

Thorn Group Limited
and its Controlled Entities
ACN 072 507 147

Condensed consolidated interim financial report
30 September 2010

The directors present their report together with the condensed consolidated interim financial report for the six months ended 30 September 2010 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Bernard Carrasco (Chairperson)	Director since 3 November 2006
Mr David Carter	Director since 3 November 2006
Mr Paul Lahiff	Director since 21 May 2007
Mr Peter Henley	Director since 21 May 2007
Executive	
Mr John Hughes (Managing Director and CEO)	Director since 3 November 2006

Review of Operations

Revenues for the period grew from \$73.0m to \$80.3m, a 10.1% improvement on the previous corresponding period ("PCP"). Finance lease revenue was \$4.2m, operating lease revenue was \$2.4m and cash loan interest revenue was \$0.7m better than PCP.

The growth in revenues generated a gross profit of \$49.6m, representing a 17.6% improvement. Margin expansion was achieved due to lower flat panel and PC prices. From July, the direct import program commenced under the Thorn and Visea brands. This program saw the cost price of flat panels favourably impacted. The gross margin growth flowed through to a 38.2% increase in earnings before interest and tax at \$16.1m, up from \$11.7m.

Net profit after tax increased to \$11.0m, up 2.4% from \$10.8m. In the PCP, tax expense was favourably impacted by the temporary investment allowance, whereby the Group recognised a total deduction of \$2.8m. Normalised net profit after tax increased 38.1% from \$8.0m to \$11.0m.

Importantly the result was underpinned by a 6.7% increase in customers. Customer growth was generated by all consumer brands.

Net cash from operating activities increased from \$28.8m to \$31.6m due to the growth in units on rent and the associated rental dues.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the six months ended 30 September 2010.

Rounding off

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 23rd day of November 2010.

Signed in accordance with a resolution of the directors:



Bernard Carrasco
Chairman



John Hughes
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Thorn Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Greg Boydell
Partner

Dated at Sydney, this 23rd day of November 2010

Thorn Group Limited

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2010

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2010	30 September 2009
Revenue		80,298	72,965
Cost of sales		(30,707)	(30,808)
Gross profit		49,591	42,157
Other income		50	4
Sales and marketing expenses		(23,519)	(21,585)
General and administration expenses		(10,016)	(8,918)
Results from operating activities		16,106	11,658
Finance income		89	35
Finance expenses		(278)	(239)
Net finance costs		(189)	(204)
Profit before income tax		15,917	11,454
Income tax expense	9	(4,870)	(664)
Profit for the period		11,047	10,790
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		11,047	10,790
Basic earnings per share (cents)	8	8.53	8.38
Diluted earnings per share (cents)	8	8.45	8.33

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 8 to 11.

Thorn Group Limited

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2010

In thousands of AUD

	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2009	64,517	3,169	1,576	69,262
Net profit for the period	-	10,790	-	10,790
Other comprehensive income	-	-	-	-
Transactions with owners, recorded directly in equity				
Equity settled transactions	-	-	36	36
Dividends to shareholders	-	(3,743)	-	(3,743)
Balance at 30 September 2009	64,517	10,216	1,612	76,345
Balance at 1 April 2010	64,517	15,605	1,645	81,767
Net profit for the period	-	11,047	-	11,047
Other comprehensive income	-	-	-	-
Transactions with owners, recorded directly in equity				
Equity settled transactions	-	-	331	331
Dividends to shareholders	-	(4,866)	-	(4,866)
Balance at 30 September 2010	64,517	21,786	1,976	88,279

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 8 to 11.

Thorn Group Limited
Condensed consolidated statement of financial position
As at 30 September 2010

<i>In thousands of AUD</i>	30 September 2010	31 March 2010
Assets		
Cash and cash equivalents	3,460	5,747
Inventory – finished goods	1,208	869
Trade and other receivables	27,882	25,549
Total Current Assets	32,550	32,165
Trade and other receivables	33,823	29,159
Deferred tax assets	2,538	3,397
Rental Assets	41,169	35,211
Property, plant and equipment	2,799	2,437
Intangible assets	15,604	15,604
Total Non-Current Assets	95,933	85,808
Total Assets	128,483	117,973
Liabilities		
Trade and other payables	24,100	23,348
Employee benefits	3,927	3,481
Loans and borrowings	8,000	6,000
Income tax payable	2,732	1,948
Provisions	860	535
Total Current Liabilities	39,619	35,312
Employee benefits	212	192
Provisions	373	702
Total Non-Current Liabilities	585	894
Total Liabilities	40,204	36,206
Net Assets	88,279	81,767
Equity		
Issued capital	64,517	64,517
Reserves	1,976	1,645
Retained earnings	21,786	15,605
Total Equity	88,279	81,767

The condensed consolidated statement of financial position is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 8 to 11.

Thorn Group Limited
Condensed consolidated statement of cash flows
For the six months ended 30 September 2010

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2010	30 September 2009
Cash Flows From Operating Activities			
Cash receipts from customers		80,847	70,390
Cash paid to suppliers and employees		(45,866)	(39,043)
Cash generated from operations		34,981	31,347
Interest paid		(278)	(239)
Interest received		89	35
Income tax paid		(3,227)	(2,339)
Net cash from operating activities	10	31,565	28,804
Cash Flows From Investing Activities			
Proceeds from sale of rental assets		408	600
Acquisition of property, plant and equipment		(922)	(859)
Acquisition of rental assets		(30,472)	(27,408)
Net cash used in Investing Activities		(30,986)	(27,667)
Cash Flows From Financing Activities			
Proceeds from borrowings		2,000	855
Dividends paid		(4,866)	(3,743)
Net cash used in Financing Activities		(2,866)	(2,888)
Net increase /(decrease) in cash and cash equivalents		(2,287)	(1,751)
Cash and cash equivalents at 1 April		5,747	2,567
Cash And Cash Equivalents At 30 September		3,460	816

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 8 to 11.

1. Reporting entity

Thorn Group Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 September 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group for the year ended 31 March 2010 are available upon request from the Company's registered office at: Level 1 47 Rickard Road Bankstown NSW 2200, or on the Company's website: www.thorn.com.au.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 March 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 November 2010.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 March 2010.

4. Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 March 2010.

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2010

5. Operating segments

The Group operates predominately in one industry, being the rental and sale of browngoods, whitegoods, PC's and furniture products, and operates in one geographic segment, Australia. All revenues are generated externally.

6. Subsequent events

On 23 November 2010, the Directors declared a fully franked dividend of 3.54 cents per share. The dividend will be paid on 20 January 2011. The dividend has not been provided for in the 30 September 2010 condensed consolidated interim financial statements.

7. Dividends

	Six months ended 30 September 2010		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	3.76 cents	4,866	22 Jul 2010
Unrecognised Amounts			
Interim Dividend	3.54 cents	4,580	20 Jan 2011
	Six months ended 30 September 2009		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	2.91 cents	3,743	23 Jul 2009
Unrecognised Amounts			
Interim Dividend	2.56 cents	3,295	14 Jan 2010

All of the above dividend payments were franked to 100% at the 30% corporate income tax rate.

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2010

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2010 was based on profit attributable to ordinary shareholders of \$11,047,000 (2010: \$10,790,000) and a weighted average number of ordinary shares of 129,445,000 (2010: 128,726,203).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2010 was based on profit attributable to ordinary shareholders of \$11,047,000 (2010: \$10,790,000) and a weighted average number of ordinary shares of 130,737,000 (2010: 129,460,000), which includes performance rights granted.

	30 September 2010	30 September 2009
Basic earnings per share		
<i>In cents</i>		
From continuing operations	8.53	8.38
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	8.45	8.33

9. Income Tax Expense

Recognised in the Statement of Comprehensive Income

In thousands of AUD

Current tax expense

Current year

Adjustment for prior years

Deferred tax expense

Origination and reversal of temporary differences

Total income tax expense in statement of comprehensive income

	30 September 2010	30 September 2009
Current year	3,907	809
Adjustment for prior years	104	51
Origination and reversal of temporary differences	859	(196)
Total income tax expense in statement of comprehensive income	4,870	664

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

Profit before tax

Prima facie income tax using the domestic corporation tax rate of 30% (2010: 30%)

Change in income tax expense due to:

Investment allowance

Sundry items

Under / (Over) provided in prior years

Income tax expense on pre-tax accounting profit

	30 September 2010	30 September 2009
Profit before tax	15,917	11,454
Prima facie income tax using the domestic corporation tax rate of 30% (2010: 30%)	4,775	3,436
Change in income tax expense due to:		
Investment allowance	-	(2,843)
Sundry items	(9)	20
Under / (Over) provided in prior years	104	51
Income tax expense on pre-tax accounting profit	4,870	664

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2010

10. Reconciliation of Cash Flows from Operating Activities

In thousands of AUD

	30 September 2010	30 September 2009
Cash flows from operating activities		
Profit for the period	11,047	10,790
<i>Adjustments for:</i>		
Depreciation	11,292	10,767
Equity settled transactions	331	36
Disposal of rental assets	13,374	14,780
Operating profit before changes in working capital and provisions	36,044	36,373
(Increase) / Decrease in inventory	(339)	(595)
(Increase) / Decrease in trade and other receivables	(6,997)	(8,253)
(Increase) / Decrease in deferred tax assets	859	(195)
Increase / (Decrease) in income tax liability	784	(1,479)
Increase / (Decrease) in trade and other payables	752	2,579
Increase / (Decrease) in provisions and employee benefits	462	374
Net cash from operating activities	31,565	28,804

In the opinion of the directors of Thorn Group Limited (the 'Company'):

1. the financial statements and notes set out on pages 4 to 11, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 30 September 2010 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by section 295 of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the interim period ended 30 September 2010.

Signed in accordance with a resolution of the directors



Bernard Carrasco
Chairman

Dated at Sydney, this 23rd day of November 2010



Independent auditor's review report to the members of Thorn Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Thorn Group Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Thorn Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Thorn Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

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Greg Boydell
Partner

Dated at Sydney, this 23rd day of November 2010