

Thorn Group Limited
and its Controlled Entities
ACN 072 507 147

Condensed consolidated interim financial report
30 September 2011

The directors present their report together with the condensed consolidated interim financial report for the six months ended 30 September 2011 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 Bernard Carrasco	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 \$80.3m to \$96.2m, a 19.8% improvement on the previous corresponding period ("PCP").

This flowed through to a 32.3% increase in earnings before interest and tax at \$21.3m, up from \$16.1m. This result included amortisation of the customer relationship intangible relating to the NCML acquisition of \$630k.

Net profit after tax increased to \$14.3m, up 29.5% from \$11.0m.

Net cash from operating activities increased from \$31.6m to \$34.8m due to the growth in units on rent and the associated rental dues. Impacting the increase in net cash from operating activities was a significant increase of \$4.8m in tax paid.

The Company raised \$30m by issuing 16m ordinary shares. The proceeds of the issue were used to repay \$20m of short term bank debt and \$5m of long term bank debt relating to the NCML acquisition and fund new business growth.

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 2011.

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 22nd day of November 2011.

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 half-year ended 30 September 2011 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

A handwritten signature in blue ink, appearing to read 'Greg Boydell', written in a cursive style.

Greg Boydell
Partner

Dated at Sydney, this 22nd day of November 2011

Thorn Group Limited

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2011

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2011	30 September 2010
Revenue		96,216	80,298
Other income		122	50
Cost of sales		(32,234)	(30,707)
Sales and marketing expenses		(29,619)	(23,519)
General and administration expenses		(13,230)	(10,016)
Results from operating activities		21,255	16,106
Finance income		202	89
Finance expenses		(1,135)	(278)
Net finance costs		(933)	(189)
Profit before income tax		20,322	15,917
Income tax expense		(6,015)	(4,870)
Profit for the period		14,307	11,047
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		14,307	11,047
Basic earnings per share (cents)	9	10.08	*8.45
Diluted earnings per share (cents)	9	9.77	*8.37

**Earnings per share restated for the entitlement offer announced on 1 June 2011 and completed on 8 July 2011.*

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 8 to 12.

Thorn Group Limited

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2011

In thousands of AUD

	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2010	64,517	15,605	1,645	81,767
Net profit for the period	-	11,047	-	11,047
Transactions with owners, recorded directly in equity				
Equity settled transactions	-	-	331	331
Dividends to shareholders	-	(4,866)	-	(4,866)
Balance at 30 September 2010	64,517	21,786	1,976	88,279
Balance at 1 April 2011	64,517	28,179	2,307	95,003
Net profit for the period	-	14,307	-	14,307
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	29,381	-	-	29,381
Equity settled transactions	-	-	125	125
Dividends to shareholders	-	(6,428)	-	(6,428)
Balance at 30 September 2011	93,898	36,058	2,432	132,388

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 12.

Thorn Group Limited
Condensed consolidated statement of financial position
For the six months ended 30 September 2011

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2011	31 March 2011
Assets			
Cash and cash equivalents		8,049	9,038
Trade and other receivables		41,585	40,591
Total current assets		49,634	49,629
Trade and other receivables		39,127	35,351
Deferred tax assets		2,561	3,030
Property, plant and equipment		4,341	3,932
Rental assets		46,155	41,178
Intangible assets		37,971	38,721
Total non-current assets		130,155	122,212
Total assets		179,789	171,841
Liabilities			
Trade and other payables		26,545	28,845
Employee benefits		4,993	4,397
Income tax payable		3,345	6,148
Provisions		275	158
Total current liabilities		35,158	39,548
Loans and borrowings	7	11,000	36,000
Employee benefits		334	237
Provisions		909	1,053
Total non-current liabilities		12,243	37,290
Total liabilities		47,401	76,838
Net assets		132,388	95,003
Equity			
Issued capital		93,898	64,517
Reserves		2,432	2,307
Retained earnings		36,058	28,179
Total equity		132,388	95,003

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 12.

Thorn Group Limited
Condensed consolidated statement of cash flows
For the six months ended 30 September 2011

<i>In thousands of AUD</i>	30 September 2011	30 September 2010
Cash Flows From Operating Activities		
Cash receipts from customers	106,090	80,847
Cash paid to suppliers and employees	(62,264)	(45,866)
Cash generated from operations	43,826	34,981
Interest paid	(1,135)	(278)
Interest received	202	89
Income tax paid	(8,070)	(3,227)
Net cash from operating activities	34,823	31,565
Cash Flows From Investing Activities		
Proceeds from sale of rental assets	540	408
Acquisition of property, plant and equipment	(1,335)	(922)
Acquisition of rental assets	(32,970)	(30,472)
Net cash used in investing activities	(33,765)	(30,986)
Cash Flows From Financing Activities		
Repayment of borrowings	(25,000)	2,000
Proceeds from Capital Raising	29,381	-
Dividends paid	(6,428)	(4,866)
Net cash used in financing activities	(2,047)	(2,866)
Net decrease in cash and cash equivalents	(989)	(2,287)
Cash and cash equivalents at 1 April	9,038	5,747
Cash And Cash Equivalents At 30 September	8,049	3,460

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 12.

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 2011 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 2011 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 2011.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 November 2011.

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 2011.

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 2011.

Thorn Group Limited
Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2011

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 is comprised of the NCML business that was acquired on 23 March 2011. NCML 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. In the prior period, Other also comprised the e-commerce business Big Brown Box which was discontinued in 2011. 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	
	2011	2010	2011	2010	2011	2010	2011	2010
<i>In thousands of AUD</i>								
Segment revenue	80,250	76,356	12,111	-	3,977	3,992	96,338	80,348
Earnings Before interest, tax, depreciation and amortisation	22,655	20,477	3,335	-	456	(525)	26,446	19,952
Depreciation and amortisation	(519)	(425)	(1,060)	-	(15)	(12)	(1,594)	(437)
Earnings Before interest and tax	22,136	20,052	2,275	-	441	(537)	24,852	19,515

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2011

5. Operating segments (continued)

Reconciliation of reportable segment profit or loss

For the six months ended 30 September

<i>In thousands of AUD</i>	2011	2010
Profit before interest and tax for reportable segment	24,411	20,052
Profit/(loss) before depreciation, amortisation, interest and tax for other operating segments	441	(537)
	24,852	19,515
Unallocated amounts:		
Other corporate expenses	(3,597)	(3,409)
Net Financing costs	(933)	(189)
Profit before tax	20,322	15,917

6. Subsequent events

On 22 November 2011, the Directors declared a fully franked dividend of 4 cents per share. The dividend will be paid on 20 January 2011. The dividend has not been provided for in the 30 September 2011 condensed consolidated interim financial statements.

7. Loans and borrowings

<i>In thousands of AUD</i>	30 September 2011	31 March 2011
Bank facility available	30,000	50,000
	30,000	50,000
Bank facility utilised at balance date	11,000	36,000
	11,000	36,000
Bank facility not utilised at reporting date	19,000	14,000
	19,000	14,000

During the period, Thorn Australia Pty Limited repaid the \$20m facility that was due to expire in June 2012.

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 2011

8. Capital and Reserves

Issues of ordinary shares

In June 2011, the Company announced a renounceable rights issue. The renounceable rights issue was completed in July 2011. 16 million ordinary shares were issued at an exercise price of \$1.85 per share (2011: nil). All issued shares are fully paid.

Dividends

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
Six months ended 30 September 2010			
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	3.76 cents	4,867	22 Jul 2010
Unrecognised Amounts			
Interim Dividend	3.54 cents	4,597	20 Jan 2011

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

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2011

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2011 was based on profit attributable to ordinary shareholders of \$14,307,000 (2011: \$11,047,000) and a weighted average number of ordinary shares of 141,974,000 (2011: 129,445,000).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2011 was based on profit attributable to ordinary shareholders of \$14,307,000 (2011: \$11,047,000) and a weighted average number of ordinary shares of 146,606,000 (2011: 130,737,000), which includes performance rights granted.

	30 September 2011	30 September 2010
Basic earnings per share		
<i>In cents</i>		
From continuing operations	10.08	*8.45
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	9.77	*8.37

*Prior period earnings per share have been restated with an adjustment factor of 1.01 as a result of the entitlement offer made on 1 June 2011.

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

1. the financial statements and notes set out on pages 4 to 12, 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 2011 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by section 295 of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the interim period ended 30 September 2011.

Signed in accordance with a resolution of the directors



David Carter
Chairman

Dated at Sydney, this 22nd day of November 2011



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

Report on the financial report

We have reviewed the accompanying interim financial report of Thorn Group Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2011, condensed consolidated statement of comprehensive income, 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 2011 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 a 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 2011 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

Greg Boydell
Partner

Dated at Sydney, this 22nd day of November 2011