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ASX Announcement 23 May 2013

ANNUAL GENERAL MEETING ON 23 MAY 2013
CHAIRMAN'S ADDRESS

Ladies and Gentlemen

I am pleased to reflect on 2012 as a year in which the business made significant progress to transform itself into a financial services provider of multiple products in multiple territories. While the financial results made for a challenging year, strong foundations for future growth have been established.

Our goal is to be an innovative provider of financial services products to consumers at the point of sale through multi-channel retailers. To achieve this goal, commencing in 2011, we embarked on a strategy to diversify our products and funders.

Significant progress towards executing this strategy was achieved during 2012 – new products were launched in both Australia and the UK and a new funding platform was finalised in Australia. We have broadened our sources of revenue and funding and are making good progress towards expanding our customer base beyond our traditional electronic retail sector. Your Directors believe that this diversification will protect and enhance the value of the business for its shareholders and employees.

Our financial results in 2012 were disappointing as we recorded a loss for the year of $1.4 million. Importantly, during the year the financial results turned the corner and we reported a small profit in the second half of 2012. I am pleased to report that this positive trajectory has been maintained into 2013 and I will provide a brief update on recent trading later in this address.

During 2012, our UK business produced record annual results with strong growth across all key metrics: new business sales increased by 58% and profit contribution increased by 26%. There were two key reasons for this success: first, the high level of demand for our consumer rental product, *Infinity*, which is available exclusively in Dixons, and, second, our highly scalable operational capability which resulted in fixed costs in the UK remaining largely flat despite the growth in volumes. The growth in new *Infinity* volumes in 2012 was due to the combination of a compelling bundle of products and good in-store promotion.

In contrast, 2012 proved to be a difficult trading year for the Australian business as we completed a challenging transformation agenda amidst tough trading conditions. The marked downturn in consumer electronics was the key reason for a 29% decline in volumes from our rental product, *RentSmart*.

Two important strategic changes for the Australian business were concluded during the year. First, we completed the transition to a securitisation funding model, which required the implementation of lease accounting. This ensured access to significant funding facilities from multiple funders. Second, we launched a new payment plan product, *Fido*, which we expect to transform the prospects of the Australian business.

Fido is now just over a year old and offers an array of national retailers a winning combination of a “no interest ever” finance product and a quick application process. Retailer partners operate in a broad and expanding range of categories, such as solar and jewellery, and therefore offer us category diversification away from electronics. Further, *Fido* customer quality is high and our early loss experience is very encouraging.

I am pleased to report that *Fido* is already contributing positively to the Group’s financial results and is expected to generate higher new sales volumes in 2013 than *RentSmart*. Our key objective for the development of the *Fido* product in 2013 is the expansion of our distribution network.

We have made two important announcements already this year in relation to our existing distribution network. In February, we renewed our partnership with JB Hi-Fi out to late 2015. Then, earlier this month, we announced the extension of our Dixons contract for *Infinity* out to 2017. It is worth reflecting that Dixons is the UK’s largest electronic retailer with around 500 stores in the UK and is therefore the Group’s biggest retail partner. Both of these renewals represent important mile-stones towards building long term and sustainable value.

As a result of the transformation that is now largely complete, our business has greater diversification in product and funding than at any point in its history and is well positioned to deliver growth in 2013 and beyond.

Trading update

At the start of the year we outlined our expectations for 2013. Most importantly, we set out our expectation that the Group would return to full year profit in 2013. We anticipated that this improvement would be driven by double digit volume growth in both territories. We also indicated that the trajectory of the UK business would remain strong with profit contribution and new volumes increasing by double digits.

I am pleased to report that, with four completed months of trading, we are on track to achieve our targets for the 2013 year. For the first six months of 2013 we expect to report an after tax profit of around $0.5 million. This expected result would represent an improvement of around $2 million from the corresponding period in 2012.

The UK business is continuing its strong growth trajectory in 2013 with both volumes and profit building steadily. The short and long-term prospects in the UK business remain very positive. As I have previously mentioned, the extension to 2017 of our contract with Dixons for the *Infinity* product helps under-pin the business for the long-term. More immediately, last week a refreshed *Infinity* product was launched throughout the Dixons network. This is expected to further accelerate our volume growth as the proposition for both the customer and the in-store salesperson has been enhanced. While the new *Infinity* product provides a slightly lower margin on a single-deal basis, the higher volume expectations and the security of the long-term contract with Dixons mean we have meaningfully enhanced the value of the UK business.

Here, in Australia, rental volumes have been softer than expected and, at this early stage in the year, *RentSmart* is tracking behind our expectations. We anticipate volumes will improve through the year on the back of comprehensive marketing plans which have recently been agreed with our retail partners. Of particular importance for *RentSmart* is our e-signature process which we expect to deploy in the second half of 2013 for online only transactions.

We continue to be pleased with the progress of *Fido.* Volumes continue to build steadily and we are recording growth in sales volumes and retail partners in line with our expectations. In the first four months of 2013 we have added both JB Hi-Fi and TeleChoice as *Fido* retailers. Your Board continues to expect our payment plan product to play a key part in the growth of the Group. With the product and funding in place and to help unlock this potential, we have recently invested in additional senior sales capability to build out our distribution network.

In summary, we are pleased with our results at this point in the year. The business is performing in line with our expectations with growth in both new business volumes and bottom line earnings. The business has a positive trajectory and your Directors and management team are determined to build on this through 2013 and into 2014.

Corporate governance

I believe your Directors have made a huge contribution to the development of the Group since the IPO in 2007. However, given the number of long-serving Directors, I, as your Chairman, intend to develop and execute a Board succession plan which will see your Board refreshed.

As part of the review of the Board and the Group's corporate governance, your Board also intends to revisit the current combination of the roles of Chairman and Chief Executive Officer and intends to separate the two roles by appointing a new Chief Executive Officer. The Board intends, firstly, to carefully manage the succession and, secondly, that the new CEO will work closely alongside me in my new role as Executive Chairman. The rejuvenation of the Board and succession planning should be completed by December 2014.

This process to refresh the Board of Directors has already commenced and I would like to welcome to our meeting today, Keith Jones. Keith is a former senior executive of Dixons in the UK who has recently been consulting to our UK business. Keith has 30 years of retail experience in Europe which includes being Group Retail Director of Dixons. With this level of experience, Keith brings significant insight into both the UK market and Dixons, our largest distribution partner.

Your Board is meeting tomorrow and it is likely that Keith will be invited to join the Board as a Non-Executive Director. The addition of an independent Director of Keith's calibre will further enhance your Board at a time in which the UK business is driving such strong profit for the Group and looking to broaden its offering into new retail categories and retailers.

The entire process will be managed carefully to ensure that the appropriate levels of skills and experience remain among the Board of Directors and that the Board remains focused on its primary role to protect and enhance shareholder value.

In summary, during 2012, the business has completed a significant transformation agenda and has commenced 2013 with a clear strategy in place to deliver sustainable long-term growth to shareholders. The business is on track to meet its guidance for the 2013 year, principally to achieve a full year profit. The priorities for your Board of Directors and management team through 2013 are to:

- Return to full year profit
- Grow *Fido* by focussing on building out the distribution network
- Maintain positive momentum in the UK
- Diversify and innovate our product offering

I would like to take this opportunity to thank all of our staff across Australia and the UK for their continued hard work and passion. The business has taken important steps over the last year to reposition itself. As a result the business has stronger foundations and considerably enhanced growth potential and this could not have been achieved without their efforts. Achieving the exciting potential of the business in 2013 and beyond will also rely on the diligence and passion of the team and I would like to offer the thanks of your Board to all our staff in the UK and Australia.

Finally, I would like to also thank my fellow Directors and our shareholders for their contribution and continued support throughout the year.