

Thorn Group Limited
and its Controlled Entities
ACN 072 507 147

Condensed consolidated interim financial report
30 September 2012

The directors present their report together with the condensed consolidated interim financial report for the six months ended 30 September 2012 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 David Carter (Chairperson)	Director since 3 November 2006
Mr Paul Lahiff	Director since 21 May 2007
Mr Peter Henley	Director since 21 May 2007
Ms Joycelyn Morton	Director since 1 October 2011
Executive	
Mr John Hughes (Managing Director and CEO)	Director since 3 November 2006

Review of Operations

Revenues for the period grew from \$96.5m to \$100.5m, a 4.1% improvement on the previous corresponding period ("PCP").

Profit before tax was steady at \$20.3m. Net profit after tax reduced to \$14.0m, down 2.1% from \$14.3m in the PCP.

Net cash from operating activities increased from \$34.8m to \$48.8m due to the growth in units on rent and the associated payments from customers, a decrease in tax paid and interest paid.

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 2012.

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 20th day of November 2012.

Signed in accordance with a resolution of the directors:



David Carter
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 interim period ended 30 September 2012 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

Greg Boydell
Partner

Sydney

20 November 2012

Thorn Group Limited

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2012

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2012	30 September 2011
Revenue		100,460	96,523
Employee benefit expense		(20,816)	(21,303)
Depreciation & amortisation expense		(15,676)	(13,938)
Finance lease cost of sales		(13,416)	(13,066)
Marketing expenses		(6,407)	(5,486)
Impairment losses on loans and receivables		(4,896)	(4,375)
Property expenses		(4,409)	(4,069)
Transport expenses		(3,120)	(3,101)
Communication & IT expenses		(1,789)	(1,686)
Travel expenses		(766)	(681)
Finance expenses		(553)	(1,135)
Other expenses		(8,317)	(7,361)
Profit before income tax		20,295	20,322
Income tax expense		(6,288)	(6,015)
Profit for the period		14,007	14,307
Other comprehensive income		-	-
Total comprehensive income		14,007	14,307
Basic earnings per share (cents)	9	9.57	10.08
Diluted earnings per share (cents)	9	9.55	9.77

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 2012

In thousands of AUD

	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2011	64,517	28,179	2,307	95,003
Total comprehensive income				
Net profit for the period	-	14,307	-	14,307
Other comprehensive income	-	-	-	-
Issue of ordinary shares	29,381	-	-	29,381
Share based payments transactions	-	-	125	125
Dividends to shareholders	-	(6,428)	-	(6,428)
Balance at 30 September 2011	93,898	36,058	2,432	132,388
Balance at 1 April 2012	93,898	43,756	2,557	140,211
Total comprehensive income				
Net profit for the period	-	14,007	-	14,007
Other comprehensive income	-	-	-	-
Issue of ordinary shares	-	-	-	-
Share based payments transactions	-	-	47	47
Dividends to shareholders	-	(8,051)	-	(8,051)
Balance at 30 September 2012	93,898	49,712	2,604	146,214

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
For the six months ended 30 September 2012

<i>In thousands of AUD</i>	Note	30 September 2012	31 March 2012
Assets			
Cash and cash equivalents		2,192	5,870
Trade and other receivables		52,900	45,540
Total current assets		55,092	51,410
Trade and other receivables		57,964	44,759
Deferred tax assets		3,154	5,525
Property, plant and equipment		5,815	5,132
Rental assets		52,696	48,478
Intangible assets		29,048	29,985
Total non-current assets		148,677	133,879
Total assets		203,769	185,289
Liabilities			
Trade and other payables		28,787	23,415
Employee benefits		4,870	4,790
Income tax payable		219	1,260
Provisions		86	133
Total current liabilities		33,962	29,598
Loans and borrowings	7	22,000	14,000
Employee benefits		344	339
Provisions		1,249	1,141
Total non-current liabilities		23,593	15,480
Total liabilities		57,555	45,078
Net assets		146,214	140,211
Equity			
Issued capital		93,898	93,898
Reserves		2,604	2,557
Retained earnings		49,712	43,756
Total equity		146,214	140,211

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 2012

<i>In thousands of AUD</i>	30 September 2012	30 September 2011
Cash Flows From Operating Activities		
Cash receipts from customers	113,344	102,378
Cash paid to suppliers and employees	(59,179)	(58,552)
Cash generated from operations	54,165	43,826
Interest paid	(553)	(1,135)
Interest received	103	202
Income tax paid	(4,961)	(8,070)
Net cash from operating activities	48,754	34,823
Cash Flows From Investing Activities		
Proceeds from sale of rental assets	504	540
Acquisition of rental assets	(32,745)	(29,258)
Equipment finance settlements	(18,548)	(3,712)
Acquisition of property, plant and equipment	(1,592)	(1,335)
Net cash used in investing activities	(52,381)	(33,765)
Cash Flows From Financing Activities		
Proceeds/(repayment) of borrowings	8,000	(25,000)
Proceeds from capital raising	-	29,381
Dividends paid	(8,051)	(6,428)
Net cash used in financing activities	(51)	(2,047)
Net decrease in cash and cash equivalents	(3,678)	(989)
Cash and cash equivalents at 1 April	5,870	9,038
Cash and cash equivalents at 30 September	2,192	8,049

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.

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2012

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 2012 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 2012 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 AASB 134 *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 2012.

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 November 2012.

3. Significant accounting policies

The financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to the disclosure of the consolidated statement of cash flows.

The new accounting policy, adopted on 30 September 2012 and has been applied retrospectively, discloses contract settlements relating to the Thorn Equipment Finance business under cash flows from investing activities. The previous accounting policy discloses the contract settlements under cash flows from operating activities. Management judges that the change in policy will result in the financial report providing more relevant and no less reliable information.

The change has resulted in additional cash outflows from investing activities being reflected for contact settlements of \$18.5 million for the half year to 30 September 2012 (September 2011: \$3.7 million). Net cash outflow from operating activities for the equivalent periods also reflected the corresponding reduction.

Except for this change, 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 2012.

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 2012.

Thorn Group Limited
Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2012

5. Operating segments

The Board and CEO (the chief operating decision maker) monitor the operating results of two reportable segments, which are the Rental division and the Credit Management division, for the purpose of making decisions about resource allocation and performance assessment.

The Rental division involves the rental and sale of browngoods, whitegoods, PCs and furniture products.

The Credit Management division provides receivable management, debt recovery, credit information services, debt purchasing and other financial services.

Other operations comprises of Thorn Equipment Finance and Cashfirst businesses along with corporate overheads. Thorn Equipment Finance provides equipment financing for small and medium enterprises and Cashfirst involves the servicing of personal loans. These segments do not meet the quantitative thresholds for determining reportable segments in the current or prior period.

Segment performance is evaluated based on operating profit or loss. Interest and income tax expense are not allocated to operating segments, as this type of activity is managed on a group basis.

Information about reportable segments

For the six months ended 30 September

	Rental		Credit Management		Other		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
<i>In thousands of AUD</i>								
Segment revenue	85,002	80,250	9,048	12,111	6,305	3,975	100,355	96,336
Earnings Before interest, tax, depreciation and amortisation	24,611	22,655	1,592	3,335	982	478	27,185	26,468
Depreciation and amortisation	(661)	(519)	(221)	(430)	(31)	(15)	(913)	(964)
Earnings Before interest and tax	23,950	22,136	1,371	2,905	951	463	26,272	25,504

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2012

5. Operating segments (continued)

Reconciliation of reportable segment profit or loss

In thousands of AUD

	2012	2011
Profit before interest and tax for reportable segments	25,321	25,041
Profit/(loss) before depreciation, amortisation, interest and tax for other operating segments	951	463
	26,272	25,504
Unallocated amounts:		
Other corporate expenses	(5,527)	(4,249)
Net financing costs	(450)	(933)
Profit before tax	20,295	20,322

Reconciliation of reportable revenue

In thousands of AUD

	2012	2011
Revenue for reportable segment	100,355	96,336
Finance Income	105	187
Revenue	100,460	96,523

6. Subsequent events

On 20 November 2012, the Directors declared a fully franked dividend of 4.5 cents per share. The dividend will be paid on 17 January 2013. The dividend has not been provided for in the 30 September 2012 condensed consolidated interim financial statements.

7. Loans and borrowings

In thousands of AUD

	30 September 2012	31 March 2012
Bank facility available	30,000	30,000
	30,000	30,000
Bank facility utilised at balance date	22,000	14,000
	22,000	14,000
Bank facility not utilised at reporting date	8,000	16,000
	8,000	16,000

Thorn Australia Pty Limited has a loan provided by the Westpac Banking Corporation. The loan is denominated in Australian dollars. The loan is due to expire in March 2014. Security is provided to Westpac Banking Corporation by way of a fixed and floating charge over the assets of the consolidated entity.

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2012

8. Capital and Reserves

Dividends

	Six months ended 30 September 2012		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	5.50 cents	8,051	22 Jul 2012
Unrecognised Amounts			
Interim Dividend	4.50 cents	6,587	17 Jan 2013
	Six months ended 30 September 2011		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	4.95 cents	6,428	22 Jul 2011
Unrecognised Amounts			
Interim Dividend	4.00 cents	5,844	20 Jan 2012

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

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2012 was based on profit attributable to ordinary shareholders of \$14,007,000 (2011: \$14,307,000) and a weighted average number of ordinary shares of 146,375,000 (2011: 141,974,000).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2012 was based on profit attributable to ordinary shareholders of \$14,007,000 (2011: \$14,307,000) and a weighted average number of ordinary shares of 146,606,000 (2011: 146,606,000), which includes performance rights granted.

	30 September 2012	30 September 2011
Basic earnings per share		
<i>In cents</i>		
From continuing operations	9.57	10.08
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	9.55	9.77

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 2012 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; and
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 2012.

Signed in accordance with a resolution of the directors



David Carter
Chairman

Dated at Sydney, this 20th day of November 2012



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

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 2012, 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 9 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 of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 2012 and its performance for the interim 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 2012 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

KPMG

Greg Boydell
Partner

Sydney

20 November 2012