



The past two years have been challenging for the Thorn Group, particularly in dealing with issues from the past. As I mentioned in last year's Annual Report, our strategic review identified that the two principal businesses, consumer leasing and business finance, generated good returns and offered growth potential over the longer term. Accordingly, the NCML receivables management business was sold and the TFS consumer loan division closed during the year.

FINANCIAL RESULTS

The financial outcomes from our business challenges are summarised in the CEO's report. Most importantly, net profit after tax for the year to 31 March 2017 was up 26 per cent on the previous year to \$25.3 million and after significant items in both years, adjusted net profit after tax was up 3.6 per cent to \$31.4 million.

STRATEGY

We are very confident about our two businesses, consumer leasing and business finance, supported by skills and systems in credit assessment. We believe Thorn now has an industry leading credit assessment system which ensures high standards in responsible lending. Both businesses are profitable and have distinctive industry positioning. For the past two years, business finance has been growing at a faster rate than consumer leasing. Thorn's strategy is to foster the growth of both these businesses by ensuring the best structural support as well as considering expansion opportunities which may arise from industry adjustment in consumer leasing and network expansion in business finance. The Board considers both businesses have positive prospects, while Radio Rentals faces some short term challenges due, in part, to changes in the regulatory environment.

BOARD

The Board restructure over the last couple of years has resulted in a strong, diversified and highly qualified Board, with skills across management, finance, strategy, law, retail and marketing. All directors have been actively involved in the difficult issues addressed during the year.

RESIGNATION OF MANAGING DIRECTOR

In April 2017 the Board accepted the resignation of Managing Director, James Marshall. James served the company for 24 years, ultimately attaining the top managerial position. He brought his accumulated experiences to his role and was in charge during a difficult time for the business. A search for a new managing director is in progress. Meanwhile, our CFO, Peter Forsberg, is acting CEO. We thank him for stepping up to this role.

DIVIDEND

Thorn's approach to provisioning for the issues it has faced has been an important factor in keeping the group in sound shape with two profitable business streams. Consumer leasing will face ongoing issues in FY18 but beyond that will continue to be a strong contributor demonstrating market leadership.

WITH AN ONGOING AND POSITIVE GROWTH TRAJECTORY FOR BUSINESS FINANCE, THE BOARD IS CONFIDENT THAT THORN WILL DEMONSTRATE ITS POTENTIAL IN YEARS TO COME.

THORN IS IMPLEMENTING AN INDUSTRY LEADING CREDIT ASSESSMENT SYSTEM WHICH ENSURES HIGH STANDARDS IN RESPONSIBLE LENDING

The Board took into account many considerations in deciding on a reduced final dividend - higher expenses from regulatory and legal issues, tougher business conditions for Radio Rentals as well as the need to conserve capital to fund the ongoing growth of business finance. The 50 per cent payout of full year profit after tax represents 8 cents a share compared with 11.5 cents in the previous year, all fully franked. In May 2017, at the time of the full year results announcement, the share price of \$1.25 equated to a yield of 6.4% (a gross 9.1% if the franking credit is taken into account).

PEOPLE

The Board thanks the leadership team for accepting additional responsibility in recent times. We also believe Thorn's entire staff deserve acknowledgement and thanks for their hard work in addressing the challenges we have faced. They have treated our customers with respect and adhered to Thorn's values and vision. I also thank our shareholders for their support through our experiences and trust this will continue as we strive to meet their expectations.



JOYCELYN MORTON
Chair