

Thorn Group Limited

ACN 072 507 147

Managing Director's AGM Address

25 AUGUST 2011

After another record financial performance, there are many people to thank for their contributions - from our board, management team and our colleagues around the country.

It would be remiss of me not to firstly thank Bernard Carrasco, our Chairman since Thorn listed on the ASX some five years ago. Bernard has made an important contribution to the Company's development and everyone at Thorn wishes him good health in his retirement as he steps down as Chairman in September and from the board in March next year.

Nominated to take over the chairmanship from Bernard is David Carter. We are very fortunate in having someone of David's calibre, who possesses a significant knowledge of Thorn's business, to follow on from Bernard, with David also having been a director of the company since listing.

Financial performance

For the fifth consecutive year, Thorn has increased revenue and profit. The notable aspect of this year's performance is that it has come at a time when many other organisations are finding trading conditions difficult. This demonstrates the resilience of the Thorn business model with it having the ability to perform well in positive as well as challenging market conditions. In financial year 2011, Thorn increased revenue 8.6 per cent to \$158 million and normalised profit 40 per cent to \$23 million and actual profit up some 13% to \$22 million. From earnings per share of 17 cents we paid out half as dividend, with total dividends for the year up 34 per cent to 8.49 cents a share, fully franked.

Business performance

A pleasing aspect of these results is the way we are increasing our customer base nationally. Group customer numbers were up 10.5 per cent for the 12 months ended 31 March 2011 and they now approach 110,000 people around the country. Our main operating subsidiary, Radio Rentals, is one of Australia's premier rental providers of household goods and has now reached a milestone of 100,000 customers. This is most significant when you consider that the customer base has grown nearly 30% in just over 4 years.

Strategy

In considering the development of our business, it would be wrong to think that even though Radio Rentals had its origins nearly 75 years ago, that it continues as the same business. In retailing, sticking with the same formula is a certain route to business decline. To achieve growth it is essential to keep reinventing and renewing the business. Five years ago, we were purely a domestic rental business, however since then we have launched a number of initiatives in our rental business and from a group perspective, we have expanded our capabilities into new areas and this year made our first acquisition.

With Radio Rentals, we have always appreciated the loyalty of our customers, many of whom have been with us for decades, and are devotees of renting, particularly with the flexibility and benefits of our exclusive Rent Try \$1 Buy offering. To ensure the best service possible for our customers we invest heavily in the training of store network team members. This training, particularly the Thorn Levels Program also incorporates salary increases and bonuses for successful completion of modules and enables us to objectively rate the progress and performance of individuals and teams.

Stores also compete vigorously for our annual performance awards which are measured against strict criteria of achievement across a broad range of key performance indicators.

An extremely important element of our focus on customers is that we have strict guidelines under our Responsible Rental & Lending Policy to also ensure that we provide them with the right product for their needs & within their financial means.

A popular customer initiative introduced 12 months ago was the revival of our own Thorn TV brand. The Thorn brand has an 80 year history and was a major brand in Australia when colour TV was launched in

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1974. Since the relaunch we have had a number of people contact us who still have a Thorn TV working well in their homes.

Other initiatives in the Radio Rentals & Rentlo network, which are having a very positive impact in underserved market areas, are our one-person branches in regional locations and our trial kiosk in a metropolitan shopping centre. The beauty of these concepts is that they allow us a low cost entry point operating as a satellite of one of our full service branch operations. In addition we continue to garner considerable success from our internet presence.

While Radio Rentals may be our biggest operation, we shouldn't ignore the progress we are making with our other businesses. Our personal loans business, Cashfirst, has doubled in size over the past year with its unsecured loan book now over \$12 million. With a number of larger financial institutions exiting this market, we have a good opportunity to continue to expand this operation. Thorn Business Services, which we are reinvigorating under new management, has started to show some extremely positive signs and also has the potential to expand in the commercial leasing and financing sector as the banks have withdrawn from this market post GFC. In order to more closely reflect the industry, it is also being rebadged as Thorn Equipment Finance.

Acquisition

The acquisition of National Credit Management (NCML), in March, is an important strategic element in expanding our financial services platform. Of course, the real value from any acquisition comes through a smooth integration and ensuring it is well positioned for further growth. It is pleasing to report that we are making positive progress. We have our own solid track record in credit management and so this is a business we understand and have the skills to develop, particularly with the very experienced NCML team.

Outlook

The basis on which Thorn acquired National Credit management is that it would be earnings per share positive in financial year 2012. While it is too early to quantify the extent of this contribution, it does mean that Thorn will have a substantial new source of earnings this financial year which will contribute to further growth of our business.

Each of our other business units continues to perform well and at this stage we feel we are on our way to a year of solid financial performance. Underlying this confidence in the strength of our business is that with our high levels of recurring revenue, which enables us to commence each financial year with some 45 per cent of our revenues locked in.

We appreciate the ongoing support of our shareholders, especially those who participated in our capital raising in June, and we look forward to sharing the results of our growth with you.

John Hughes
Managing Director