Thorn Group Limited

ABN 54 072 507 147

2017 HALF YEAR
RESULTS FOR ANNOUNCEMENT TO THE MARKET

This half year information is the information required under ASX Listing Rule 4.2A and should be read in conjunction with the most recent financial report of Thorn Group Limited

Contents

Appendix 4D Half Year Report under ASX Listing Rule 4.2A.3

Current period: 1 April 2016 to 30 September 2016
Previous corresponding period: 1 April 2015 to 30 September 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Six months ended	30 Sep 2016 $'000s	30 Sep 2015 $'000s	% Change
Revenue from ordinary activities	156,829	152,606	Up 2.8%
Reported net profit after tax	15,174	15,385	Down 1.4%

Additional commentary on the results for the period and other Appendix 4D disclosure requirements can be found in the condensed consolidated financial statements for the six months ended 30 September 2016.

This information should be read in conjunction with the 2016 Annual Financial Report of Thorn Group Limited.

DIVIDENDS	Amount per ordinary share	Franked amount per ordinary share
2016 final dividend paid 18 July 2016	6.00 cents	6.00 cents
2017 interim dividend (resolved, not yet provided at 30 September 2016)	5.50 cents	5.50 cents

The record date for the 2017 interim dividend will be 5 January 2017. The payment date for the 2017 interim dividend will be 20 January 2017. The company's dividend reinvestment plan will operate in respect of the 2017 interim dividend and a discount of 5.0% will apply.

NET TANGIBLE ASSETS	30 Sept 2016	30 Sept 2015
Net tangible assets per ordinary share	117 cents	109 cents

Entities over which control has been gained or lost over entities during the period

The receivables management division was sold during the period which including the following entities:

- Votraint Pty Ltd
- National Credit Management Limited
- A.C.N 119211317 Pty Ltd
- Hudson Legal Pty Ltd


Condensed Consolidated Financial Statements

the six months ended 30 September 2016

ABN 54 072 507 147


CONTENTS

The Directors present their report together with the financial statements of Thorn Group Limited (the 'Company') and its controlled entities (the 'Group') for the six months ended 30 September 2016 and the auditor's review report thereon.

DIRECTORS

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

Non-Executive

Ms Joycelyn Morton (Chair)

Mr David Foster

Mr Stephen Kulmar

Mr Andrew Stevens

Ms Belinda Gibson (Appointed 1 July 2016)

Mr Peter Henley (Retired 23 August 2016)

Executive

Mr James Marshall (Managing Director and CEO)

OPERATING AND FINANCIAL REVIEW

Thorn is a diversified financial services group providing financial solutions to consumers and businesses. Activities are predominantly the leasing of household products to consumers and the provision of leasing, invoice discounting, and other financial services to small and medium enterprises.

The Group sold its NCML receivables management business during the period and accordingly that division has been treated as a discontinued business in the financial statements where it is presented as a one line entry above profit after tax. As announced in March 2016, Thorn's consumer finance business closed its direct to market channel and the book is in run off.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

Financial performance

Revenue from continuing operations increased 2.8% on the previous corresponding period from $152.6m to $156.8m.

Profit after tax from continuing operations (excluding both the operational profit and loss on sale of NCML) increased 6.1% from $14.4m to $15.3m. Profit after tax including the sold NCML fell by 1.4% from $15.4m to $15.2m.

$m	Segment revenue		Segment EBIT to PAT	
Half year ended 30 September	**2016**	**2015**	**2016**	**2015**
Consumer Leasing	134.0	131.0	25.0	25.1
Equipment Finance	11.4	7.5	6.6	4.5
Trade & Debtor Finance	5.8	7.3	2.0	2.8
Consumer Finance	5.6	6.8	2.5	0.4
Corporate	-	-	(10.3)	(8.9)
Sub-total	**156.8**	**152.6**	**25.8**	**23.9**
Net interest expense			(4.0)	(2.8)
Profit before tax			21.8	21.1
Tax expense			(6.5)	(6.7)
Profit after tax from continuing operations			**15.3**	**14.4**
(Loss)/Profit from NCML Receivables Management discontinued business after tax			(0.1)	1.0
Profit after tax			**15.2**	**15.4**

Consumer Leasing
Revenue for the Consumer Leasing segment increased 2.3% to $134.0m. The composition of revenue has continued to migrate towards finance leases (longer term leases out to 48 months) which now represent almost all contracts written in the period.

EBIT as reported is similar to the prior corresponding period at $25.0m but has actually dropped approximately 10% on an underlying basis as the prior period included a $2.8m charge for the refund of historic customer credits. Pressures on margin have resulted from higher marketing and selling costs, product cost increases and mix changes, along with the early adoption of proposed restrictions on consumer leases. Thorn is taking a market leading position to adopt prices within the Federal Government's proposed price caps and is working to further enhance responsible lending practises.

Equipment Finance
Thorn Equipment Finance revenue increased 52.5% from $7.5m to $11.4m driven by an increase in receivables from $104.2m in the prior comparative period to $182.1m, an increase of 74.8%. Originations for the period were $78.2m compared to $38.7m in the prior comparative period. Impairment losses have increased in line with the increase in book and are steady as a percentage.

Equipment finance EBIT increased 48.3% from $4.5m to $6.6m.

Trade & Debtor Finance
Thorn Trade & Debtor Finance revenue decreased 20% from $7.3m to $5.8m. The business has been conducting a transition to reposition the loan book, systems, operating structure and capability to position TDF to grow its market share of higher quality borrowers. Several customers from the originally acquired debtor and loan book have been collected and not renewed. These have been offset by growth in other customers causing invoice purchases to remain relatively flat between periods, albeit at lower margins.

Trade & Debtor Finance EBIT decreased 28.2% from $2.8m to $2.0m.

Consumer Finance
The decision was taken at the last full year end to close the consumer finance direct to market channel due to high customer acquisition costs and the low returns on capital. Since then the book has been in run off without incurring any marketing costs. Revenue decreased 19% from $6.8m to $5.5m while EBIT increased from $0.4m to $2.5m.

The net receivables book was $33.6m at 31 March 2016 and has run down to $27.6m.

Corporate
Corporate expenses increased from $8.9m to $10.3m reflecting Thorn's investment in leadership as well as legal, risk and compliance capability with the appointment of a Chief Risk Officer, General Counsel and the appointment of a Chief Operating Officer. Thorn has incurred additional legal and consulting costs from the development of a new serviceability model for Radio Rentals and continuing regulatory projects.

Receivables Management
NCML was sold on 13 September 2016. Under the accounting standards NCML has been treated as a discontinued business. Accordingly its results for the year to date and the loss on sale have been presented in the profit and loss account as a one line entry before profit after tax. That one line includes both the $0.9m EBIT earned in the period up to sale along with the loss on sale of $1.0m before tax. This loss included the costs associated with the sale.

Interest expense
Net borrowing costs increased by 39.9% from $2.8m to $4.0m as borrowings increased from $169.4m in the prior comparative period to $231.7m. The increase in borrowings has been predominantly to fund the growth of the Equipment Finance division.

Earnings per share
Earnings per share of continuing operations for the period were 9.83 cents (2015: 9.47 cents). Earnings per share including discontinued operations were 9.77 cents (2015: 10.12 cents). An interim dividend has been declared of 5.5 cents per share (2015: 5.5 cents).

Financial position

The balance sheet is presented below in two versions; first excluding the securitised warehouse for the equipment finance receivables along with the associated receivables (which are non- recourse funding for the warehouse), and second including the securitised warehouse which is as per the statutory accounts format. The Company's lenders view their covenants through the first view, i.e. excluding Trust.

Summarised financial position	30 September 2016		31 March 2016	
$m	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at Bank	14.6	14.6	14.0	14.0
Receivables	283.0	424.9	277.2	379.5
Investment in unrated notes	27.6	-	20.4	-
Rental and other assets	35.1	35.1	26.9	26.9
Intangible assets	24.7	24.7	25.5	25.5
Total Assets	**385.0**	**499.3**	**364.0**	**445.9**
Borrowings	117.4	231.7	116.0	197.9
Other liabilities	61.7	61.7	50.5	50.5
Total Liabilities	**179.1**	**293.4**	**166.5**	**248.4**
Total Equity	**205.9**	**205.9**	**197.5**	**197.5**
Gearing (net debt/equity) (i)	52.4%	107.9%	53.2%	95.1%
Operating cash flow (ii)		78.4		66.4
EPS (ii)		9.8		10.1
Return on Equity (ii) (iii)		15.0%		15.9%

(i) Gearing is calculated as net debt less free cash divided by closing equity

(ii) Comparative presented in the 31 March 2016 column for these 3 P&L items is actually for the period to 30 September 2015

(iii) ROE is calculated as PAT divided by average of opening and closing equity and annualised

Receivables

Net receivables increased from $379.5m at 31 March 2016 to $424.9m at 30 September 2016. This $45.4m increase was primarily due to $27.3m of additional finance lease receivables within Consumer Leasing and $50.2m in Equipment Finance offset by the sale of the NCML purchased debt ledgers of $19.5m.

Borrowings and gearing

Total borrowings have increased from $197.9m at the prior year end to $231.7m. This increase has been driven predominantly by the continued growth in Thorn Equipment Finance lease receivables.

Net gearing has remained steady from 53.2% in the prior year end to 52.4% both excluding the impact of the securitised debt. Senior non-securitised corporate debt remained steady from $116.0m in the prior year end to $117.4m.

The consolidated entity continues to meet all debt covenants and can pay its debts as and when they become due.

Funding

The group has the following debt facilities:

$m	30 September 2016	31 March 2016
Secured Loan Facilities A and B	110.0	110.0
Secured Loan Facility C	30.0	30.0
Securitised Warehouse Facility	130.0	100.0
Total loan facilities	**270.0**	**240.0**

The $110m and $30m senior facilities are secured by a fixed and floating charge over the assets of the consolidated entity. The warehouse facility is secured by rentals and payments receivable from the underlying lease receivable contracts within Thorn Equipment Finance. Maturity dates are 28 November 2017 for Facilities A & B, 22 January 2017 for Facility C, and 16 December

2017 for the Warehouse. The Company is in discussions with its lender to roll facility C into facility A and so extend its maturity. On maturity, facilities A, B and C are immediately repayable while the Warehouse ceases to fund receivables and runs off.

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 Consumer Finance where bad debt provisioning increased as a percentage of the loan receivables due to the ongoing run off of the book.

Regulatory risk in relation to changes of law or regulations or regulatory oversight that impact the operations or results of the group's activities has a heightened significance given the recent Treasury Inquiry into the consumer leasing industry and ASICs investigation into Radio Rentals (see the Contingent Liability note for further detail).

Liquidity risk is managed through the adequate provision of funding and effective capital management policies. Thorn has engaged a specialist in this field to assist Thorn in seeking further and better facilities to meet its needs and will look to diversify its funding sources to further mitigate this risk.

Operational risk including compliance has been elevated during the year with the development of a new serviceability model and processes relating to credit assessment and acceptance. Operational risk also covers the implementation of technology in the credit and operational processes.

Consumer preference risk is the risk the Group fails to deliver products and services that appeal to customers. The Group addresses this risk through regular customer feedback and survey, review of competitor services and products, interaction with suppliers and new product review and testing.

The Group is also subject to currency risk related to the direct acquisition of rental assets from overseas suppliers.

CONTINGENT LIABILITY

ASIC's investigation into Thorn's compliance with its responsible lending obligations with respect to consumer leases is ongoing. Thorn anticipates that a financial penalty will be sought but the amount of any such penalty is unknown and accordingly no provision has been taken up in these financial statements. Thorn is engaging in good faith to resolve all these issues with ASIC.

REGULATORY MATTERS

Last year, Thorn advised the discovery of credit balances on closed customer accounts in its consumer leasing division. Thorn has sought to contact former customers and repay these credit balances with interest. This balance has been significantly refunded but Thorn is continuing its attempts to contact those remaining customers.

Thorn also carries credits on current customer contracts arising from over payments made ahead of contractual obligations. Thorn has begun contacting customers to offer repayment of these credit balances along with interest. These over payments amount to $8.2m plus interest of $0.3m (as the time the credit is held is usually short). As these credit amounts have always been held on balance sheet as liabilities, the profit and loss impact is limited to the interest component and the cost of effecting the repayments.

Thorn is also preparing to contact certain customers between January 2012 and May 2015 who may not have met minimum income thresholds for their contracts. Thorn had not updated its financial assessment models adequately during that period which may have affected some customers. Thorn has set aside $3.1m as a provision to compensate these customers.

OUTLOOK

The implementation of Thorn's business plan is proceeding with the sale of NCML and gradual book run off of the consumer finance book releasing funds for reinvestment into the core businesses which generate improved rates of return on capital and have positive growth prospects.

Consumer leasing is expected to strengthen its market position with added investment into an expanded and revitalised store network, taking a market leading position in product affordability and adopting new consumer protection safeguards. These initiatives constrain margins in the short term, however the business will look to lift productivity with the introduction of new technology and operating platforms to drive profit growth. The business has expended considerable effort and expense in responding to regulatory concerns and aims to have the matters before ASIC resolved in the near future.

Thorn Equipment Finance is expected to sustain its strong growth momentum with the growing receivables book underpinning future earnings. Thorn Trade & Debtor Finance is repositioning its business to have the brand, capability and systems platform in place to grow market share as the market undergoes a period of consolidation. Corporate costs are expected to remain somewhat elevated for the next period due to the cost of addressing regulatory matters.

SUBSEQUENT EVENTS

On 15th November 2016, the Directors declared a fully franked dividend of 5.5 cents per share. This interim dividend will be paid on 20 January 2017. This dividend has not been recognised as a liability in the 30 September 2016 financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by section 307C of the Corporations Act 2001 is included on page 8.

ROUNDING

The company is a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements and directors' report. Amounts therefore have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar in the financial statements and directors' report.

Dated at Sydney this 15th day of November 2016.

Signed in accordance with a resolution of the directors.

Joycelyn Morton
Chair

James Marshall
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 2016 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

Anthony Travers

Partner

Sydney

15 November 2016

CONDENSED CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

$'000 AUD	Notes	30 September 2016	30 September 2015*
Continuing operations			
Revenue		**156,829**	**152,606**
Finance lease cost of sales		(47,654)	(42,285)
Employee benefit expense		(29,896)	(26,206)
Impairment losses on loans and receivables		(14,679)	(17,584)
Marketing expenses		(8,779)	(8,608)
Property expenses		(5,046)	(4,877)
Transport expenses		(2,899)	(3,030)
Communication & IT expenses		(3,188)	(2,624)
Travel expenses		(1,148)	(876)
Other expenses		(9,481)	(9,134)
Depreciation & amortisation		(8,257)	(13,489)
Total operating expenses		**(131,027)**	**(128,713)**
Earnings before Interest and Tax ("EBIT")		25,802	23,893
Finance expenses		(3,985)	(2,849)
Profit before income tax		21,817	21,044
Income tax		(6,546)	(6,656)
Profit after tax from continuing operations		**15,271**	**14,388**
Discontinued operation			
(Loss)/Profit from discontinued operation, net of tax	12	(97)	997
Profit after tax		**15,174**	**15,385**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Movement in fair value of cash flow hedges		(312)	64
Total comprehensive income		**14,862**	**15,449**
Earnings per share– continuing operations			
Basic earnings per share (cents)	10	9.83	9.47
Diluted earnings per share (cents)	10	9.83	9.47
Earnings per share			
Basic earnings per share (cents)	10	9.77	10.12
Diluted earnings per share (cents)	10	9.77	10.12

Condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

** Restated to redirect the results the discontinued business, NCML, into one line above Profit after tax. For details see note 12.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2015	103,446	2,989	83,053	189,488
Net profit for the period	-	-	15,385	15,385
Other comprehensive income	-	64	-	64
Issue of shares under dividend reinvestment plan	3,543	-	-	3,543
Share based payments transactions	-	108	-	108
Dividends to shareholders	-	-	(10,215)	(10,215)
Balance at 30 September 2015	**106,989**	**3,161**	**88,223**	**198,373**

$'000 AUD	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2016	109,854	3,188	84,491	197,533
Net profit for the period	-	-	15,174	15,174
Other comprehensive income	-	(312)	-	(312)
Issue of share under dividend reinvestment plan	2,611	-	-	2,611
Share based payments transactions	-	180	-	180
Dividends to shareholders	-	-	(9,268)	(9,268)
Balance at 30 September 2016	**112,465**	**3,056**	**90,397**	**205,918**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

$'000 AUD	Note	30 September 2016	31 March 2016
Assets			
Cash and cash equivalents		14,554	14,049
Trade and other receivables		155,791	147,914
Income tax receivable		12,403	5,363
Total current assets		**182,748**	**167,326**
Trade and other receivables		269,080	231,562
Property, plant and equipment		3,123	3,244
Rental assets		19,655	18,238
Intangible assets		24,664	25,524
Total non-current assets		**316,522**	**278,568**
Total assets		**499,270**	**445,894**
Liabilities			
Trade payables		25,374	18,544
Other payables		20,976	22,941
Loans and borrowings	8	66,506	39,091
Employee benefits		5,693	5,584
Provisions		1,013	990
Total current liabilities		**119,562**	**87,150**
Loans and borrowings	8	165,235	158,782
Deferred tax liabilities		7,626	1,344
Employee benefits		276	375
Provisions		653	710
Total non-current liabilities		**173,790**	**161,211**
Total liabilities		**293,352**	**248,361**
Net assets		**205,918**	**197,533**
Equity			
Issued capital		112,465	109,854
Reserves		3,056	3,188
Retained earnings		90,397	84,491
Total equity		**205,918**	**197,533**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2016

$'000 AUD	Note	30 September 2016	30 September 2015
Cash flows from operating activities			
Cash receipts from customers		314,682	340,744
Cash paid to suppliers and employees		(224,492)	(263,276)
Cash generated from operations		**90,190**	**77,468**
Net borrowing costs		(3,985)	(2,849)
Income tax paid		(7,780)	(8,229)
Net cash from operating activities		**78,425**	**66,390**
Cash flows from investing activities			
Proceeds from sale of assets		76	581
Acquisition of rental assets		(52,880)	(47,940)
Equipment finance originations		(72,724)	(38,676)
Acquisition of property, plant and equipment and software		(789)	(1,008)
Net cash received on sale of subsidiary	12	21,185	-
Net cash used in investing activities		**(105,132)**	**(87,043)**
Cash flows from financing activities			
Proceeds from borrowings		89,008	50,884
Repayment of borrowings		(55,139)	(25,452)
Net Dividends paid		(6,657)	(6,672)
Net cash from financing activities		**27,212**	**18,760**
Net increase (decrease) in cash and cash equivalents		505	(1,893)
Cash and cash equivalents at April 1		14,049	13,856
Cash and cash equivalents at 30 September		**14,554**	**11,963**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group for the year ended 31 March 2016 are available upon request from the Company's registered office at Level 1, 62 Hume Highway, Chullora NSW 2190, 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 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 November 2016.

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 2016.

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 2016.

5. OPERATING SEGMENTS

The Board and CEO (the chief operating decision maker) monitor the operating results of four reportable segments which are the Consumer Leasing division which leases household products, the Equipment Finance division which provides financial products to small and medium enterprises including equipment leasing, the Trade and Debtor Finance division which provides trade finance and invoice discounting, and the Consumer Finance division which provides personal loans.

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.

The Consumer Finance division is now in run off and no longer actively marketing product.

The NCML, Receivables Management division was sold to a third party on 13th September 2016. That division has been treated as a discontinued operation and is not included in the reportable segments note.

Information about reportable segments

for the six months ended 30th September 2016

30 September 2016 $'000 AUD	Consumer Leasing	Equipment Finance	Trade & Debtor Finance	Consumer Finance	Corporate	Consolidated
Segment revenue	134,025	11,437	5,823	5,544	-	156,829
Operating expenses	(101,933)	(4,801)	(3,727)	(3,010)	(9,299)	(122,770)
EBITDA	**32,092**	**6,636**	**2,096**	**2,534**	**(9,299)**	**34,059**
Depreciation, amortisation and impairment	(7,106)	(85)	(58)	(20)	(988)	(8,257)
EBIT	**24,986**	**6,551**	**2,038**	**2,514**	**(10,287)**	**25,802**
Finance expense	-	-	-	-	(3,985)	(3,985)
Profit before tax	**24,986**	**6,551**	**2,038**	**2,514**	**(14,272)**	**21,817**

30 September 2015 $'000 AUD	Consumer Leasing	Equipment Finance	Trade & Debtor Finance	Consumer Finance	Corporate	Consolidated
Segment revenue	130,983	7,499	7,278	6,846	-	152,606
Operating expenses	(94,625)	(2,851)	(4,349)	(6,321)	(7,078)	(115,224)
EBITDA	**36,358**	**4,648**	**2,929**	**525**	**(7,078)**	**37,382**
Depreciation, amortisation and impairment	(11,286)	(231)	(91)	(95)	(1,786)	(13,489)
EBIT	**25,072**	**4,417**	**2,838**	**430**	**(8,864)**	**23,893**
Finance expense	-	-	-	-	(2,849)	(2,849)
Profit before tax	**25,072**	**4,417**	**2,838**	**430**	**(11,713)**	**21,044**

6. SUBSEQUENT EVENTS

On 15 November 2016, the Directors declared a fully franked dividend of 5.5 cents per share. The dividend will be paid on 20 January 2017. The dividend has not been provided for in the 30 September 2016 condensed consolidated interim financial statements.

7. FINANCIAL INSTRUMENTS

Financial instruments carried at fair value require disclosure of the valuation method according to the following hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The consolidated entity's only financial instruments that are measured and recognised at fair value are purchased debt ledgers (PDLs) in the NCML Receivables Management division (sold during the period). They are classified as Level 3.

The fair value of the PDLs as at the reporting date is:

$'000 AUD	30 September 2016	31 March 2016
Current	-	7,184
Non-current	-	12,362
Total	**-**	**19,546**

The following summarises the assumptions used in these calculations:

Input	Assumption and/or basis for assumption
Term which collections will be yielded	Maximum 72 months from start date of PDL acquisition
Effective interest rate	Based on the effective interest rate for each PDL recognised at the time of acquisition
Forecast collections	Forecasts are based on each PDLs collections to date, the performance of equivalent PDLs and allowances for other known factors

8. LOANS AND BORROWINGS

$'000 AUD	30 September 2016	31 March 2016
Current liabilities		
Secured loans	66,506	39,091
Non- Current liabilities		
Secured loans	165,235	158,782
	231,741	**197,873**

$'000 AUD	30 September 2016	31 March 2016
Secured loan facility (Maturity 28 November 2017)	110,000	110,000
Utilised	87,400	104,000
Available headroom	**22,600**	**6,000**
Secured loan facility (Maturity 22 January 2017)	30,000	30,000
Utilised	30,000	12,000
Available headroom	**-**	**18,000**
Securitised warehouse facility (Maturity 16 December 2017 with a roll over on 16 December 2016)	130,000	100,000
Utilised	114,341	81,873
Available headroom	**15,659**	**18,127**
Total loan facilities	270,000	240,000
Utilised	231,741	197,873
Secured loan facilities not utilised at reporting date	**38,259**	**42,127**

The Company has a multi option syndicated loan facility of $110,000,000 secured by a fixed and floating charge over the assets of the consolidated entity. As at 30th September 2016 this was drawn to $87,400,000. This facility matures on 28th November 2017.

The Company has a multi option syndicated loan facility of $30,000,000 secured by a fixed and floating charge over the assets of the consolidated entity. As at 30th September 2016 this was drawn to $30,000,000. This facility matures on 22nd January 2017. The company is presently in discussion with its lender to roll the $30,000,000 facility into the $110,000,000 facility with a concurrent maturity date of 28 November 2017.

Company has a securitised warehouse loan facility of $130,000,000 secured by the underlying finance lease contracts. The amounts due and payable on the warehouse loan facility in the next 12 months are disclosed as current. As at 30th September 2016 this facility was drawn to $114,340,879. This facility matures on the 16th December 2017 with an annual renewal on 16th December 2016. The lender is presently undertaking credit checks and no issues are anticipated.

9. CAPITAL AND RESERVES

Dividends

	Six months ended 30 September 2016		
	Cents per share	Total $'000s	Date paid / payable
Recognised Amounts			
Final Dividend	6.00 cents	9,268	18 July 2016
Unrecognised Amounts			
Interim Dividend	5.50 cents	8,611	20 January 2017

	Six months ended 30 September 2015		
	Cents per share	Total $'000s	Date paid / payable
Recognised Amounts			
Final Dividend	6.75 cents	10,215	16 July 2015
Unrecognised Amounts			
Interim Dividend	5.50 cents	8,406	21 January 2016

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

10. EARNINGS PER SHARE

Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The calculation of basic earnings per share for the six months ended 30 September 2016 was based on profit attributable to ordinary shareholders of $15,174,000 (2015: $15,385,000) and a weighted average number of ordinary shares of 155,323,000 (2015: 151,961,000).

Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

The calculation of basic earnings per share for the six months ended 30 September 2016 was based on profit attributable to ordinary shareholders of $15,174,000 (2015: $15,385,000) and a weighted average number of ordinary shares of 156,323,000 (2015: 151,961,000).

$'000 AUD	30 September 2016	30 September 2015
Earnings per share		
Profit attributable to ordinary shareholders (basic)		
Profit attributable to ordinary shareholders (basic and diluted) – continuing operations	15,271	14,388
Profit attributable to ordinary shareholders (basic and diluted)	15,174	15,385
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 April	154,467	151,338
Effect of shares issued	856	623
Weighted average number of ordinary shares for the period	155,323	151,961
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 April	154,467	151,338
Effect of shares issued	856	623
Weighted average number of ordinary shares for the period	155,323	151,961
Earnings per share - continuing operations		
Basic earnings per share (cents)	9.83	9.47
Diluted earnings per share (cents)	9.83	9.47
Earnings per share		
Basic earnings per share (cents)	9.77	10.12
Diluted earnings per share (cents)	9.77	10.12

11. CONTINGENT LIABILITY

ASIC's investigation into Thorn's compliance with its responsible lending obligations with respect to consumer leases is ongoing. Thorn anticipates that a financial penalty will be sought but the amount of any such penalty is unknown and accordingly no provision has been taken up in these financial statements. Thorn is engaging in good faith to resolve all these issues with ASIC.

12. DISCONTINUED OPERATION

Effective 13 September 2016, the NCML Receivables Management business was sold to a third party. The group received $21.6m cash on settlement. A further $1.0m is being held in escrow and has been recognised in other receivables.

An independent review of the working capital position of the business at date of settlement will be performed and the sale price subsequently adjusted.

A provisional loss on sale of $710,000 after tax has been recognised in 6 months ended 30 September 2016.

Result of discontinued operation

$'000 AUD	30 September 2016	30 September 2015
Revenue	7,080	8,239
Expenses	(6,205)	(6,815)
Results from operating activities	**875**	**1,424**
Income tax	(262)	(427)
Results from operating activities, net of tax	**613**	**997**
(Loss) on sale of discontinued operation	(1,014)	-
Income tax benefit on sale of discontinued operation	304	-
(Loss)/Profit from discontinued operations, net of tax	**(97)**	**997**

Cash flow from (used in) discontinued operation

$'000 AUD	30 September 2016	30 September 2015
Net cash used in operating activities	(2,383)	(231)
Net cash from investing activities	(19)	(60)
Net cash flows for the year	**(2,402)**	**(291)**

Effect of disposal on the financial position of the Group

$'000 AUD	30 September 2016
Cash and cash equivalents	(415)
Trade and other receivables	(23,685)
Deferred tax asset	(519)
Property, plant and equipment	(216)
Trade and other payables	1,341
Employee benefits	801
Provisions	60
Net assets and liabilities	**(22,633)**
Consideration received, satisfied in cash	21,600
Cash and cash equivalents disposed of	(415)
Net cash inflows	**21,185**

DIRECTORS' DECLARATION

For the six months ended 30 September 2016

In the opinion of the directors of Thorn Group Limited:

1. the financial statements and notes set out on pages 8 to 17 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 2016 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.

Signed in accordance with a resolution of the directors.

Joycelyn Morton
Chair

Dated at Sydney, this 15th day of November 2016.

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 2016, condensed consolidated statement of profit or loss and other 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 12 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 half-year'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 internal 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 2016 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 2016 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

Anthony Travers

Partner

Sydney

15 November 2016

ACN 072 507 147

ASX & MEDIA RELEASE 15 November 2016

THORN GROUP REPORTS IMPROVED REVENUE AND STABLE EARNINGS

HIGHLIGHTS:

- Growth in revenue and solid earnings underscores resilience in the business.
- The growth comes at a time when Thorn is emerging from a period of transition with the closure of underperforming businesses, improving responsible lending standards in consumer leasing, and repositioning its Trade and Debtor Finance business.
- Group EBIT for continuing operations increased 7.9% to $25.8m with revenue improving 2.8% to $156.8m.
- NPAT of $15.2m (pcp $15.4m).
- Thorn declares interim dividend of 5.5¢ a share, consistent with the previous year.
- Radio Rentals business reports record interim revenue although margins impacted by higher marketing and selling costs.
- Thorn Equipment Finance delivers another strong period of growth with revenue and EBIT hitting record highs.
- Thorn has commenced refunding credit balances on customer accounts and is working on remediation of customers who may have been impacted by financial assessment models being inadequately updated.
- Current account credit balance refunds total $8.2m plus interest of $0.3m. As current account credit balances are held as liabilities on the balance sheet, the profit and loss impact is limited to the interest component and the cost of effecting the repayments.

Thorn Group Limited (ASX: TGA, the "Company") reported an increase in revenue and profit for the first half of the financial year ended 30th September, 2016, as its core businesses grew over the period.

Group earnings before interest and tax (EBIT) for continuing operations increased by 7.9% to $25.8 million as revenue improved 2.8% to $156.8 million. Net profit after tax increased 6.3% to $15.3 million. Adding back discontinued operations results in NPAT dipping 1.3% to $15.2m.

More details on the performance of Thorn's business units are outlined in the section below.

REVIEW OF OPERATIONS

Radio Rentals:	Revenue for this division hit a record $134 million in the first half as sales grew 2.3% and as finance lease originations rose 12.9% to $65.9 million. The result bolsters the Company's belief that the customer value proposition from Radio Rentals remains as relevant today as it has ever been, even as EBIT eased 0.4% to $25 million. On an underlying basis, the drop in EBIT is approximately 10% as the previous corresponding period included a $2.8 million charge for the refund of closed account customer credits. The pressure on margins is largely the result of higher marketing and selling costs. The federal government has indicated its intention to introduce restrictions on consumer leases in the coming year, which is likely to include a cap on lease payments. Thorn has taken a market leading position to proactively adopt these

	recommendations as part of its commitment to best practices in customer care. Further, a significant IT project to streamline its customer "enquiry to contract" process and improve responsible lending requirements as well as customer's overall experience is close to implementation.
Thorn Equipment Finance:	The performance of the Equipment Financing division has been particularly pleasing. Revenue continued to grow strongly with first half revenue hitting a record of $11.4 million, which is 52.5% ahead of 1HFY16, while EBIT increased 48.3% to $6.6 million, which is also another record for the business. The division's focus on "core to business" equipment is paying off as originations more than doubled in the first half to $78.2 million and as receivables increased 74.8% to $182.1 million.
Trade & Debtor Finance:	The Trade & Debtor Finance business has completed a transition with management looking to reposition its loan book, systems, operating structure and capability to gain market share of higher quality borrowers. Interim revenue for the business fell 20.2% to $5.8 million and EBIT decreased 28.2% to $2 million as the business focused 1HFY16 efforts on platform implementation and client migration. The division has traditionally focused on high risk, high margin clients, but management believes it can generate superior returns by focusing on higher quality, lower margin clients as market consolidation presents new growth opportunities. To support this, the business been rebranded 'Thorn Trade and Debtor Finance' (formerly Cash Resources Australia) to leverage its alignment with Thorn Equipment Finance and the Thorn Group parent brand. Management believes investors will start to see a turnaround in the performance of this division in calendar year 2017.
Consumer Finance:	Thorn is in the process of closing its Consumer Finance business, and as such, the loan book is in run-off. This means the business has no marketing and sales costs which significantly improves operating margins. As a result, interim EBIT has jumped to $2.5 million from $400,000 while revenue decreased 18.5% to $5.5 million as the book declines. Higher profits are expected to reduce over time and in line with the receivables book run-off.
NCML:	This business was sold to Credit Corp Group Limited (ASX: CCP) in September and this has affected the first half results for NCML.

CREDIT QUALITY AND DEBT

Delinquency rates have tracked in-line with the Company's expectations during the six months to 30th September, 2016. Arrears (accounts that are 30 days past due) increased from 6.8% to 8% of total leases for Radio Rentals, but remain well below Management's 10% benchmark.

The average delinquency for Thorn Equipment Finance has been stable in the first half of the current financial year at 1.6% compared to 1.7% for the same period last year.

Thorn's balance sheet remains in a strong position with gearing (net debt to equity) stable at 52.4% (from 53.2%) excluding the securitized warehouse. The Company's $140 million corporate facility remains at 84% drawn, with increased Radio Rentals leases being offset by capital returned from the NCML sale and Consumer Finance book run-off.

The warehouse funding facility for Thorn Equipment Finance was expanded by $30 million to support its continued growth. Management are also reviewing additional funding initiatives to ensure efficient and scalable funding platforms are in place to support the Group's future growth initiatives.

UPDATE ON ASIC AND CUSTOMER REFUNDS

ASIC's investigation into Thorn's compliance with its responsible lending obligations with respect to consumer leases is ongoing and Thorn is engaging in good faith to resolve all issues.

Thorn has informed ASIC that past and current customers who have excess credit balances will be refunded those amounts plus compensatory interest.

With respect to closed accounts, Thorn has sought to contact former customers and repay these credit balances with interest. This balance has been significantly refunded but Thorn is continuing its attempts to contact those remaining customers.

With respect to existing customer accounts, credit balances have arisen from payments made ahead of contractual obligations. Thorn has begun contacting existing customers to offer repayment of these credit balances with interest. These over-payments amount to $8.2m plus estimated interest of $0.3m (interest is low as the time the credit is held is usually short). As these credit amounts have always been held as liabilities on the balance sheet, the profit and loss impact is limited to the interest component and the cost of effecting the repayments.

Thorn is also preparing to contact certain customers between January 2012 and May 2015 who may not have met minimum income thresholds for their contracts. Thorn had not updated its financial assessment models adequately during that period which may have affected some customers. Thorn has set aside $3.1m as a provision to compensate these customers.

OUTLOOK

The modest growth in revenue and profit is pleasing in light of the recent challenges faced by the Company. The result also shows that Thorn's ongoing businesses remain highly relevant to their core customer groups, and this has given management confidence in the future of the group.

In Consumer Leasing, Thorn will focus on further strengthening the market leading position of Radio Rentals, which has come to represent affordable access to everyday essential household goods.

Thorn is well positioned to become a market consolidator as a low cost provider in an industry that is facing increasing pressure from a stricter regulatory environment. Thorn is committed to leading the consumer leasing industry in best practices when it comes to customer protection.

In the Business Finance division, Thorn believes the strong growth momentum it has experienced will be sustained over the medium-term, if not longer. The continued success of Thorn's Equipment Finance business illustrates its strength and positioning to provide relevant SME lending solutions. This is also expected to materialize in the Trade and Debtor finance business with appropriate systems now in place. This uniquely positions Thorn's Business Financing division to provide both asset and cash flow solutions to small and medium sized businesses.

"Thorn has proven itself to be a stable platform on which we can grow our core businesses as we emerge from a period of transition. Our Radio Rentals division is at the forefront of the industry in adopting new consumer protection safeguards and we anticipate this will support the business to advance its market share. Our Equipment Finance business continues to grow rapidly and we expect improved results from Trade and Debtor with leading systems now in place." said the Managing Director of Thorn, James Marshall.

"What's more, the channeling of resources from the closure of underperforming businesses into higher returning divisions will further strengthen our balance sheet, which is bolstered by strong recurring cash flows. This puts the business in a strong position to improve our return on capital and focus on the things we do best."

For further information please contact:

James Marshall
Managing Director, Thorn Group Limited
James.marshall@thorn.com.au
Telephone: +61 2 9101 5057 or +61 404 811 254

Asher Moses
Media + Capital Partners
Asher.moses@mcpartners.com.au
Telephone: +61 438 008 616

ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)
Thorn Group is a diversified financial services company, providing financial solutions to niche consumer and commercial markets. Thorn's operating priorities are diversifying and growing as a business and meeting the needs of customers, employees and investors. Its principal operations are its foundation business, Radio Rentals (RR in South Australia), a leader in the household goods rental market since 1937 and with over 90 outlets nationally, and Thorn Business Finance, a provider of leasing and debt finance to businesses. Thorn employs in excess of 800 people, has been listed on the ASX since 2006, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.

THORN GROUP LTD

Half Year Results
Presentation 2016/17

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Agenda

1. Overview
2. Group Results Summary
3. Operational Performance
4. Outlook
5. Questions

Business Overview

- Group in transition to focus on core businesses of Radio Rentals and Business Finance
  - Closure of Consumer Finance
  - Sale of NCML
  - Proceeds being reinvested into higher returning businesses
- Revenue and profit underpins the resilience of Thorn's business model
- Earnings diversification through growth of B2B
- Improved risk and compliance capability
- Well positioned to grow market share
- Positive outlook for continued receivables growth

Performance Overview

- Continuing operations EBIT increased 7.9% to $25.8m with revenue increasing 2.8% to $156.8m
- Reported NPAT of $15.2m (pcp: $15.4m) includes discontinued NCML
- EPS of 9.8c (pcp: 10.1c) and interim dividend proposed of 5.5c (pcp: 5.5c)
- Radio Rentals revenue increased 2.3% to $134.0m with EBIT flat at $25.0m impacted by higher marketing and selling costs
- Thorn Equipment Finance revenue increased 52.5% to $11.4m and EBIT increased 48.3% to $6.6m
- Thorn Trade & Debtor Finance in transition (revenue down 20.0% and EBIT down 28.2%)

Group Half Year Results Summary

		30-Sep-16	31-Mar-16[4]	30-Sep-15	Sep-16 v Sep-15 % Change
Continuing operations					
Revenue	$m	**156.8**	136.8	152.6	2.8%
EBIT	$m	**25.8**	13.7	23.9	7.9%
NPAT	*$m*	***15.3***	*4.7*	*14.4*	*6.3%*
EPS	*cents*	***9.8***	*3.1*	*9.5*	*3.8%*
Including discontinued operations					
Revenue	$m	**163.9**	143.0	161.0	1.8%
EBIT	$m	**26.7**	13.7	25.3	5.4%
NPAT	*$m*	***15.2***	*4.7*	*15.4*	*(1.4%)*
EPS	*cents*	***9.8***	*3.0*	*10.1*	*(3.5%)*
Dividend – fully franked	cents	**5.5**	6.0	5.5	-
Return on equity	%	**15.0**	10.4	15.9	(0.8 pts)
Receivables [1]	$m	**424.9**	379.5	337.0	26.1%
Borrowings	$m	**231.7**	197.9	169.4	36.8%
Gearing (net debt/equity)[2]	%	**52.4**	53.2	45.5	6.9 pts

Notes

1. Receivables on a net basis, i.e. exclusive of unearned interest and net of provisioning for bad and doubtful debts.
2. Gearing is calculated as the closing net debt (senior borrowing less free cash) divided by closing equity. This calculation excludes the warehouse debt and its corresponding secured receivables. Gearing including warehoused debt and receivables would be 107.9% for 1HY17 (79.3% for 1HY16)
3. All numbers are based on the reported financials
4. At the last full year end, adjustments were made to profit for goodwill write-offs for NCML and closure costs for the consumer financing business. See statutory accounts for details.

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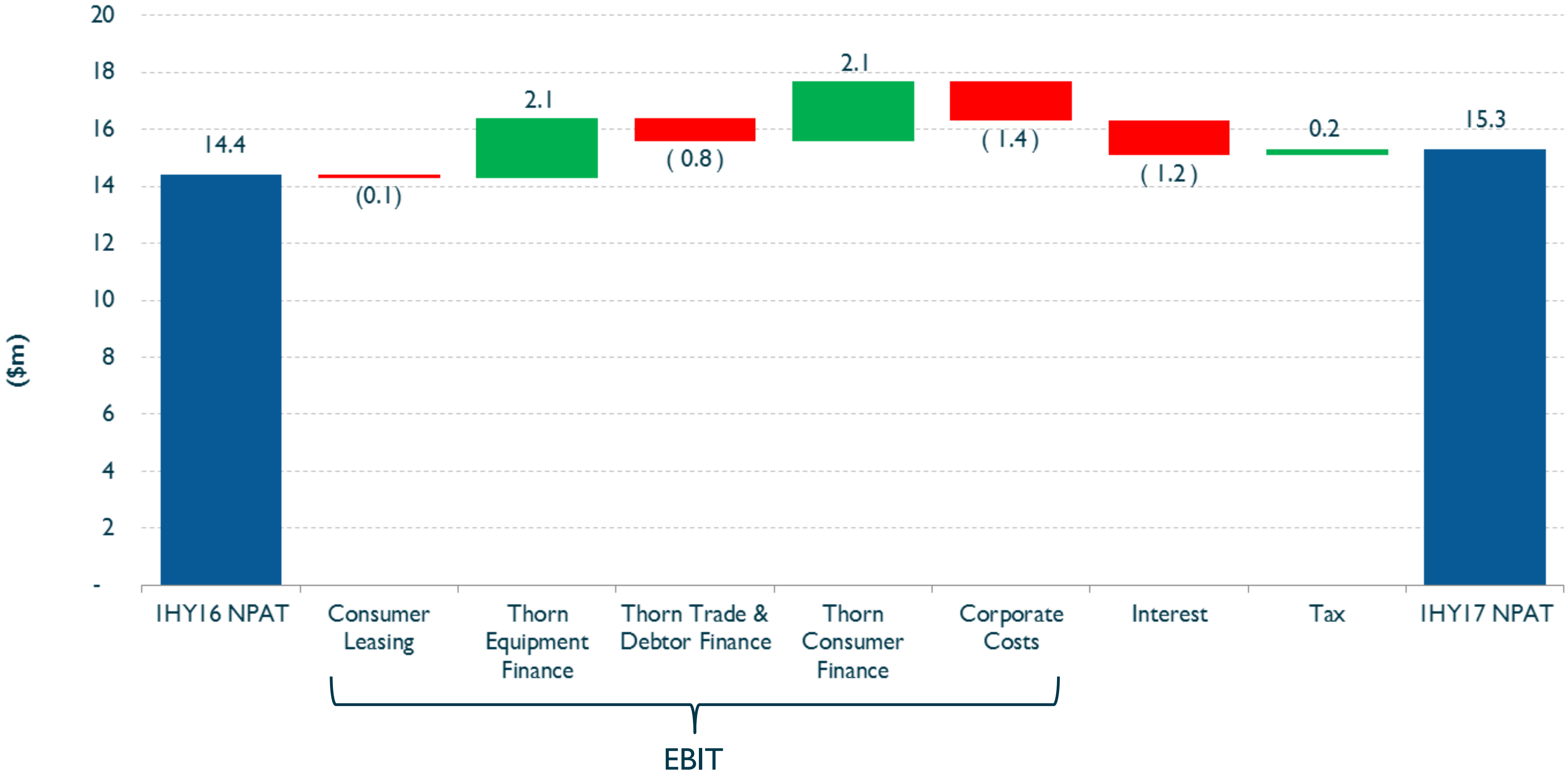
NPAT Bridge – Continuing Operations



NCML was sold during period (13th Sept 2016). The discontinued operation of NCML earned $1.0m in 1HY16 and ($0.1m) in 1HY17 such that reported NPAT in 1HY17 is $15.2m (pcp: $15.4m)

Balance Sheet

	30 September 2016		31 March 2016	
	excl. Trust	**incl. Trust**	excl. Trust	incl. Trust
Cash at Bank	**14.6**	**14.6**	14.0	14.0
Receivables	**283.0**	**424.9**	277.2	379.5
Investment in unrated notes	**27.6**	**-**	20.4	-
Rental and other assets	**35.1**	**35.1**	26.9	26.9
Intangibles	**24.7**	**24.7**	25.5	25.5
Total Assets	**385.0**	**499.3**	364.0	445.9
Borrowings	**117.4**	**231.7**	116.0	197.9
Other liabilities	**61.7**	**61.7**	50.5	50.5
Total Liabilities	**179.1**	**293.4**	166.5	248.4
Total Equity	**205.9**	**205.9**	197.5	197.5
Gearing (net debt/equity)[1]	**52.4%**	**107.9%**	53.2%	95.1%

- NCML sale reduced receivables and borrowings by $22m
- Net receivables increased $45m or 12% despite NCML PDL sale and Consumer Finance book run off
- Borrowings increased $34m to fund receivables growth, in particular Thorn Equipment Finance and Radio Rentals
- Gearing stable assisted by capital returned from the sale of NCML and run-off of the Consumer Finance book

Notes:

1. Thorn Equipment Finance receivables are funded by a securitized warehouse trust arrangement where the borrowings are non-recourse but secured by the underlying receivables.

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Receivables

		30-Sep-16 ($m)	31-Mar-16 ($m)	30-Sep-15 ($m)	Sep-16 v Mar-16 Movement ($m)	(%)
Consumer Leasing	Lease Book[1]	**163.3**	136.0	126.6	27.3	20.0%
	Rental Assets[2]	**19.7**	18.2	29.5	1.5	8.0%
Thorn Equipment Finance	Lease Book[1]	**182.1**	131.9	104.2	50.3	38.1%
Thorn Trade & Debtor Finance	Invoice & Loan Book[1]	**37.0**	45.9	38.1	(8.9)	(19.4%)
Thorn Consumer Finance	Loan Book[1,4]	**27.6**	33.6	35.0	(6.0)	(17.8%)
NCML	PDLs[3]	**0.0**	19.5	17.4	(19.5)	(100.0%)
Sundry Receivables		**14.9**	12.6	15.7	2.3	18.3%
Receivables (excluding rental assets[2])		**424.9**	379.5	337.0	45.4	12.0%

Notes:

1. Receivables are presented on a net basis, that is exclusive of unearned interest and net of bad and doubtful debt provisioning.
2. Rental assets (includes warehouse and show room stock) and assets leased under short term operating leases are depreciated as fixed assets in the balance sheet.
3. PDLs sold during the period (13th Sept 2016)
4. Thorn Consumer Finance business unit is running off its loan book

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Credit Quality

	30-Sep-16	31-Mar-16	30-Sep-15
Consumer Leasing			
Average Delinquency[1] (30+ days)	**8.0%**	7.5%	6.8%
Impairment Losses ($m)	**7.9**	7.2	5.6
Impairment losses / ANR %[2]	**4.6%**	5.1%	4.3%
Thorn Equipment Finance			
Average Delinquency[3] (30+ days)	**1.6%**	1.9%	1.7%
Impairment Losses ($m)	**1.4**	1.1	0.2
Impairment losses / ANR %[2]	**0.9%**	0.9%	0.3%
Thorn Trade and Debtor Finance			
Impairment Losses ($m)	**0.0**	0.0	0.0
Impairment losses / ANR %[2]	**0.0%**	0.0%	0.0%
Thorn Consumer Finance			
Average Delinquency[3] (30+ days)	**8.3%**	7.4%	7.0%
Impairment Losses ($m)[3]	**2.0**	2.3	2.8
Impairment losses / ANR%[2]	**5.2%**	5.4%	6.6%

- Consumer Leasing
  - Arrears creeping up but maintained below 10% benchmark
  - 90 Day+ delinquency levels low at 0.3%
  - Impairments in line with book growth
- Thorn Equipment Finance
  - Arrears maintained under 2.5% benchmark
  - Impairments in line with book growth
- Thorn Trade & Debtor Finance
  - Book in transition and some write-offs expected against the provision
- Consumer Finance
  - Provision adjusted up in March 2016 to support book run-off. Delinquency levels and impairments trending as expected

Notes:

1. Calculated as average current arrears balance of delinquent accounts expressed as a % of total monthly billings.
2. Impairment losses expressed as % of average net receivables.
3. Calculated as a average current arrears balance expresses as a % of interest bearing receivables.
4. Impairment losses stated here are the actual write offs processed in the year. The P&L expense line represents that plus any increase in the bad and doubtful debt provision plus operating lease asset write-offs.

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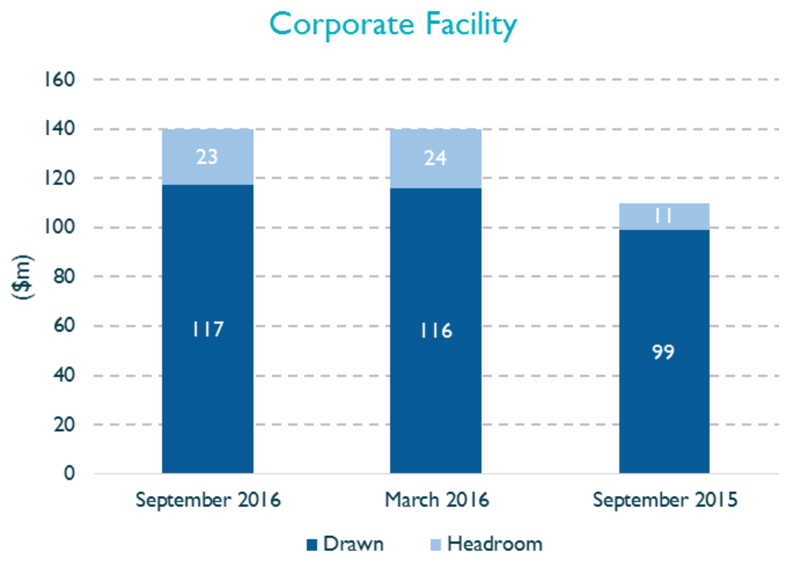
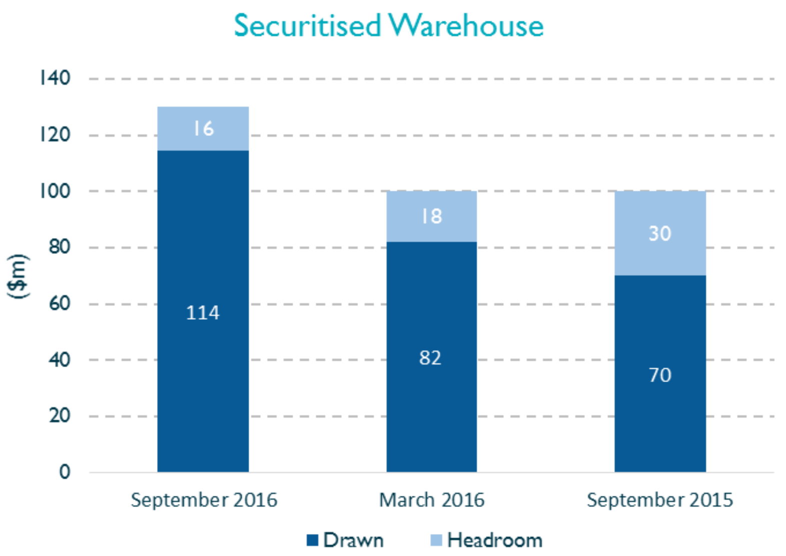
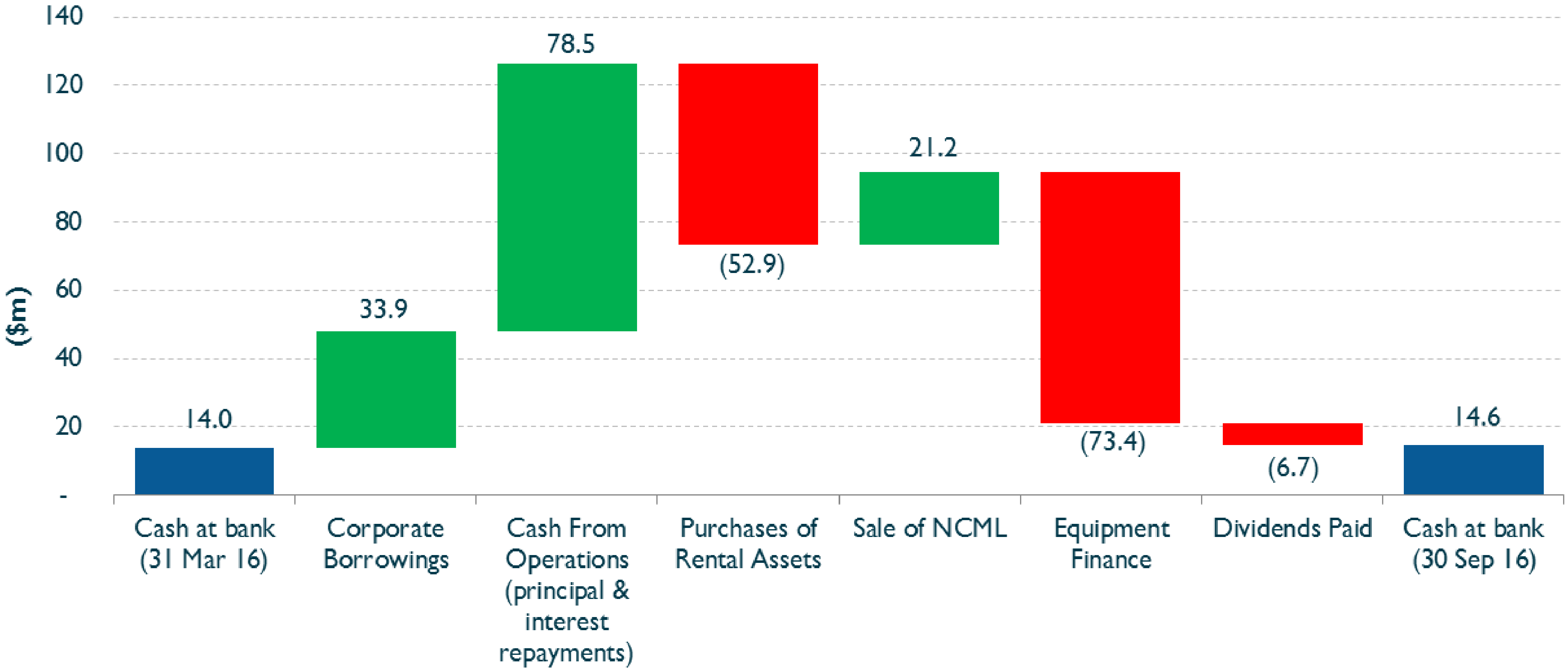
Borrowings





- Corporate facility of $140m remains 84% drawn. An increase in Radio Rentals finance lease book has been offset by funds returned from the NCML sale and TFS book run-off
- Warehouse for Thorn Equipment Finance expanded by $30m to fund growth
- New funding structure in progress which will set in place further securitised warehouse facilities to support growth in the 3 core businesses
- Maturity profile:
  - Corporate facility $30m Jan 2017 (in discussions with lender to review)
  - Corporate facility $110m Nov 2017
  - Warehouse $130m Dec 2017 (review in Dec 2016)
- Group meets all debt covenants and has $39m of headroom plus cash on hand

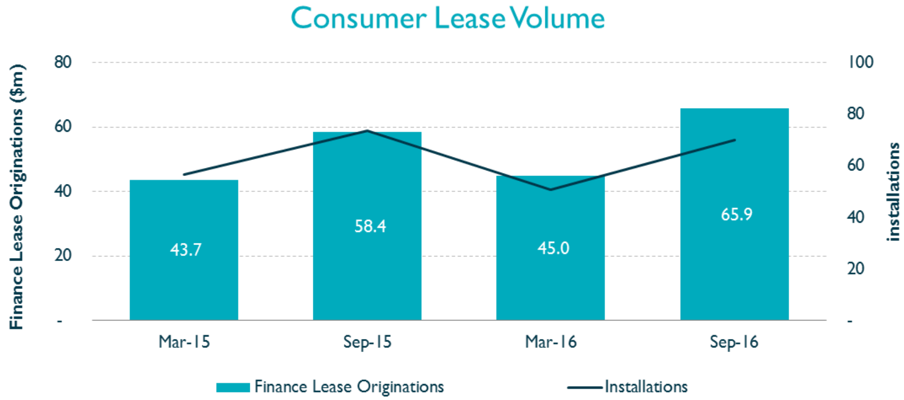
Cash Flow Bridge

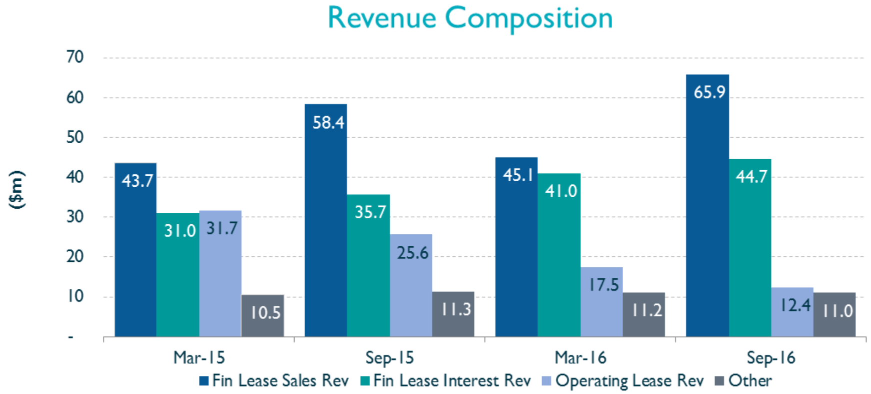


Consumer Leasing

Radio Rentals	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
Installations ('000) [1]	**69.9**	50.9	73.6	(4.9%)
Average Unit Rate ($ per week)	**11.7**	11.6	10.4	12.2%
Originations ($m) [2]	**65.9**	45.0	58.4	12.9%
Revenue ($m)	**134.0**	114.7	131.0	2.3%
EBIT ($m)	**25.0**	24.6	25.1	(0.4%)
Receivables ($m) [3]	**163.3**	136.0	126.6	29.0%
Total no. of stores	**90**	89	92	(2.2%)

- Record revenues
- Affordable access to everyday essentials remains a key driver with RR taking leadership position on Treasury Inquiry proposed price caps
- Greater investment in marketing to drive enquiries
- Project to streamline application process and improve customer experience
- EBIT flat but prior comparable period included $2.8m charge for the refund of historic customer credits so underlying EBIT is down 10% from marketing and selling costs, cost increases, mix changes and some lower pricing
- Investment in new and refurbished stores in progress





Notes:

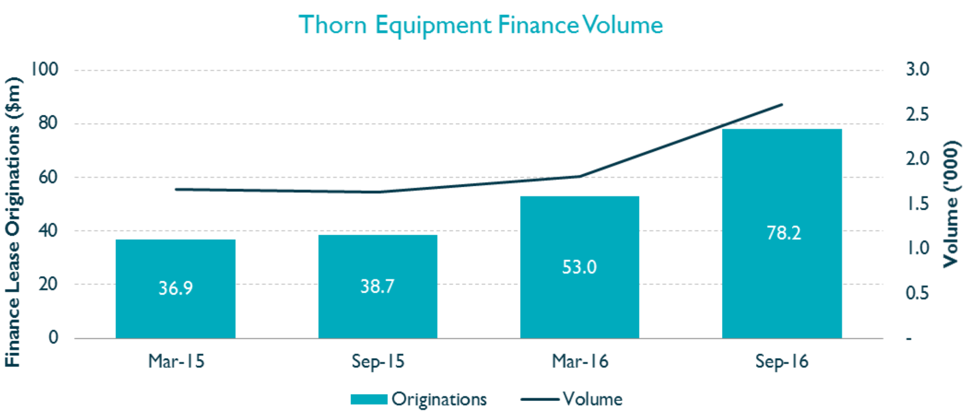
1. Installations includes both operating lease and finance lease contracts
2. Finance lease originations
3. Receivables on a net basis, exclusive of unearned interest and net of provisioning

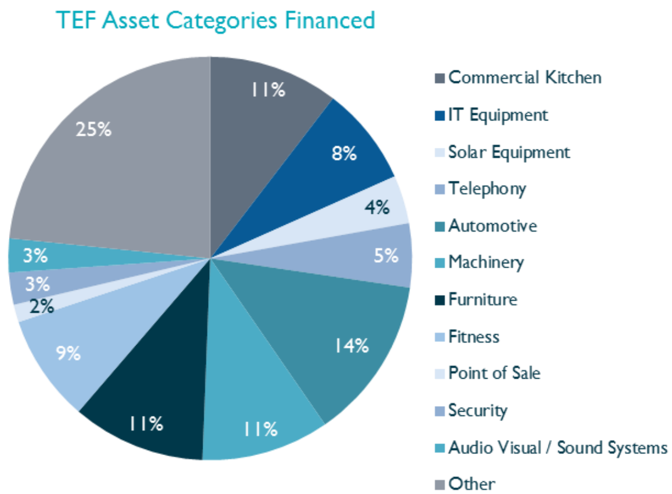
THORN GROUP LTD

Equipment Finance

Thorn Equipment Finance	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
Revenue ($m)	**11.4**	9.2	7.5	52.5%
EBIT ($m)	**6.6**	4.1	4.5	48.3%
Originations ($m)	**78.2**	53.0	38.7	101.9%
Receivables ($m)[1]	**182.1**	131.9	104.2	74.8%

- Strong lift in originations
- Focus on SME's, targeting 'core to business' equipment
- Enhanced broker and strategic partner originations
- Diverse book of small ticket contracts (average $30,000)
- Bad & Doubtful Debts remains well managed



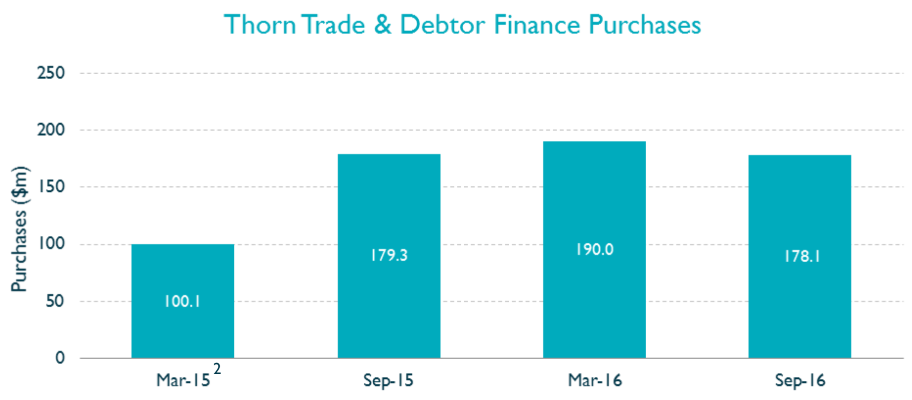


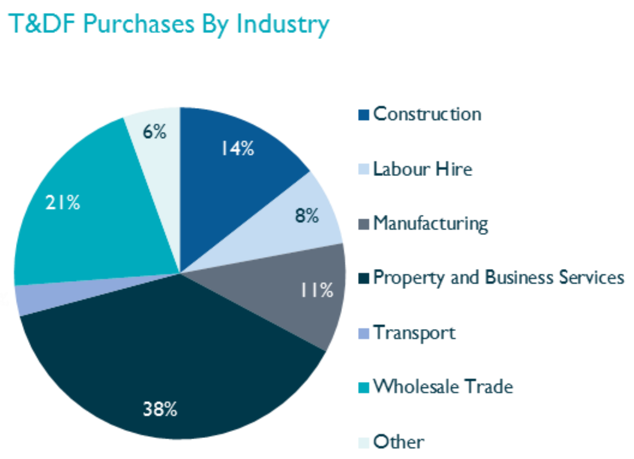
Notes:
1. Receivables on a net basis, exclusive of unearned interest and net of provisioning

Trade & Debtor Finance

Thorn Trade & Debtor Finance	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
Revenue ($m)	**5.8**	6.5	7.3	(20.2%)
EBIT ($m)	**2.0**	2.6	2.8	(28.2%)
Purchases ($m)	**178.1**	189.9	179.3	(0.7%)
Invoices & Loan Book ($m)[1]	**37.0**	45.9	38.1	(2.9%)

- Introduction of industry leading cloud based debtor finance technology
- Migration of client base to new platform complete
- Growth in new book offset by exit of some high margin and high risk clients
- Successful rebranding to leverage parent profile
- Cross sell with TEF
- Diversification of origination channels
- Capability enhanced to support growth in market share as industry consolidates





Notes:

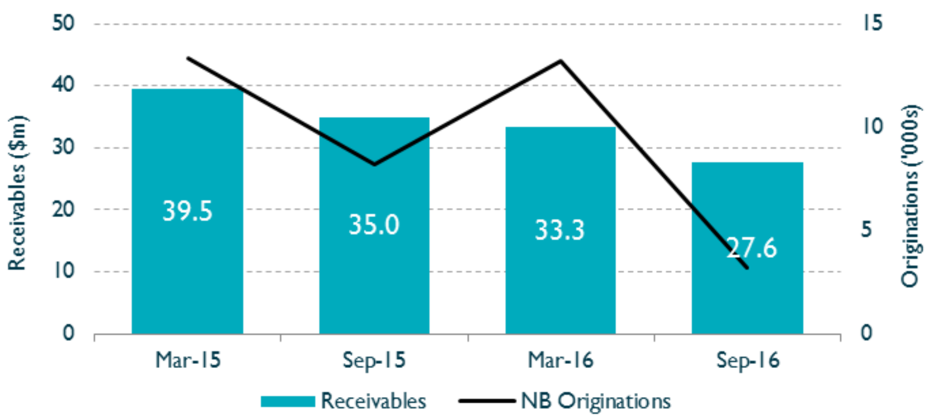
1. Receivables on a net basis, exclusive of unearned interest and net of provisioning
2. Business acquired 4 Dec 2014, so part period

Consumer Finance

Consumer Finance	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
Revenue ($m)	**5.5**	6.3	6.8	(18.5%)
EBIT ($m)	**2.5**	(2.0)	0.4	528.7%
Originations ($m)	**3.2**	13.2	8.2	(61.0%)
Receivables ($m) [1]	**27.6**	33.6	35.0	(21.0%)

- ❑ Direct marketing channel closed in April 2016
- ❑ Book in run-off and with no marketing costs will generate improved profits, albeit declining, over book life of 3-4 years
- ❑ Revised collection strategies are in operation to optimise revenue in 'run-off'
- ❑ Capital released is being redeployed to core business divisions
- ❑ Provisioning closely monitored

Consumer Finance Volume & Receivables



Notes:

1. Receivables on a net basis, exclusive of unearned interest and net of provisioning

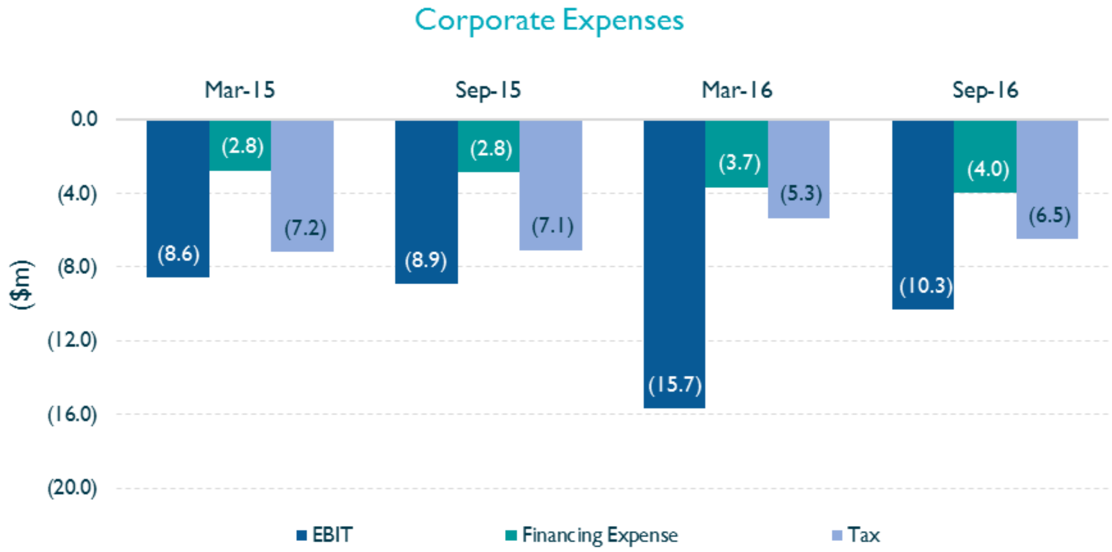
NCML

NCML	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
Revenue ($m)	**7.5**	6.2	8.5	(12.3%)
EBIT ($m)	**0.9**	0.0	1.4	(37.5%)
PDL Receivables ($m)	**0.0**	19.5	17.4	(100.0%)

- Business in sale mode during period
- Business sold 13 September
- $22.6m price approximated book value
- $21.6m received on 13 Sept 2016, $1.0m withheld pending balance sheet audit
- Standard warranties given
- Loss on sale of $0.7m after tax is provisional and will be finalised at full year end

Corporate, Interest & Tax

Corporate	**Sep-16**	Mar-16	Sep-15	Sep-16 v Sep-15 % Change
EBIT ($m)	**(10.3)**	(15.7)[1]	(8.9)	16.1%
Financing Expense ($m)	**(4.0)**	(3.7)	(2.8)	39.9%
Tax ($m)	**(6.5)**	(5.3)	(7.1)	(8.2%)



- Corporate expenses have increased $1.4m from the prior comparative period.
- Group structure changes including enhanced leadership team and investment in risk management capability
- Prior comparable period included $0.9m of NCML amortisation costs. These were fully amortised last year therefore do not impact this period
- Finance expenses have increased in line with borrowings that have been used to fund receivables growth
- Tax is approximately 30% of PBT

Notes:

1. Includes $6.7m write off of NCML goodwill

Regulatory Matters

❑ **Customer credit repayments and remediation**

- Closed customer account credit balances have been significantly refunded
- Current customer credits from customers overpaying their contracted amounts will now be actively repaid as and when they arise. Repayments of approximately $8.2m plus $0.3m of compensatory interest. All held on balance sheet as liabilities so P&L impact limited to interest and cost of effecting repayment
- Compensation of customers who may not have met minimum income thresholds about to commence. Provision held of $3.1m for the exercise.

❑ **ASIC**

- Investigation continuing and Thorn expects ASIC will seek a financial penalty
- Quantum unknown so no provision taken up
- Thorn engaging in good faith to resolve all issues

❑ **Thorn market leadership position**

- Significant investment in risk management
- Thorn is taking a market leading position to adopt prices within the Federal Government's proposed price caps and working to enhance its responsible lending practices
- 'Streamline' IT system for enhanced responsible lending and customer experience to launch shortly

Outlook

- ❑ Implementation of strategy proceeding as planned
  - Consumer Finance business closed and in run-off
  - NCML sold
  - Concentration on the 3 core divisions with good ROI and positive growth prospects
- ❑ Investing in Radio Rentals store network, lower pricing, and productivity
- ❑ Equipment Finance growth momentum
- ❑ Trade & Debtor repositioning to grow market share
- ❑ Resolve regulatory matters
- ❑ A positive outlook for continued receivables growth