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Thorn Group Limited

ABN 54 072 507 147

2016 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

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

Current period: 1 April 2015 to 30 September 2015

Previous corresponding period: 1 April 2014 to 30 September 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Six months ended	30 Sep 2015 \$'000s	30 Sep 2014 \$'000s	% Change
Revenue from ordinary activities	160,950	149,928	Up 7.4%
Reported net profit after tax	15,385	15,164	Up 1.5%
Underlying net profit after tax*	16,265	16,044	Up 1.4%

*A reconciliation between underlying net profit after tax and reported net profit after tax is shown in the condensed consolidated financial statements for the six months ended 30 September 2015.

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 2015.

This information should be read in conjunction with the 2015 Annual Financial Report of Thorn Group Limited.

DIVIDENDS	Amount per ordinary share	Franked amount per ordinary share
2015 final dividend paid 16 July 2015	6.75 cents	6.75 cents
2016 interim dividend (resolved, not yet provided at 30 September 2015)	5.50 cents	5.50 cents

The record date for the 2016 interim dividend will be 7 January 2016. The payment date for the 2016 interim dividend will be 21 January 2016. The company's dividend reinvestment plan will operate in respect of the 2016 interim dividend and a discount of 5.0% will apply.

NET TANGIBLE ASSETS	30 Sept 2015	30 Sept 2014
Net tangible assets per ordinary share	109 cents	99 cents

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

None.

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Thorn Group Limited

ABN 54 072 507 147

Condensed consolidated financial statements
for the six months ended 30 September 2015

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 2015 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 Peter Henley
Mr Stephen Kulmar
Mr Andrew Stevens (appointed 1 June 2015)

Executive

Mr James Marshall (Managing Director and CEO)

Operating and Financial Review

Thorn Group provides a range of financial services to consumers and businesses. Business activities consist of consumer leasing of household living and home office needs with increasing diversification into commercial finance, invoice discounting, consumer loans, and the provision of receivables management services.

Thorn presently operates through four segments:

- Consumer Leasing of household products through Radio Rentals and Rentlo;
- Commercial Finance including equipment financing and invoice discounting for small and medium enterprises through Thorn Equipment Finance and Cash Resources Australia respectively;
- Consumer Finance provides personal loans through Cash First;
- Receivables Management provides debt recovery, credit information, debt purchasing and other financial services through NCML.

There were no significant changes in the nature of the activities of the Group during the six months ended 30 September 2015.

Financial performance

Revenue for the six months to 30 September 2015 increased 7.4% on the previous corresponding period from \$149.9m to \$161.0m.

Underlying Net Profit After Tax ('NPAT') increased by 1.4% from \$16.0m to \$16.3m.

Reported NPAT increased by 1.5% from \$15.2m to \$15.4m.

Profit growth derived mostly from the Commercial Finance business which showed significant receivables book and profit growth along with a strong contribution from the Cash Resources Australia business which was acquired on 1 December 2014.

Consumer Leasing continued to benefit from strong originations of finance leases, lower delinquency and impairment losses but the profit uplift was offset by a \$2.8m charge for historic principal credit balance refunds.

Thorn takes its responsible lending obligations seriously and reported the retained customer credits to ASIC and Centrelink as soon as they were discovered. They arose from shortcomings in a legacy computer system and relate back over many years. The customer refund process is underway.

The Consumer Finance and Receivables Management businesses both recorded relatively flat profits as both continued to restructure and refocus.

The Corporate centre, in addition to the usual head office costs, incurred legal and advisory costs of \$0.9m responding to regulatory reviews.

The reconciliation between underlying NPAT and reported NPAT is provided below:

<i>In millions of AUD</i>	30-Sep-15	30-Sep-14
Reported NPAT	15.4	15.2
Amortisation of intangibles	0.9	0.9
Underlying NPAT	16.3	16.0

Earnings per share for the period were 10.12 cents (2014: 10.11 cents) which has allowed a dividend to be declared of 5.50 cents per share (2014: 5.00 cents).

Financial position

Net assets increased by \$8.9m to \$198.4m at 30 September 2015. This arose from the recording of the \$15.4m NPAT less the 2015 final dividend of \$10.2m partially offset by \$3.5m of shares taken up under the dividend reinvestment plan in relation to that dividend.

The main balance sheet movements have been the increase in receivables from \$289.6m at 31 March 2015 to \$337.0m at 30 September 2015. This \$47.4m increase was primarily due to \$27.3m of additional finance lease receivables within Consumer Leasing and \$21.8m in Equipment Finance.

Rental assets decreased by \$3.7m to \$29.5m as customers in Consumer Leasing continued their migration toward the longer term finance lease contracts.

This increase in total assets was financed by \$25.4m of increased borrowings as the facilities were drawn down. The senior debt facility is drawn to \$99.0m of its \$110.0m limit and the warehouse facility is drawn to \$70.4m of its \$100.0m limit. This facility is non recourse and secured by receipts due under the finance lease contracts. Accordingly it is excluded along with the corresponding secured receivables when calculating the Group's gearing of 45.5% debt to equity (2014: 22.9%). The Group has \$12.0m of cash on hand at 30 September 2015.

The Group continues to meet all debt covenants.

Cash flows

Net cash from operating activities increased from \$48.2m to \$66.4m and cash flows from investing activities were an outflow of \$87.0m compared to the prior period outflow of \$69.9m. Cash flows from financing activities decreased to \$18.7m inflow from \$23.3m inflow in the prior period.

Risks

Credit risk is traditionally the most significant risk to the Group due to the large receivables book. Credit quality has improved over previous periods and underlying impairment losses have correspondingly reduced. This situation is regularly examined by management as it can change over time and with economic conditions.

This year, regulatory risk has risen to prominence with the recent release of the '*Review of the small amount credit contract laws; consultation on the regulation of small amount credit contracts and comparable consumer leases*' presently underway by Treasury.

Regulatory risk also features with access to Centrepay deductions by consumer lease providers under debate in the Parliament. While Thorn believes the Centrepay model has significant benefits for its customers, its business model is not predicated upon Centrepay access.

Responsible lending and an appropriate regulatory framework are pre-requisites for a sustainable industry. Thorn welcomes these reviews and has made submissions to Treasury along with the relevant industry bodies and continues to monitor and engage with the relevant parties.

Outlook

Thorn's business diversification strategy is proceeding well with strong performance from the commercial finance business in particular. Consumer leasing has been strengthening its platform and demonstrating solid underlying performance. Commercial finance continues to grow and a better second half performance is expected from the receivables management business. Consumer leasing is continuing to work constructively with Government and regulators to develop a future framework for the industry and resolve any issues specific to Thorn.

Aside from any regulatory uncertainty, Thorn anticipates that its business segments will continue to trade positively, particularly commercial finance, and that some costs will continue to be incurred in responding to and addressing regulatory issues in the short term.

Subsequent Events

On 17th November 2015, the Directors declared a fully franked dividend of 5.50 cents per share. This interim dividend will be paid on 21 January 2016. This dividend has not been recognised as a liability in the 30 September 2015 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 6.

Rounding

The Company is of 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 Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 17th day of November 2015.

Signed in accordance with a resolution of the directors.



Joycelyn Morton
Chair



James Marshall
Managing Director

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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 2015 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

Anthony Travers
Partner

Sydney

17 November 2015

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Thorn Group Limited

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2015

<i>In thousands of AUD</i>	Note	30 September 2015	30 September 2014
Revenue		160,950	149,928
Finance lease cost of sales		(42,285)	(40,155)
Employee benefit expense		(29,969)	(26,457)
Depreciation & amortisation		(13,648)	(16,920)
Impairment losses		(18,404)	(15,056)
Marketing expenses		(8,628)	(7,540)
Property expenses		(5,255)	(4,759)
Transport expenses		(3,056)	(3,503)
Finance expenses		(2,999)	(1,517)
Communication & IT expenses		(2,898)	(2,571)
Travel expenses		(1,032)	(664)
Other expenses		(10,308)	(8,752)
Profit before income tax		22,468	22,034
Income tax		(7,083)	(6,870)
Profit for the period		15,385	15,164
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Other comprehensive income		64	(42)
Total comprehensive income		15,449	15,122
Basic earnings per share (cents)	10	10.12	10.11
Diluted earnings per share (cents)	10	10.12	10.11

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 11 to 17.

Thorn Group Limited
Condensed consolidated statement of changes in equity
For the six months ended 30 September 2015

<i>In thousands of AUD</i>	Share capital	Reserves	Retained earnings	Total Equity
Balance at 1 April 2014	99,060	2,851	69,709	171,620
Net profit for the period	-	-	15,164	15,164
Other comprehensive income	-	(42)	-	(42)
Issue of shares under dividend reinvestment plan	2,438	-	-	2,438
Share based payments transactions	-	137	-	137
Dividends to shareholders	-	-	(9,717)	(9,717)
Balance at 30 September 2014	101,498	2,946	75,156	179,600
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 share 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

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 11 to 17.

Thorn Group Limited
Condensed consolidated statement of financial position
As at 30 September 2015

In thousands of AUD	Note	30 September 2015	31 March 2015
Assets			
Cash and cash equivalents		11,963	13,856
Trade and other receivables		138,546	129,113
Income tax receivable		452	1,379
Total current assets		150,961	144,348
Trade and other receivables		198,409	160,518
Deferred tax assets		3,577	1,503
Property, plant and equipment		3,615	3,957
Rental assets		29,464	33,215
Intangible assets		31,711	32,926
Total non-current assets		266,766	232,119
Total assets		417,737	376,467
Liabilities			
Trade payables		23,426	19,291
Other payables		18,380	14,582
Loans and borrowings	8	22,924	19,778
Employee benefits		6,075	7,058
Provisions		1,013	719
Total current liabilities		71,818	61,428
Loans and borrowings	8	146,482	124,195
Employee benefits		344	395
Provisions		720	961
Total non-current liabilities		147,546	125,551
Total liabilities		219,364	186,979
Net assets		198,373	189,488
Equity			
Issued capital		106,989	103,446
Reserves		3,161	2,989
Retained earnings		88,223	83,053
Total equity		198,373	189,488

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 11 to 17.

Thorn Group Limited
Condensed consolidated statement of cash flow
For the six months ended 30 September 2015

In thousands of AUD	Note	30 September 2015	30 September 2014
Cash flows from operating activities			
Cash receipts from customers		340,744	141,145
Cash paid to suppliers and employees		(263,276)	(80,272)
Cash generated from operations		77,468	60,873
Net borrowing costs		(2,849)	(1,492)
Income tax paid		(8,229)	(11,169)
Net cash from operating activities		66,390	48,212
Cash flows from investing activities			
Proceeds from sale of assets		581	1,962
Acquisition of rental assets		(47,940)	(46,565)
Commercial finance originations		(38,676)	(24,034)
Acquisition of property, plant and equipment and software		(1,008)	(1,243)
Net cash used in investing activities		(87,043)	(69,880)
Cash flows from financing activities			
Proceeds from borrowings		50,884	35,866
Repayment of borrowings		(25,452)	(5,284)
Dividends paid		(6,672)	(7,279)
Net cash from financing activities		18,760	23,303
Net (decrease) increase in cash and cash equivalents		(1,893)	1,635
Cash and cash equivalents at April 1		13,856	2,393
Cash and cash equivalents at 30 September		11,963	4,028

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 11 to 17.

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 2015 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 2015 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 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 November 2015.

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 2015.

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 2015.

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, the Receivables Management division, the Commercial Finance division and the Consumer Finance division for the purpose of making decisions about resource allocation and performance assessment.

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2015

The Consumer Leasing division conducts the business of leasing of household products.

The Receivables Management division is comprised of the NCML business. NCML provides receivables management, debt recovery, credit information services, debt purchasing and other financial services.

The Commercial Finance division provides finance products to small and medium enterprises including equipment leasing and invoice discounting.

The Consumer Finance division 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.

Information about reportable segments

For the six months ended

30 September 2015 <i>In thousands of AUD</i>	Consumer Leasing	Receivables Management	Commercial Finance	Consumer Finance	Consolidated
External revenues	130,983	8,239	14,733	6,846	160,801
Inter-segment revenue	-	219	44	-	263
Segment revenue	130,983	8,458	14,777	6,846	161,064
Operating expenses	(104,884)	(6,875)	(7,422)	(6,321)	(125,502)
Profit Before interest, tax, depreciation and amortisation	26,099	1,583	7,355	525	35,562
Depreciation	(1,027)	(159)	(100)	(95)	(1,381)
Profit Before interest, tax and amortisation	25,072	1,424	7,255	430	34,181

30 September 2014 <i>In thousands of AUD</i>	Consumer Leasing	Receivables Management	Commercial Finance	Consumer Finance	Consolidated
External revenues	128,481	10,383	4,807	6,231	149,902
Inter-segment revenue	-	286	-	-	286
Segment revenue	128,481	10,669	4,807	6,231	150,188
Operating expenses	(101,735)	(8,729)	(2,292)	(5,701)	(118,457)
Profit Before interest, tax, depreciation and amortisation	26,746	1,940	2,515	530	31,731
Depreciation	(576)	(173)	(26)	(54)	(829)
Profit Before interest, tax and amortisation	26,170	1,767	2,489	476	30,902

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2015

Reconciliation of reportable segment profit or loss

<i>In thousands of AUD</i>	2015	2014
Profit before interest, tax and amortisation for reportable segments	34,181	30,902
Unallocated amounts:		
Other corporate expenses	(7,984)	(5,829)
Amortisation	(880)	(1,546)
Net financing costs	(2,849)	(1,493)
Profit before tax	22,468	22,034
Income tax expense	(7,083)	(6,870)
Net cash from operating activities	15,385	15,164

Reconciliation of reportable revenue

<i>In thousands of AUD</i>	2015	2014
Revenue for reportable segments	161,064	150,188
Other revenue	149	26
Elimination of inter-segment revenue	(263)	(286)
Revenue	160,950	149,928

6. Subsequent events

On 17 November 2015, the Directors declared a fully franked dividend of 5.50 cents per share. The dividend will be paid on 21 January 2016. The dividend has not been provided for in the 30 September 2015 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). They are classified as Level 3.

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

<i>In thousands of AUD</i>	30 September 2015	31 March 2015
Current	11,471	8,557
Non-current	5,965	5,852
Total	17,436	14,409

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

Revenue recognised for the six months ended 30 September:

<i>In thousands of AUD</i>	2015	2014
PDL interest	2,337	1,735
Change in fair value	269	500
Total	2,606	2,235

Thorn Group Limited

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2015

8. Loans and borrowings

<i>In thousands of AUD</i>	30 September 2015	31 March 2015
Current liabilities		
Secured loans	22,924	19,778
Non Current liabilities		
Secured loans	146,482	124,195
	169,406	143,973

<i>In thousands of AUD</i>	30 September 2015	31 March 2015
Secured loan facilities available	210,000	210,000
Secured loan facilities utilised at balance date	169,406	143,973
Secured loan facilities not utilised at reporting date	40,594	66,027

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 2015 this was drawn to \$99,000,000. This facility matures on 28th November 2017.

The consolidated entity has a securitised warehouse loan facility of \$100,000,000 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 2015 this facility was drawn to \$70,406,000. This facility matures on 16th December 2018.

9. Capital and Reserves

Dividends

	Six months ended 30 September 2015		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	6.75 cents	10,215	16 Jul 2015
Unrecognised Amounts			
Interim Dividend	5.50 cents	8,406	21 Jan 2016
	Six months ended 30 September 2014		
	Cents per share	Total \$'000s	Date paid
Recognised Amounts			
Final Dividend	6.50 cents	9,717	17 Jul 2014
Unrecognised Amounts			
Interim Dividend	5.00 cents	7,532	22 Jan 2015

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

The calculation of basic earnings per share for the six months ended 30 September 2015 was based on profit attributable to ordinary shareholders of \$15,385,000 (2014: \$15,164,000) and a weighted average number of ordinary shares of 151,961,000 (2014: 149,962,000).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2015 was based on profit attributable to ordinary shareholders of \$ 15,385,000 (2014: \$15,164,000) and a weighted average number of ordinary shares of 151,961,000 (2014: 149,962,000).

	30 September 2015	30 September 2014
Basic earnings per share		
<i>In cents</i>		
From continuing operations	10.12	10.11
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	10.12	10.11

11. Contingent Liability

Thorn's consumer leasing business unit, Radio Rentals, while in the process of reviewing its business processes and origination systems as part of a wider risk management and governance exercise, found that it may have had some inconsistencies in its credit assessment procedures. Thorn is presently undertaking a detailed examination and will remediate any adversely impacted customers where it is relevant and proper to do so.

This process is ongoing and the quantum of this potential remediation is not able to be determined. No provision has therefore been made in these financial statements. The amounts involved are not expected to be material to the Group.

Thorn has advised ASIC and is working with ASIC to ensure the situation is rectified to ASIC's satisfaction.

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In the opinion of the directors of Thorn Group Limited:

1. the financial statements and notes set out on pages 7 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 2015 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 17th day of November 2015.



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 2015, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 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 2015 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.

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**Independent auditor's review report to the members of Thorn Group Limited
(Continued)**

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 2015 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

Anthony Travers
Partner

Sydney

17 November 2015

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ASX & MEDIA RELEASE**17 November 2015****SOLID HALF YEAR PROFIT, STRONG GROWTH IN COMMERCIAL FINANCE, DIVIDEND UP****Group Highlights for the six months to 30 September 2015**

- Revenue up 7.4% to \$161m (HY15: \$150m)
- NPAT up 1.5% to \$15.4m (\$15.2m)
- Return on equity 18.2% (18.7%)
- Net Gearing increased to 45.5% (2014: 22.9%) due to growth and expansion
- Interim dividend increased to 5.50 cents fully franked, reflecting outlook

Operations

- Group receivables up 62.3% to \$337M (\$207.6M)
- Performance driven by strong growth in commercial finance, revenue up threefold
- Growth in consumer leasing, off-set by a one-off \$2.8m charge for historic principal credit balance refunds.
- Consumer finance flat due to reshaping strategy and platform, NCML restructure completed with better second half performance expected

Overview

- Diversification strategy producing higher revenue and strong receivables growth
- Organic and acquisition strategy delivering growth and shareholder value
- Outlook positive

Group performance commentary

Financial services company, Thorn Group Limited (ASX: TGA), has delivered a solid result for the half year to 30 September 2015, with group revenue increasing 7.4 per cent compared to the previous corresponding period, up from \$149.9 million to \$161 million. Net profit after tax (NPAT) was up 1.5 per cent from \$15.2 to \$15.4 million.

The fastest growing component of earnings was from the commercial finance business, with Cash Resources Australia (CRA), acquired in 2014, contributing for the full period. Revenue from commercial finance is up threefold and its contribution to group EBITA is up from 8 per cent to 21 per cent. Consumer leasing benefited from strong originations. A new platform and brand consolidation in consumer finance kept profit flat and a restructuring of NCML led to lower profit while improving its positioning for better performance.

Receivables across the group increased by 62.3 per cent during the year to \$337 million compared to \$207.6 million in the previous corresponding period. To support this growth, debt increased, resulting in net gearing rising from 22.9 per cent to 45.5 per cent. The group had \$12 million of cash on hand at 30 September 2015.

Thorn Managing Director, Mr James Marshall, said: "Thorn's continuing investment in growth and strategic focus on each part of the business has again led to solid results. The rapid growth of the commercial finance business demonstrates a positive outcome from Thorn's business diversification strategy. In consumer leasing, we've had continued positive feedback from customers, while

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management has focused on developing a wide ranging governance program to achieve the highest standards of compliance. Results from this program include appropriate remediation of any historic discrepancies”.

Consumer Leasing

Radio Rentals, which also operates as RR-Rentlo Reinvented in South Australia (RR), meets an extensive range of technology, home and office needs, through a range of consumer lease products, principally under the Rent, Try, \$1Buy![®] banner. Radio Rentals/RR operates over 90 outlets nationally and has been a market leader since 1937.

Consumer leasing business, Radio Rentals/RR, remains the largest contributor to group earnings, with revenue increasing 1.9 per cent from \$128.5 million to \$131 million. Customer retention remained consistently strong with nearly 50 per cent of customers completing a Rent Try \$1 Buy agreement taking a subsequent agreement for another item. EBITA was slightly down at \$25.1 million (\$26.2M), affected by a one-off \$2.8m charge for historic principal credit balance refunds. The brand evolution pilot and second rental brand under the name Rentlo, offering a “no lock-in” contract and flexible rental solutions, are continuing.

Commercial Finance

Thorn Equipment Finance (TEF) provides equipment finance solutions for businesses and government, with SMEs a key target market for supply of a diversified range of products, as well as invoice discounting for SMEs through Cash Resources Australia (CRA).

Results reflect strong growth in commercial finance, with originations up across all states. Successful integration of Cash Resources Australia has led to new client growth and higher receivables for TEF, up 72.3 per cent from \$60.5 million to \$104.2 million and CRA invoices amounting to \$38.1 million. Revenue was up 207.4 per cent from \$4.8 million in the previous corresponding period to \$14.8 million. Segment EBITA is up 191.5 per cent to \$7.3 million (\$2.5M), representing 21 per cent of group EBITA. Acquired in December 2014, CRA had a positive impact on financial results in the first half of FY16, with its successful integration allowing for client base expansion and cross selling opportunities between TEF and CRA.

Consumer Finance

Thorn’s consumer finance business provides consumers with access to a range of personal loans, including unsecured loans up to \$15,000 and secured loans up to \$25,000.

Consumer finance reported higher revenue, up 9.9 per cent, from \$6.2 million to \$6.8 million. Thorn’s two consumer finance brands, Thorn Money and Cashfirst, are being consolidated with all loan products aligning under the Cashfirst brand to simplify marketing efforts and focus on customers with stronger credit quality under a new credit scorecard. Increased revenue was offset by higher costs from reshaping the strategy and platform, which led to a decrease in EBITA, down 9.7 per cent to \$0.4 million (\$0.5M). A newly developed originations platform is expected to support improved receivables growth and expanded distribution channels.

NCML

NCML is a provider of credit and receivables management services throughout Australia.

NCML revenue was down 20.7 per cent, to \$8.5 million (\$10.7M), due to investment in an operational restructure, which included the establishment of 'centres of excellence' and a quality compliance framework. While revenue decreased, the strategic review is now complete and investment in quality Purchased Debt Ledgers (PDL) is expanding. During the period, PDL receivables increased 54 per cent to \$17.4 million (\$11.3M). NCML is expected to continue investing in high quality PDLs and optimise the strategic initiatives put in place in the first half of FY16 to deliver improved results in the second half. EBITA was down 19.4 per cent to \$1.4 million (\$1.8M).

Regulatory update

A number of regulatory issues have arisen in 2015, with the federal government initiating an inquiry into small amount credit contracts (SACCs / payday lending) and consumer leasing and ASIC reporting on some consumer industry leasing practices.

In Thorn's experience, most people take out a consumer lease because it provides affordable access to goods, coupled with support services including; delivery, installation, in-home service, customer care outside warranty, as well as the flexibility to upgrade, change, return, or offer to purchase their rented goods at a later date. Consumer leasing is a way of dealing with exclusion from the financial mainstream, an issue affecting millions of Australians. In relation to ASIC's report, Thorn advises it does not engage in the practices ASIC highlights and that the report, in focusing on just two consumer leasing companies, relates to less than 1 per cent of the industry. Thorn does not condone overcharging by some consumer leasing companies and intends to be a leader in developing an industry code of conduct.

Contingent liability

Thorn has noted a contingent liability in its accounts as a result of a concentrated focus to establish a 'Gold Standard' regulatory compliance framework to support the business as it continues to grow and diversify. The program, which includes a broader risk management and governance exercise, found that it may have had some inconsistencies in its credit assessment procedures. Thorn is presently undertaking a detailed examination and will remediate any adversely affected customers where it is relevant and proper to do so. While the amounts involved have not yet been determined, Thorn does not expect them to be material. Thorn has advised ASIC and is working with ASIC to ensure the situation is rectified to ASIC's satisfaction.

Dividend Payment

Solid underlying results and the board's positive view of the outlook support an interim dividend increase to 5.5 cents a share fully franked, to be paid on 21 January 2016 to shareholders registered on 7 January 2016.

Initiatives and Outlook

Thorn will continue with its combined organic and acquisition growth strategy aimed at delivering sustainable growth and long term shareholder value while adding to diversification of returns and risk. Thorn anticipates its business segments will continue to trade positively particularly commercial finance. Continuing growth in receivables will be the basis for growth of all parts of the business.

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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. It has four business segments. In consumer leasing, its foundation business, Radio Rentals (RR in South Australia) has been a leader in the household goods rental market since 1937 and now has over 90 outlets nationally. In consumer finance, Cashfirst offers secured and unsecured loans up to \$25000. In commercial finance, Thorn Commercial Finance provides leasing and debt finance to businesses. NCML helps commercial clients maximise their cash flow. Thorn employs in excess of 900 people, has been listed on the ASX since 2007, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.

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Half Year Results Presentation 2016

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Agenda

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

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Overview

- Strong growth in Commercial Finance
- CRA acquisition / integration on track
- Consumer Leasing delivers solid result - offset by a one-off \$2.8m charge for historic principal credit balance refunds
- Consumer Finance book steady while reshaping strategy and platform
- NCML strategic review and restructure complete
- Focus on achieving 'Gold Standard' regulatory compliance framework
- Commitment to ensure 'clean slate' for growth

Group Results Summary

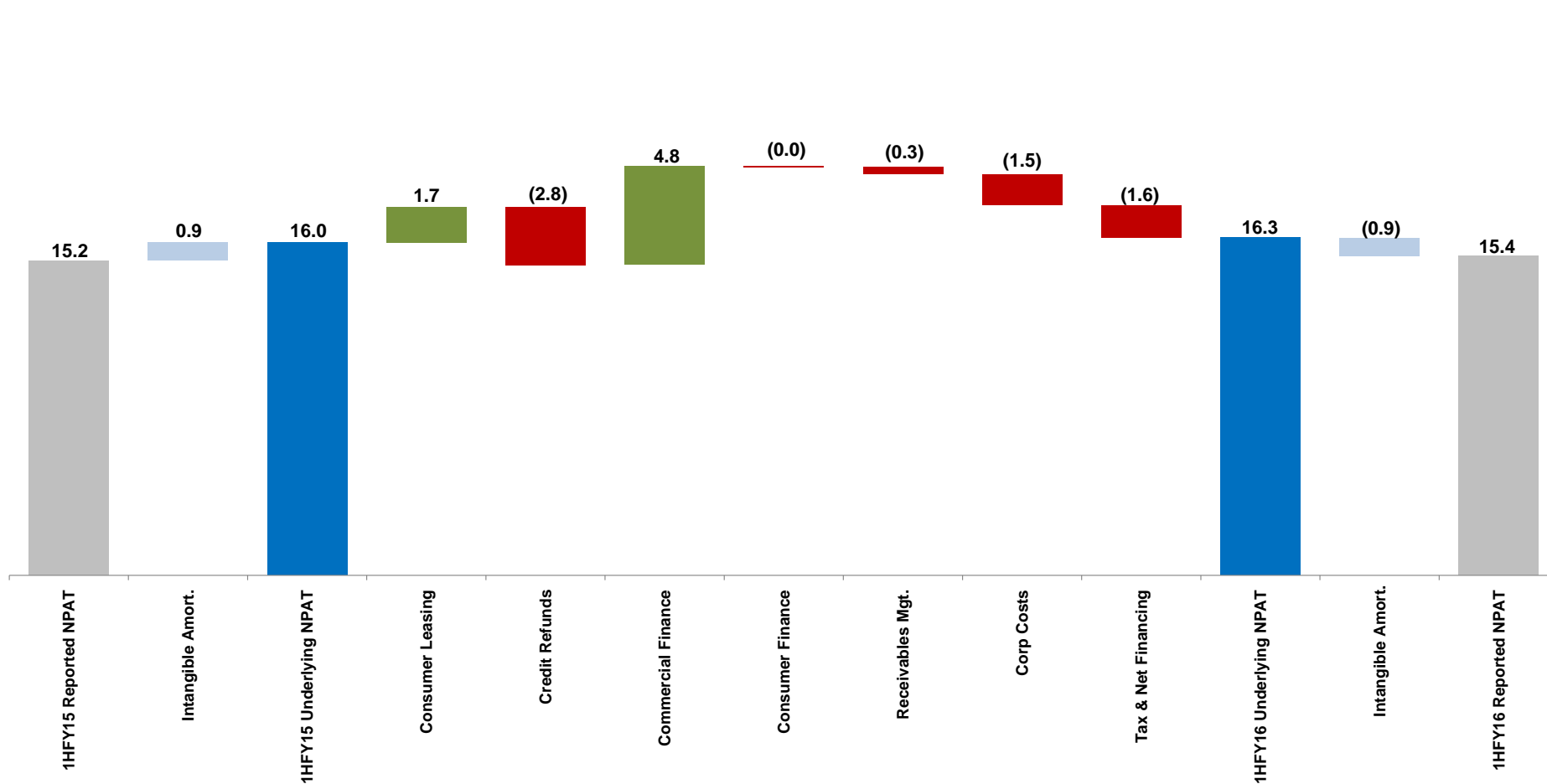
	30 September 2015	30 September 2014	% Change
Revenue (\$m)	161.0	149.9	7.4
Underlying NPAT ¹ (\$m)	16.3	16.0	1.4
Reported NPAT (\$m)	15.4	15.2	1.5
Reported EPS	10.12	10.11	0.1
Underlying ROE ²	18.2%	18.7%	(0.5) pts
Interim Fully Franked Dividend	5.50 cents	5.00 cents	10.0
Gearing ³	45.5%	22.9%	22.6 pts
Net Receivables ⁴	337.0	207.6	62.3

Notes:

1. Underlying NPAT includes the add-back of \$0.9m amortisation of acquired intangibles.
2. Return on equity calculated as last 12 months of underlying NPAT / average of opening and closing equity.
3. Gearing is calculated as closing net debt (senior borrowing less free cash) divided by closing equity. This calculation excludes the warehouse debt and its corresponding secured receivables.
4. Receivables on a net basis, exclusive of unearned interest, and net of provisioning.

NPAT Bridge

NPAT Bridge (\$m)



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Balance Sheet

Summarised Balance Sheet (\$m)	Sep-15		Mar-15	
	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at Bank	12.0	12.0	13.9	13.9
Receivables	249.0	337.0	215.9	289.6
Investment in unrated notes	17.6	-	13.8	-
Rental and other assets	37.1	37.1	40.1	40.1
Intangibles	31.7	31.7	32.9	32.9
Total Assets	347.3	417.7	316.5	376.5
Borrowings	99.0	169.4	84.0	144.0
Other liabilities	50.0	50.0	43.0	43.0
Total Liabilities	149.0	219.4	127.0	187.0
Total Equity	198.4	198.4	189.5	189.5
Gearing (Net Debt / Equity) ¹	45.5%	n/a	38.6%	n/a

Notes:

1. Warehouse trust excluded in the calculation of gearing as they are non-recourse.

Receivables

		30 Sep 15 (\$m)	31 Mar 15 (\$m)	30 Sep 14 (\$m)	Movement (12 mths)	
					\$m	%
Consumer Leasing	Lease Book ¹	126.6	99.3	85.5	41.1	48.1%
	Rental Assets	29.5	33.2	45.7	(16.2)	(35.5%)
Commercial Finance	Lease Book ^{1,2}	104.2	82.4	60.5	43.7	72.3%
	Invoices ¹	38.1	36.5	-	38.1	n/a
Consumer Finance	Loan Book ¹	35.0	39.5	36.1	(1.1)	(3.2%)
Receivables Management	PDLs	17.4	14.4	11.3	6.1	54.9%
Net Receivables³		337.0	289.6	207.6	129.4	62.3%

Notes:

1. Receivables on a net basis, exclusive of unearned interest, and net of provisioning.
2. A proportion of the commercial finance lease book is funded through the securitised warehouse.
3. Net receivables includes sundry receivables and excludes rental assets as they are fixed assets.

Credit Quality

	1HFY16 ⁴	2HFY15	1HFY15
Consumer Leasing			
Average Delinquency ¹ (30+ days)	6.8%	7.3%	7.5%
Impairment Losses (\$m)	12.7	9.1	11.5
Impairment losses / ANR % ²	9.6%	8.2%	13.2%
Commercial Finance – Equipment Finance			
Average Delinquency ³ (30+ days)	1.7%	1.3%	1.1%
Impairment Losses (\$m)	0.9	0.9	0.7
Impairment losses / ANR % ²	0.9%	1.1%	1.2%
Commercial Finance – Debtor Finance			
Impairment Losses (\$m)	0.9	0.5	n/a
Impairment losses / ANR % ²	2.2%	1.1%	n/a
Consumer Finance			
Average Delinquency ³ (30+ days)	7.0%	6.0%	6.2%
Impairment Losses (\$m)	3.3	3.7	2.3
Impairment losses / ANR % ²	8.0%	8.5%	6.6%

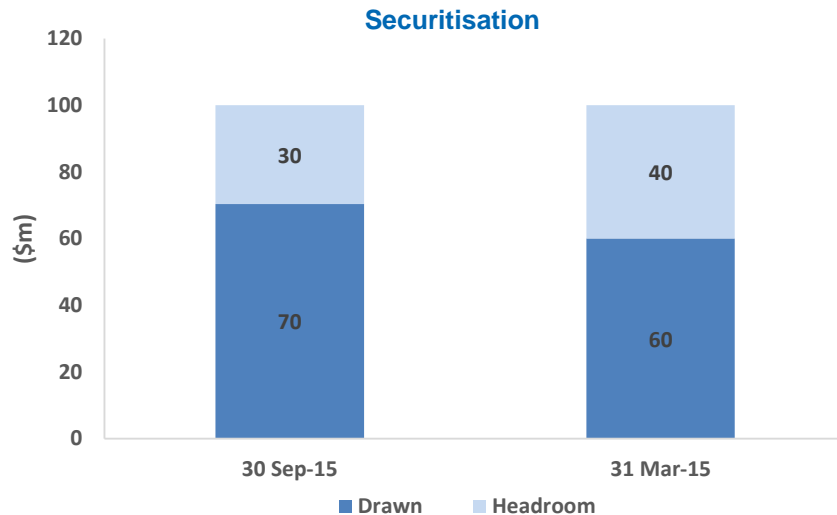
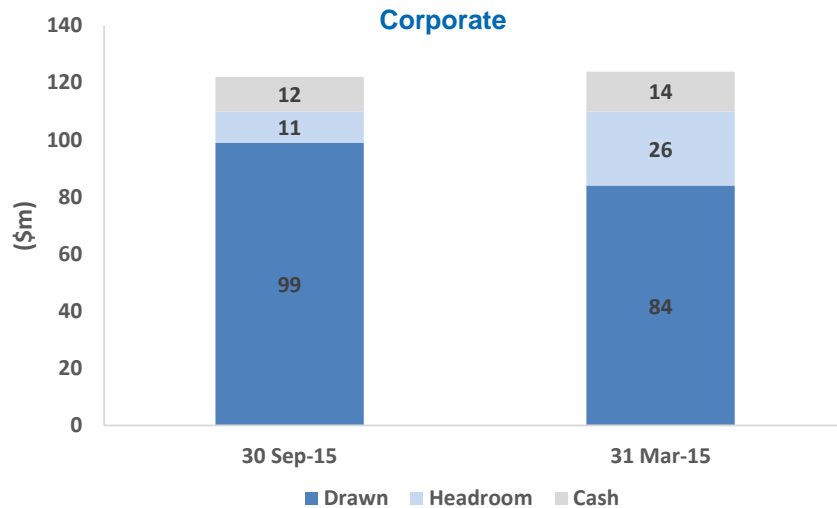
Notes:

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 average current arrears balance expressed as a % of interest bearing receivables.
4. Financial statements impairment total includes operating lease asset write-offs and sundry small items.

- Consumer Leasing
 - Underlying improved arrears performance resulted in reduced impairment losses offset by a \$2.8m charge for historic principal credit balance refunds
- Commercial Finance
 - Significant increase in size of book
 - Losses as a % well within acceptable limits
 - CRA provisioning deliberately increased after acquisition
- Consumer Finance
 - Exited small amount credit contract ("SACC") loans
 - Changes to risk management processes to reduce net bad debt

Borrowings

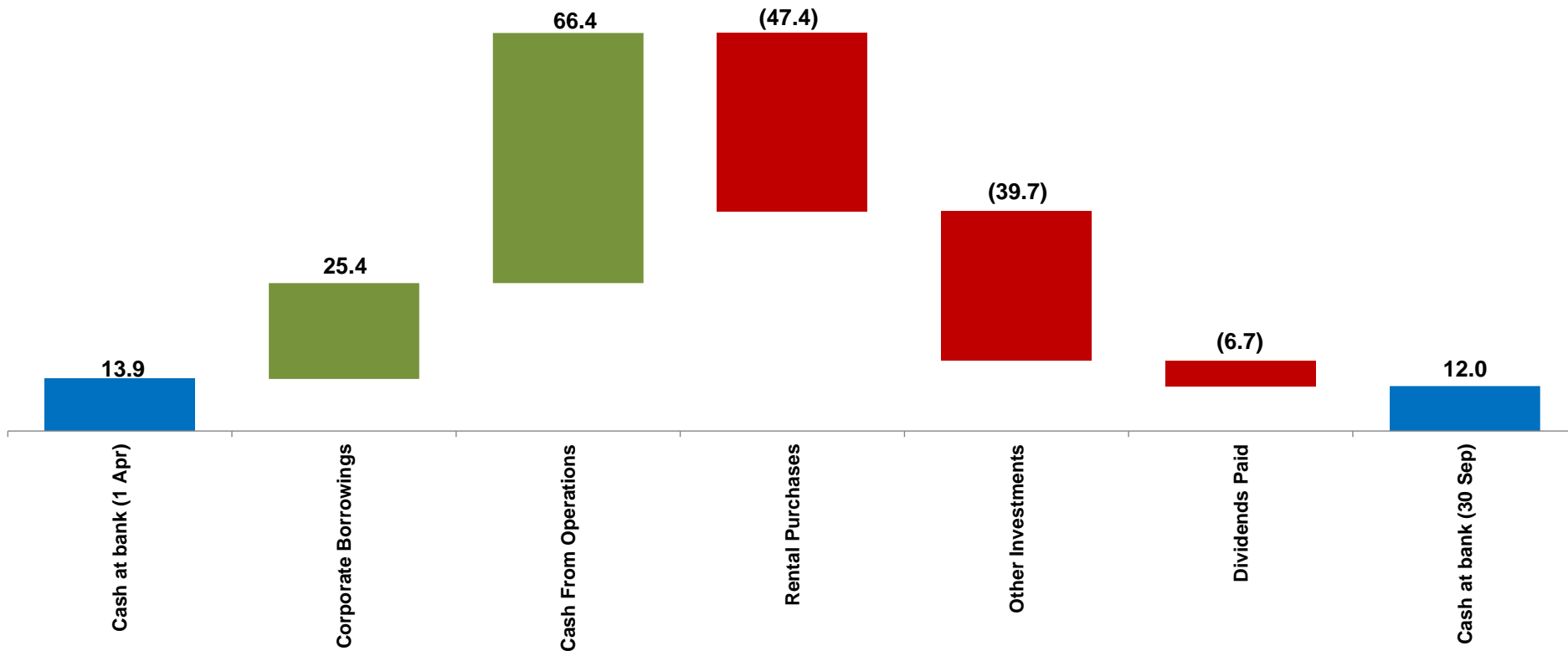
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- Current funding is a \$110m corporate debt facility (matures November 2017) and a \$100m securitised warehouse (matures December 2018)
- Both have been and continue to be drawn down to fund receivables growth
- Group meets all covenants and has \$41m of headroom plus cash on hand
- Plan to diversify and optimise the funding structure
- Seek senior warehouse funding with high attachment points
- Provide flexibility for growth and to fund add-on acquisitions

Cash Flow Bridge

Cash Flow Bridge (\$m)



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Operational Performance

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Branding Architecture

- Consumer Leasing
- Commercial Finance
- Consumer Finance
- Receivables Management

radio  rentals™

rentlo

 THORN
Equipment Finance™

 CASH RESOURCES
AUSTRALIA

 cashfirst™

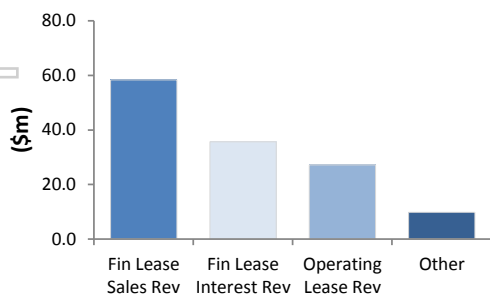
 NCML

Consumer Leasing

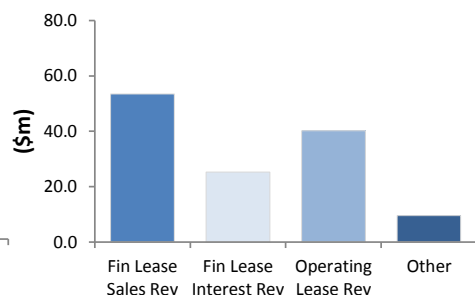
- Revenue increased 1.9% to \$131.0m
- Originations up 9%
 - 48 month contracts represent 77% of installations
 - Closing receivables up 48%
- EBIT includes a one-off \$2.8m charge for historic principal credit balance refunds
- Continuation of low delinquency levels
- Steady progress on brand evolution pilot
- Rentlo 2nd brand gaining momentum
- Outlook
 - Continuation of brand evolution and 2nd brand
 - Regulatory reform to improve standards

Consumer Leasing	1HFY16	1HFY15	% Change
Installations ('000) ¹	73.6	72.8	1.1%
Average Unit Rate (\$ per week)	10.4	10.5	(1.5%)
Originations (\$m) ²	58.4	53.4	9.2%
Revenue (\$m)	131.0	128.5	1.9%
EBIT (\$m)	25.1	26.2	(4.2%)
Receivables (\$m) ³	126.6	85.5	48.1%
Total no. of stores	92	90	

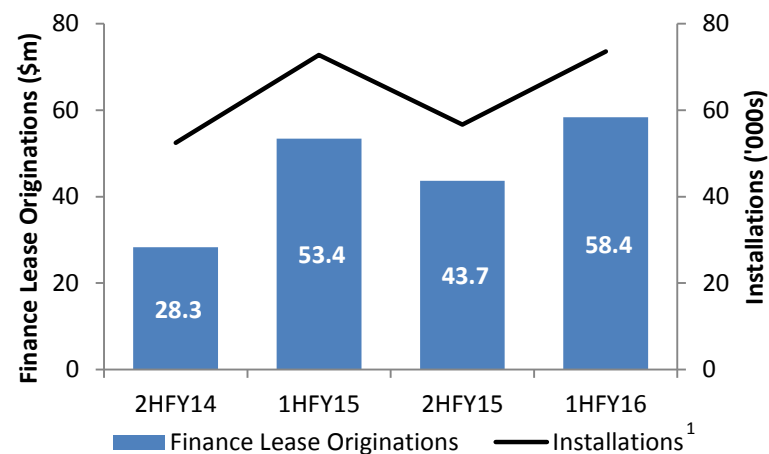
1HFY16 Rev Composition



1HFY15 Rev Composition



Finance Lease Originations / Volume



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.

Commercial Finance

Equipment Finance

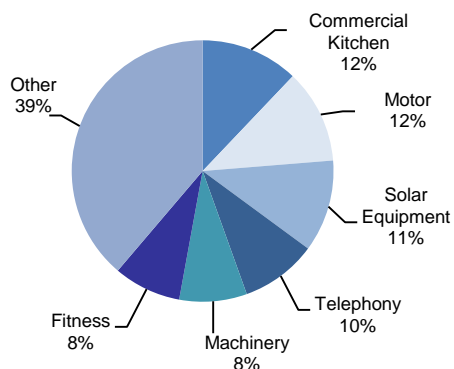
- Strong originations across all states
- Enhanced direct and strategic partner business generation
- Continued low levels of delinquency
- Average equipment finance deal size of \$24k
- Outlook
 - Expanded product offerings
 - A 'Vendor Finance' pilot

Invoice Discounting / Debtor Finance

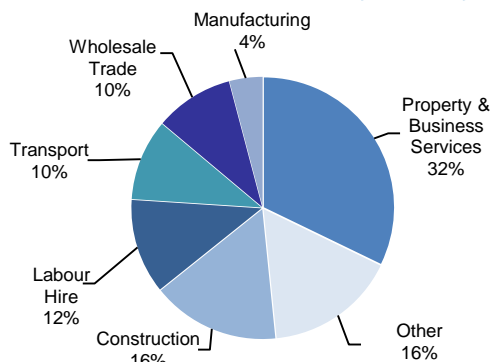
- Successful integration and new client growth
- Outlook
 - Cross sell between TEF and CRA

Commercial Finance	1HFY16	1HFY15	% Change
Revenue (\$m)	14.8	4.8	207.4%
EBIT (\$m)	7.3	2.5	191.5%
TEF Originations (\$m)	38.7	24.0	60.9%
CRA Purchases (\$m)	179.3	-	-
TEF Receivables (\$m) ¹	104.2	60.5	72.3%
CRA invoices (\$m)	38.1	-	-

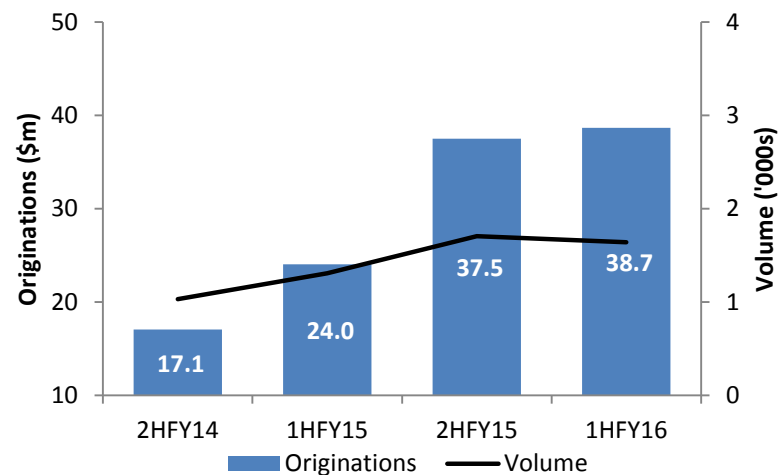
1HFY16 TEF Asset Categories Financed



1HFY16 CRA Purchases By Industry



Equipment Finance Originations / Volume



Notes:

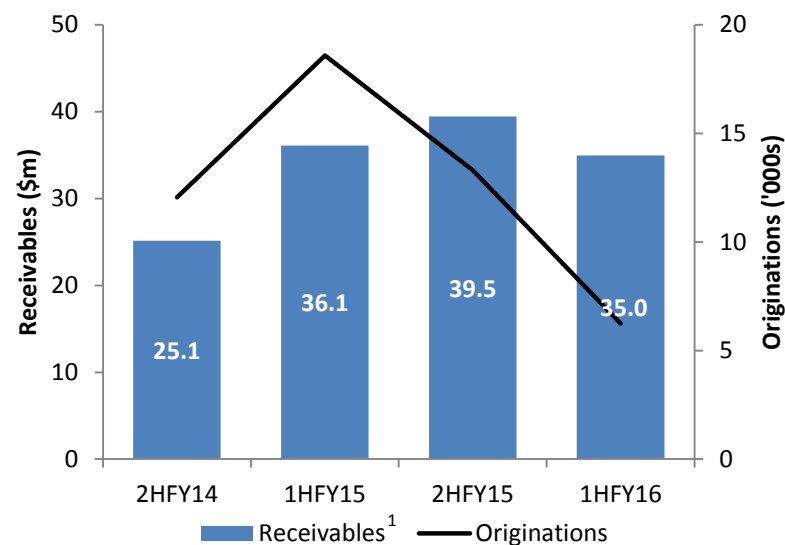
1. Receivables on a net basis, exclusive of unearned interest and net of provisioning. Excludes CRA invoices.

Consumer Finance

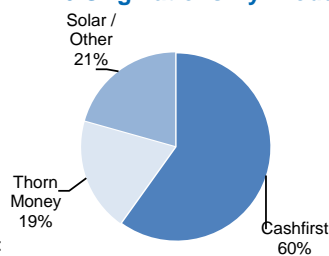
- Revenue increased 9.9% to \$6.8m
- Reshaping strategy and platform
 - Consolidation of Thorn Money & Cashfirst brands
 - New origination and technology platforms
 - Limited marketing during strategic re-set
- Focus on customers with stronger credit quality
 - Exit of small amount credit contracts (“SACC”)
- Expanding distribution
 - Historic dependence on digital channel only
 - Review 3rd party distribution
- Expect higher loan sizes given exit of SACC product
- Outlook
 - Expanded distribution channels
 - Further refinement of origination technology
 - Improved cost of acquisition

Consumer Finance	1HFY16	1HFY15	% Change
Revenue (\$m)	6.8	6.2	9.9%
EBIT (\$m)	0.4	0.5	(9.7%)
Originations (\$m)	6.2	18.6	(66.4%)
Receivables (\$m) ¹	35.0	36.1	(3.2%)

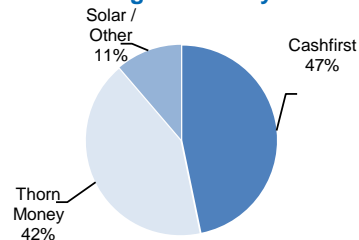
Receivables / Originations



1HFY16 Originations By Product



1HFY15 Originations By Product



Notes:

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

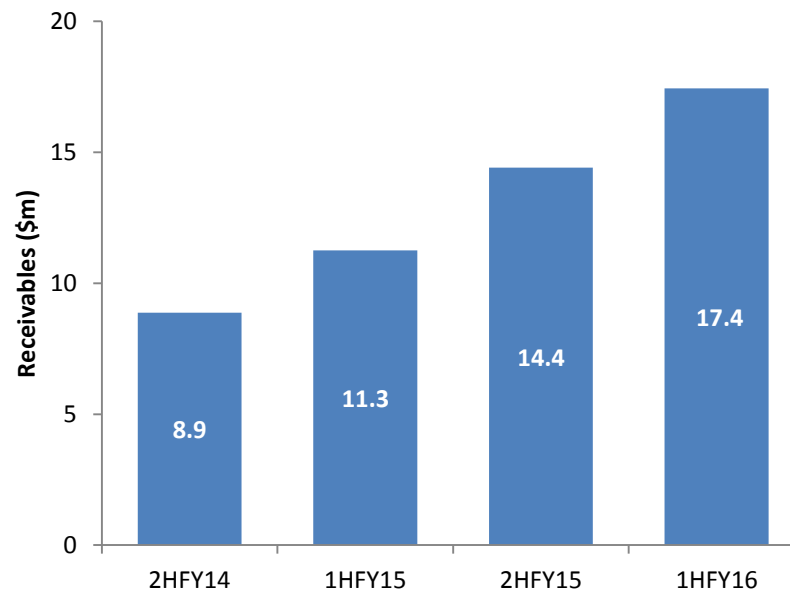
National Credit Management Limited

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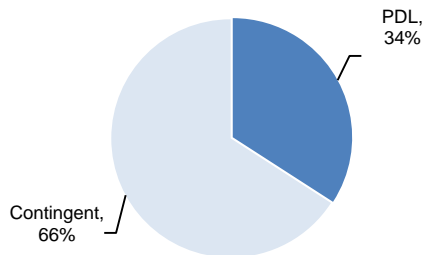
- Revenue decreased 20.7% to \$8.5m
- The strategic review now complete
 - Establishment of centres of excellence
 - Investment in PDLs
 - Growth in arrangement banks
- Establishment of quality compliance framework
- Contingency now stabilizing
 - Growth in Banking and Government clients being achieved
 - Revenue decline influenced by strategy to migrate from legal driven collections model to longer term customer arrangements
- Outlook
 - Better performance expected in 2nd half
 - Strategic initiatives will be optimized to improve operational performance

Receivables Mgt	1HFY16	1HFY15	% Change
Revenue (\$m)	8.5	10.7	(20.7%)
EBIT (\$m)	1.4	1.8	(19.4%)
PDL Receivables (\$m)	17.4	11.3	54.9%

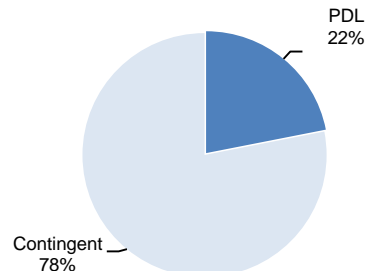
PDL Closing Receivables



1HFY16 Revenue By Business



1HFY15 Revenue By Business



External environment

- **Competitive environment**
 - Underserviced markets
 - Consumer leasing and finance
 - Commercial landscape
- **Regulatory environment**
 - SACC and consumer leases
 - Centrepay
- **Governance and risk management**
 - Responsible lending and compliance
 - Framework to support growth and diversification
 - Contingent liability

Outlook

- Strong balance sheet and increased operating cash flows
- Continued investment in growth initiatives
- Consumer Leasing continues to deliver solid underlying results
- Commercial Finance growing rapidly and driving diversification
- Consumer Finance repositioned with new platform
- NCML restructured with PDL investment and growing arrangement bank
- Growth in receivables underpins future performance