Appendix 4D
Half Year Report of
Thorn Group Limited
for the six months ended 30 September 2013

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

Current reporting period	Six months ended 30 September 2013
Previous corresponding period ("PCP")	Six months ended 30 September 2012

Results for announcement to the market:

Revenue and Net Profit

		Percentage Change		Amount $'000
Revenue from ordinary activities	up	12%	to	$112,707
Profit from ordinary activities after tax attributable to members	down	5%	to	$13,305

Commentary

Despite continued uncertain economic conditions, revenue for the first half of the 2014 financial year increased by 12% on the previous corresponding period ("PCP"), growing from $100,460,000 to $112,707,000.

Revenue for the Consumer Leasing segment grew 10.4%, from $85,002,000 to $93,867,000. Operating lease revenue grew, primarily attributable to increased units on rent, most notably in the furniture category. The growth in finance lease revenue was driven by increased smartphone installations. The change in mix impacted gross margin for the first half as a lower margin on sale for smartphones is realised.

Write off performance remained consistent with prior year, however provisioning increased in line with receivables growth. Costs increased in Radio Rentals as new stores operated and additional resources were required in the store network due to the growth in the number of units on rent.

Operating expenses for the consumer leasing segment also increased versus PCP as Rent Drive Buy continues in its start-up phase.

Despite a significant increase in segment revenue, reported segment earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 5.6% from $24,611,000 to $23,243,000.

One off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP and the loss pertaining to the start-up costs associated with Rent Drive Buy, nil incurred in the PCP. Underlying EBITDA declined 1%.

In thousands of AUD	**30 September 2013**	**30 September 2012**
Consumer Leasing reported EBITDA	23,243	24,611
Debt sale	-	(850)
Rent Drive Buy start-up costs	300	-
Consumer Leasing underlying EBITDA	**23,543**	**23,761**

A restructure of the Credit Management segment commenced in the second half of the 2013 financial year. This restructure, in addition to improved operational performance resulted in a revenue increase of 17.2%, from $9,048,000 to $10,600,000. The uplift was driven by increased contingent collection and PDL revenue. Segment EBITDA increased by 23.1% from $1,592,000 to $1,959,000.

One off factors impacted the underlying performance of the segment versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP. Underlying EBITDA grew 64.3%.

In thousands of AUD	**30 September 2013**	**30 September 2012**
Credit Management reported EBITDA	1,959	1,592
Debt sale	-	(400)
Credit Management Underlying EBITDA	1,959	1,192

Revenue for Thorn Equipment Finance ("TEF") grew by 51.6% from $2,599,000 to $3,939,000. The revenue increase is attributable to the growth in receivables, which increased to $55,496,000 versus $36,124,000 in the PCP. Expenses were in line with PCP, resulting in segment EBITDA increasing by 282% from $406,000 to $1,552,000.

Thorn Financial Services ("TFS") revenue increased by 14.5% from $3,706,000 to $4,245,000. The interest revenue increase was attributable to growth in receivables, from $19,947,000 to $22,236,000. Bad debts increased slightly as a percentage of the receivables, whilst overheads were higher than PCP as a result of business development initiatives which saw the addition of key personnel. Consequently, segment EBITDA decreased by 12.3% from $576,000 to $505,000.

Corporate expenses were up 10% from $4,647,000 to $5,112,000 as general expenses increased in line with business growth and IT expenses relating to the implementation of the Radio Rentals ERP pilot were incurred. Finance expenses increased by 70.1% due to higher borrowings compared to the PCP. Borrowings as at 30 September 2012 were $22,000,000 versus $32,900,000 as at 30 September 2013.

As a result, consolidated profit before income tax decreased by 4.3% from $20,295,000 to $19,427,000. Net profit after tax decreased by 5.0% from $14,007,000 to $13,305,000.

One off factors impacted the underlying performance of the consolidated entity versus PCP. The table below shows the favourable impact of a large non-recurring debt sale in the PCP and the loss pertaining to the start-up costs associated with Rent Drive Buy, nil incurred in the PCP. Underlying NPAT increased 2.9%.

In thousands of AUD	**30 September 2013**	**30 September 2012**
Reported NPAT	13,305	14,007
Debt sale	-	(1,250)
Rent Drive Buy start-up costs	300	-
Tax effect	(90)	375
Underlying NPAT	**13,515**	**13,132**

Financial Position

The key assets of the consolidated entity grew during the period. Rental assets were up by 13.2% to $59,910,000, attributable to increased operating lease installations, particularly in the furniture category.

The consumer lease receivables book grew by 11% to $106,327,000 due to increased installations of smartphones and solid flat panel TV installations. Commercial lease receivables grew by 20% to $55,496,000 through the continued development of strategic partnerships with brokers and introducers. The consumer finance book grew 2% to $22,236,000.

Capital Management

Net cash from operating activities increased from $49,955,000 to $58,232,000. This was primarily attributable to increased receipts from customers in all segments and the timing of creditors payments.

Borrowings increased to $32,900,000. Net debt to equity remained relatively low at 18.2%. The consolidated entity continues to meet all debt covenants.

Funding on the $50,000,000 securitisation facility was delayed, in line with the requirements of TEF. Funding on this facility is expected to commence in November 2013.

Dividends

The company paid a fully franked final dividend of 6 cents per share on 18 July 2013. The company paid $6,542,000 in cash and issued 1,184,356 new ordinary shares at $1.96 per share (a discount of 2.5%) under the Dividend Reinvestment Plan (DRP).

The company has declared an interim dividend of 4.5 cents per share, in line with PCP.

Risks

Credit risk is the most significant risk to the consolidated entity. Credit risk grew in line with the growth of the loan and lease receivables in all segments, except TFS were bad debts increased slightly as a percentage of the loan receivables.

Legislative changes

The consolidated entity continued to be involved in discussions with Federal Treasury in relation to the enhancements to the National Consumer Credit Protection legislation, which primarily involves more disclosure around financial service products. No changes are expected in the short term.

A review of Centrepay was undertaken by the Federal Government and a draft paper was released in August 2013. The consolidated entity does not expect any changes to its current arrangements in the short term.

Strategic Initiatives

The following initiatives, which include the introduction of new products and the further expansion of each operating segment continues the consolidated entity's strategy of providing alternative financial solutions.

- Thorn Money was launched as an online brand offering unsecured loans to $15,000 and secured loans to $25,000;
- The first Cashfirst store opened in Campbelltown, NSW and it is expected the first Cashfirst "store in store" will open at Radio Rentals Parramatta in NSW before the end of the financial year;
- A new website was launched in October for Radio Rentals, the primary brand of the Consumer Leasing segment, providing a significantly better platform for Radio Rentals to attract new customers;
- An extended term, 48 month Rent Try Buy contract was launched in November, providing our customers with additional payment flexibility; and
- Work relating to branding and products for Radio Rentals and TFS continues at various phases of the research and development cycle.

Outlook

Despite soft economic conditions, the consolidated entity is trading solidly. The continued investments in new business opportunities will limit growth in the 2014 financial year however are expected to benefit the returns to shareholders in the medium to longer term.

Net tangible assets per security

	30 Sep 2013	30 Sep 2012
Net tangible assets per security	91 cents	80 cents

Dividends

	Amount per security	Franked amount per security	Record date	Date paid / payable
Final dividend relating to year end 31 March 2013	6.00 cents	6.00 cents	17 Jun 2013	18 Jul 2013
Interim dividend relating to year end 31 March 2014	4.50 cents	4.50 cents	27 Dec 2013	17 Jan 2014