Appendix 4D
Half Year Report of
Thorn Group Limited
for the six months ended 30 September 2014

This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX listing rule 4.2A.3

Current reporting period	Six months ended 30 September 2014
Previous corresponding period ("PCP")	Six months ended 30 September 2013

Results for announcement to the market:

Overview of the Group

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

- Consumer leasing of household products through Radio Rentals.
- Credit management, debt recovery, credit information services, debt purchasing and other financial services through NCML.
- Commercial finance for small and medium enterprises through Thorn Equipment Finance.
- Personal loans through Thorn Financial Services.

Financial Performance

Revenue for the six months to 30 September 2014 increased by 33% on the previous corresponding period ("PCP"), growing from $112,537,000 to $149,928,000.

Revenue for the Consumer Leasing segment grew 37%, from $93,867,000 to $128,481,000 as Radio Rentals achieved strong installation growth.

Installation volume increased by 12% versus PCP, driven by furniture and technology products. Finance lease revenue grew by 93%, positively impacted by the introduction of the longer term RTB 48 month contract in the final quarter of the prior year. Consequently, consumer lease receivables increased 51% to $189,329,000**.**

Retention performance was again strong, with 47% of customers completing a Rent Try $1 Buy® agreement and taking another item.

Write-off performance remained consistent with prior year, however provisioning increased in-line with receivables growth.

Operating expenses for the consumer leasing segment increased versus PCP in line with business growth.

The Rent Drive Buy trial ceased during the period and the portfolio is being managed down.

Reported segment earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 15% from $23,243,000 to $26,746,000.

Revenue for the Credit Management segment increased from $10,600,000 to $10,669,000, or 1%. The uplift was primarily attributable to increase in contingent collections and PDL revenue. PDL purchases totalled $6,306,557, an increase of 94% versus PCP. The PDL book closed at $11,258,000, up 27% on the PCP.

Segment EBITDA grew by 0.5% from $1,931,000 to $1,940,000.

Revenue for Thorn Equipment Finance ("TEF") grew by 22% from $3,939,000 to $4,807,000. The revenue increase is attributable to the growth in receivables, which increased to $78,167,000. Receivables growth was driven through the addition of key partners, and increased volumes from introducers and brokers. The average transaction size remained steady.   Equipment financed included solar and commercial equipment, telephony and copiers and printers.

Bad debts improved as a percentage of the receivables. Expenses were in-line with PCP, resulting in segment EBITDA increasing by 62% from $1,552,000 to $2,515,000.

Thorn Financial Services (“TFS”) revenue increased by 47% from $4,245,000 to $6,231,000. The interest revenue increase was attributable to growth in receivables, from $28,431,000 to $40,067,000. This growth was driven by the expanded range of offers under the Thorn Money brand. As a result, average loan size increased to $6,257 from $5,264 in the PCP**.**

Bad debts slightly decreased as a percentage of the receivables, whilst overheads were higher than PCP as a result of increased marketing expenses associated with establishment of the Thorn Money brand. Consequently, segment EBITDA increased by 9% from $485,000 to $530,000.

Corporate expenses were up 16% from $5,029,000 to $5,829,000 primarily increasing in-line with business growth.

Net finance expenses increased by 68% due to higher borrowings compared to the PCP. Borrowings increased from $40,496,000 versus $71,078,000 funding the growth in asset purchases and receivables.

As a result, consolidated profit before income tax increased by 13% from $19,427,000 to $22,034,000. Net profit after tax increased by 14% from $13,305,000 to $15,164,000.

Financial Position

Net assets closed at $179,600,000, up 5% for the 6 months to 30 September 2014. The key driver of the increase in net assets was the growth in receivables:

- Consumer lease receivables grew 51% to $189,329,000 due to increased installations across all product categories on longer term finance lease contracts;
- Commercial lease receivables grew by 23% to $78,167,000 through the introduction of key strategic partnerships with brokers and introducers and
- Consumer finance receivables grew 41% to $40,067,000 with growth coming from direct and indirect channels

Capital Management

Net cash from operating activities decreased from $58,232,000 to $48,212,000. Operating cash was impacted by 179% increase in loans advanced and 76% increase in tax paid due to lower PAYG instalment rate in the PCP.

Net cash used in investing activities increased from $57,251,000 to $69,880,000, or 22%. The key drivers to this increase were consumer rental asset purchases, which increased 16% to $46,565,000, in-line with operational performance and TEF settlements which grew 59% to $24,034,000.

Subsequently, borrowings increased to $71,078,000 to support the growth in rental asset purchases and TEF settlements.

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.

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.

- Additional loan products were launched increasing the secured and unsecured books;
- An extended term, 48 month Rent Try $1 Buy® contract continued to provide customers with additional payment flexibility;
- Work relating to branding and products for Radio Rentals and TFS continues at various phases of the research and development cycle; and
- Second rental brand development.

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.

Net tangible assets per security

	30 Sep 2014	30 Sep 2013
Net tangible assets per security	99 cents	91 cents

Dividends

	Amount per security	Franked amount per security	Record date	Date paid / payable
Final dividend relating to year end 31 March 2014	6.50 cents	6.50 cents	19 Jun 2014	17 Jul 2014
Interim dividend relating to year end 31 March 2015	5.00 cents	5.00 cents	8 Jan 2015	22 Jan 2015