $90.6m inflow from a $390k outflow in the PCP. This was predominantly due to the increase in debt funding.

Funding:
The group has the following debt facilities:

	2015		2014	
Facility	**Limit**	**Drawn**	**Limit**	**Drawn**
Senior	$110.0m	$84.0m	$50.0m	$15.5m
Warehouse	$100.0m	$60.0m	$50.0m	$25.0m
Total	**$210.0m**	**$144.0m**	**$100.0m**	**$40.5m**

The $110.0m senior facility is secured by a fixed and floating charge over the assets of the consolidated entity. Both the increase in the facility and the drawings was driven predominantly by the acquisition of CRA during the period.

The warehouse facility was increased from $50.0m to $100.0m during the year to accommodate the strong growth in receivables within the Commercial Finance segment. This facility is secured by rentals and payments receivable from the underlying lease receivable contracts.

Dividends paid or recommended

Dividends paid by the Company to members during the financial year were:

	Cents per share	Amount $'000s	Franked / unfranked	Date of payment
2015				
Final 2014	6.5	9,717	Franked	17-Jul-14
Interim 2015	5.0	7,532	Franked	22-Jan-15
Total amount		**17,249**		

After balance date the following dividend was proposed by the directors:

Final 2015	**6.75**	**10,215**	**Franked**	

Strategic initiatives and prospects

Thorn Group will continue with its organic and acquisitive growth strategy aimed at delivering sustained growth and long term shareholder value. The group will continue to focus on the growth of its Consumer Leasing business as well as growing its other business segments to drive greater diversification of returns and risk.

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

Consumer Leasing:

- A brand evolution pilot in order to attract a broader demographic and expanded customer base leading to increased volume and revenues;
- New propositions including mobile voice and data plans and interest free purchases; and
- A pilot second consumer rental brand, utilising re-rent stock and offering a "No lock-in contract" to meet market demand for flexible rental solutions was launched in Brisbane in December under the brand name Rentlo.

Consumer Finance

- Consolidation of current multi branded consumer loan offerings to a simpler and more comprehensive consolidated proposition
- Refinement of origination technology to support optimised customer experience and process efficiency
- Continued expansion of distribution footprint to grow sales volumes

Commercial Finance:

- Expanded product offerings to include residual value for selected assets, vendor finance, trade finance and premium funding;
- A 'Commercial Direct' pilot was launched in February to improve access to suppliers and SME users of commercial rental;
- A specialised 'Franchise Finance' strategic alliance has been established to improve access to the franchise sector; and
- Continue the integration of CRA into the segment and incentivise and promote cross selling opportunities.

Receivables Management

- Continue the momentum in high quality PDL purchases; and
- Restructure into centres of excellence including contingent collections in Melbourne and PDL collections in Adelaide.

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.

Regulatory risk in relation to changes of law or regulations that impact the operations or results of the groups activities remains a key focus for the consumer segments.

Liquidity risk is managed through the adequate provision of funding and effective capital management policies. Thorn will continue to diversify its funding sources to further mitigate this risk into the future.

The group is also subject to currency risk related to the direct acquisition of rental assets from overseas suppliers. To mitigate this risk the group operates a foreign exchange hedging policy.

Outlook The strategic initiatives implemented in the current financial year and into the future will ensure Thorn Group continues to maximise shareholder value into the future while diversifying returns and risk. The Group will continue to review acquisition opportunities in all its operating segments that are consistent with our strategy and where we can extract value and add scale to our existing platforms. Thorn expects continued growth in receivables will be the basis for growth of all parts of the business.

3 Consolidated Balance Sheet

Refer to the 2015 Annual Financial Report

4 Consolidated Income Statement

Refer to the 2015 Annual Financial Report

5 Consolidated Cash Flow Statement

Refer to the 2015 Annual Financial Report

6 Dividend Details

Since the end of the financial year, the Directors have recommended the payment of the 2015 final dividend of 6.75 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 16 July 2015 is $10.215 million.

7 Dividend or Distribution Reinvestment Plan Details

The DRP will be active for the final dividend and a discount of 5.0% will apply.

8 Retained Earnings

	Year Ended 31 March 2015 $'000	Year Ended 31 March 2014 $'000
Balance at the beginning of the financial year	69,709	57,121
Profit attributable to equity holders of Thorn Group Limited	30,593	28,151
Dividends to Shareholders	(17,249)	(15,563)
Total Retained Earnings	83,053	69,709

9 Net Tangible Assets Per Security

	Year Ended 31 March 2015 $	Year Ended 31 March 2014 $
Ordinary shares	1.03	0.94

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
Cash Resources Australia Pty Ltd	1 Dec 2014
Cash Resources Australia Trust	1 Dec 2014

	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.

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11 Investments in Associates and Joint Ventures

Name	Participating Interest (%)
Nil	Nil

12 Other Information

Refer to the 2015 Annual Financial Report

13 Foreign Entities

Not Applicable

14 Commentary on results for the Financial Year

Refer to the 2015 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