



NATIONAL CREDIT MANAGEMENT LIMITED (NCML)

NATIONAL CREDIT MANAGEMENT LIMITED (NCML) IS A LEADING PROVIDER OF CREDIT AND RECEIVABLES MANAGEMENT SERVICES IN AUSTRALIA.

NCML has been partnering with Australia's largest creditors for over two decades and has become highly specialised in the government, banking, insurance, fines and tolling sectors. NCML's offering extends from pre-collection services, to responsible hardship management, arrangement management, legal recovery and debt purchasing.

As a result of changing business practices with some long standing clients, revenue fell 21.7 per cent to \$14.7 million. EBIT was also affected by a valuation methodology change for PDLs which included a \$1.2 million revenue devaluation in the second half, resulting in EBIT finishing 40.1 per cent lower at \$1.4 million. In FY16, NCML increased its investment in the Purchase Debt Ledger book by 35 per cent with \$12 million of purchases. This increases the asset base from which collections are made.



STRATEGIC INTENT

IN FY16, NCML HAS WORKED TOWARDS REBUILDING ITS FOUNDATIONS FOR GROWTH. IT IS NOW BETTER POSITIONED STRATEGICALLY IN A COMPETITIVE MARKET AND HAS A CLEARER VISION OF THE FUTURE.

NCML has been focused on strengthening capabilities across collection strategy and customer engagement through a number of digital initiatives, including industry-leading technologies to drive customer engagement and a new online portal. These developments will be a key differentiator for NCML.

While contingent collections continue to provide the majority of revenue and is an area in which NCML is becoming more competitive, the PDL portfolio is also growing and evolving its "arrangement bank" build which will underpin future revenues for the division. A number of key wins and new clients in government and financial services sectors reinforced the decision to clarify NCML's execution focus to Purchased Debt (where debt is purchased from the original credit issuer) and Contingent Debt (where debt is actioned, for a fee, on behalf of the credit issuer), allowing NCML to be more agile as a business, play to its strengths, provide value to clients and secure new and upgraded contracts.

ADDRESSING FINANCIAL EXCLUSION

Thorn received its Australian Credit Licence under the National Consumer Credit Protection legislation in 2010, making it one of the first financial service providers in Australia to be licensed. A key element of Thorn gaining its license was having a Responsible Lending Policy under which Thorn seeks to ensure customers are treated fairly and provided access to goods and services that meet their needs and budget. Within Thorn's policy are hardship provisions which are intended to help customers cope with unforeseen circumstances.

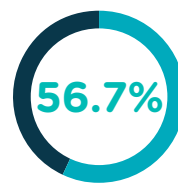
A large component of Thorn's consumer customer base comprises Australians who are excluded from the financial mainstream and it has become increasingly apparent that this is a substantial group:

- 16.9 per cent of the Australian adult population, or just over 3 million people, are either fully or severely financially excluded
- 42.9 per cent of the Australian adult population, or 7.7 million people, are marginally financially excluded
- 56.7 per cent of the Australian adult population, or over 10 million people, do not have a credit card¹

There are many reasons for financial exclusion but it is because of this situation that Thorn has developed its "fair go" policy, enabling people to have access to household goods when there are few alternatives.



16.9% OF THE AUSTRALIAN ADULT POPULATION ARE EITHER FULLY OR SEVERELY FINANCIALLY EXCLUDED



56.7% OF THE AUSTRALIAN ADULT POPULATION DO NOT HAVE A CREDIT CARD¹



THE "MUM TEST"

A feature of how Thorn operates when dealing with customers is to apply what we call the "Mum test". This means staff are encouraged to treat customers "as if they were your mum" and do whatever is reasonable to assist them. We do this to ensure customers get a "fair go", particularly people who may have encountered difficulties in their lives.

HARDSHIP POLICY

Thorn also has a hardship policy in place, enabling customers to extend the balance of their contract at a lower payment without any charges or penalties. This was recently used for one of our long standing customers in Victoria who was not only battling health issues but had also lost her home due to a fire. Under the hardship policy, Radio Rentals cleared her account, replaced the items she had lost and ensured she would no longer have to make any payments.

In addition to fee free contract extensions Thorn also offers product downgrades without incurring any penalties or additional fees, returns of unnecessary items without penalty, and relief on payment commitments under its dedicated hardship program.

¹ Connolly C, Measuring Financial Exclusion in Australia, Centre for Social Impact (CSI) – University of New South Wales, 2014, for National Australia Bank.



FOR THOSE AUSTRALIANS EXCLUDED FROM THE FINANCIAL MAINSTREAM, THORN IS AWARE THAT CONSUMER RENTAL IS AN IMPORTANT FINANCING ALTERNATIVE

CENTREPAY

Some of Thorn's customers, who receive income from government benefits, are eligible to meet their commitments through Centrepay, an automated method of payment (like direct debit) that supports people to pay regular living expenses from their existing welfare payments.

Using this system is a choice by many customers and because it is free to them, it avoids costs associated with bank direct debit systems.

For those Australians excluded from the financial mainstream, Thorn is aware that consumer rental is an important financing alternative. Thorn's customer research indicates that consumer rental is a service many people need at a time when they do not have alternatives and Thorn is proud to have this sentiment underlining its work.