

FLEXIGROUP LIMITED
ABN 75 122 574 583

Interim Report - 31 December 2011

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

The following persons were directors of FlexiGroup Limited during the whole of the half-year and up to the date of this report:

Margaret Jackson (Chairman)
John DeLano
Andrew Abercrombie
Rajeev Dhawan
R John Skippen

Company Secretary

David Stevens

Review of Operations

The consolidated revenue of the Group for the half year to 31 December 2011 increased by 8.6% to \$119.176 million (2010: \$109.763 million).

The consolidated net profit after tax was \$27.511 million for the six months to 31 December 2011 (2010: \$24.474 million).

On 5 December 2011, FlexiGroup announced that an agreement has been entered into to acquire the business of Paymate Pty Limited ("Paymate"). Under the agreement, FlexiGroup will acquire the assets of the Australian, New Zealand and Asian business for an undisclosed but not material sum. The acquisition is subject to certain conditions that have not been achieved at 31 December 2011. Consequently, no recognition has been made at 31 December 2011.

Dividends

During the half-year a final ordinary dividend for the year ended 30 June 2011 of 5.5 cents (2010: 4.5 cents) per fully paid share was paid on 13 October 2011. Total amount paid was \$15.282 million (2010: \$12.396 million).

The Directors also declared an interim ordinary dividend of 6 cents (2010: 5 cents) per fully paid ordinary share. This dividend is expected to be paid on 18 April 2012.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Matters subsequent to the end of half-year

No subsequent events have occurred since the balance sheet date.

This report is made in accordance with a resolution of directors.



Margaret Jackson
Chairman

Sydney
8 February 2012



Auditor's Independence Declaration

As lead auditor for the review of FlexiGroup Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of FlexiGroup Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Victor Clarke', is written over a light blue horizontal line.

Victor Clarke
Partner
PricewaterhouseCoopers

Sydney
8 February 2012

FlexiGroup Limited
Consolidated income statement
For the half-year ended 31 December 2011

	Half-year 2011 \$'000	Half-year 2010 \$'000
Revenue from continuing operations	119,176	109,763
Borrowing costs	(29,233)	(26,095)
Employee benefits expense	(24,876)	(24,558)
Impairment losses on loans and receivables	(10,851)	(11,440)
Administration expenses	(6,654)	(7,394)
Depreciation and amortisation expenses	(3,589)	(2,827)
Communications and MIS expenses	(2,454)	(2,216)
Marketing and travel expenses	(2,150)	(2,315)
Profit before income tax	39,369	32,918
Income tax expense	(11,858)	(8,444)
Profit for the half-year	27,511	24,474

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Cents	Cents
Basic earnings per share	10.1	9.3
Diluted earnings per share	10.0	9.1

The above consolidated income statement should be read in conjunction with the accompanying notes.

FlexiGroup Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	Half-year 2011 \$'000	Half-year 2010 \$'000
Profit for the half-year	27,511	24,474
Other comprehensive income		
Exchange differences on translation of foreign operations	(663)	(1,816)
Changes in fair value of cash flow hedges, net of tax	(824)	-
Other comprehensive income for the half-year, net of tax	(1,487)	(1,816)
Total comprehensive income for the half-year	26,024	22,658

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

FlexiGroup Limited
Consolidated balance sheet
As at 31 December 2011

	31 December 2011	30 June 2011
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	58,126	55,994
Receivables	238,722	229,574
Customer loans	200,153	175,603
Inventories	1,011	258
Total current assets	498,012	461,429
Non-current assets		
Receivables	254,428	221,704
Customer loans	130,100	110,152
Plant and equipment	3,429	3,385
Deferred tax assets	7,943	8,419
Goodwill	79,876	79,876
Other intangible assets	18,041	17,492
Total non-current assets	493,817	441,028
Total assets	991,829	902,457
LIABILITIES		
Current liabilities		
Payables	29,204	29,686
Borrowings	389,997	324,494
Current tax liability	13,835	11,357
Provisions	3,422	3,782
Total current liabilities	436,458	369,319
Non-current liabilities		
Borrowings	273,098	265,626
Deferred tax liabilities	32,692	33,638
Provisions	751	470
Derivative financial instruments	1,402	228
Total non-current liabilities	307,943	299,962
Total liabilities	744,401	669,281
Net assets	247,428	233,176
EQUITY		
Contributed equity	81,644	76,645
Reserves	(3,378)	(402)
Retained profits	169,162	156,933
Total equity	247,428	233,176

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

FlexiGroup Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2011

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2010	74,984	(708)	131,352	205,628
Profit for the half-year	-	-	24,474	24,474
Other comprehensive income	-	(1,816)	-	(1,816)
Total comprehensive income for the half-year	-	(1,816)	24,474	22,658
Transactions with owners in their capacity as owners:				
Share based payments	-	1,650	-	1,650
Transfer from share based payments on issue of shares under Long Term Incentive Plan	1,389	(1,389)	-	-
Dividends provided for or paid	-	-	(12,396)	(12,396)
Balance at 31 December 2010	76,373	(2,263)	143,430	217,540
Balance at 1 July 2011	76,645	(402)	156,933	233,176
Profit for the half-year	-	-	27,511	27,511
Other comprehensive income	-	(1,487)	-	(1,487)
Total comprehensive income for the half-year	-	(1,487)	27,511	26,024
Transactions with owners in their capacity as owners:				
Share based payments	-	1,500	-	1,500
Transfer from share based payments on issue of shares under Long Term Incentive Plan	2,989	(2,989)	-	-
Issue of shares on vesting of options under Long Term Incentive Plan	2,010	-	-	2,010
Dividends provided for or paid	-	-	(15,282)	(15,282)
Balance at 31 December 2011	81,644	(3,378)	169,162	247,428

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FlexiGroup Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2011

	Half-year 2011 \$'000	Half-year 2010 \$'000
Cash flows from operating activities		
Net interest received	66,739	62,312
Other portfolio income	47,533	45,509
Payment to suppliers and employees	(35,946)	(47,845)
Borrowing costs	(29,234)	(26,095)
Taxation (paid)/refunded	(9,423)	18,732
Net cash inflow from operating activities	39,669	52,613
Cash flows from investing activities		
Payments for purchase of software and plant and equipment	(4,182)	(4,131)
Net (increase)/decrease in:		
Customer loans	(48,700)	(37,851)
Receivables due from customers	(44,274)	(14,845)
Net cash outflow from investing activities	(97,156)	(56,827)
Cash flows from financing activities		
Dividends paid	(15,282)	(12,396)
Proceeds from issue of shares on vesting of options	2,010	-
Repayment of vendor note on Certegy acquisition	(15,000)	-
Increase/(decrease) in:		
Borrowings	75,718	(13,836)
Loss reserves	12,257	9,092
Net cash inflow/(outflow) from financing activities	59,703	(17,140)
Net increase/(decrease) in cash and cash equivalents	2,216	(21,354)
Cash and cash equivalents at the beginning of the period	55,994	74,844
Effects of exchange rate changes on cash and cash equivalents	(84)	(107)
Cash and cash equivalents at end of the half-year	58,126	53,383

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 Basis of preparation of half-year report

This condensed consolidated financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Significant accounting policies

The accounting policies applied by the Group in the condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011.

Presentation of cash flow statement

The classification of items between operating, investing and financing activities in the statement of cash flows has been restated from the prior period to better reflect the operations of the Group. Prior year comparative information has been restated to ensure consistency.

Note 2 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the executive management committee that are used to make strategic decisions.

The committee considers the business from a product perspective and has identified two reportable segments; the core leasing business (consisting of Flexirent, Flexicommercial and Blink) and the interest-free loan business (Certegy).

(b) Segment information provided to the executive management committee

The segment information provided to the executive management committee for the reportable segments for the half-year ended 31 December 2011 is as follows:

Half-year 2011

	Leases	Interest-free loans	Total loans
Revenue from continuing operations	80,426	38,750	119,176
Borrowing costs	(18,777)	(10,029)	(28,806)
Borrowing costs - vendor note	-	(427)	(427)
Impairment losses on loans and receivables	(6,649)	(4,202)	(10,851)
Operating expenditure	(28,905)	(10,149)	(39,054)
Amortisation of intangibles	(126)	(543)	(669)
Profit before income tax	25,969	13,400	39,369
Income tax expense	(7,451)	(4,408)	(11,858)
Statutory profit for the half-year	18,519	8,992	27,511
Amortisation of intangibles	126	543	669
Cash Net Profit After Tax	18,645	9,535	28,180
Total segment assets – 31 December 2011	616,922	374,907	991,829

Note 2 Segment information (continued)

(b) Segment information provided to the executive management committee (continued)

Half-year 2010

	Leases	Interest-free loans	Total
Revenue from continuing operations	81,631	28,132	109,763
Borrowing costs	(16,883)	(8,456)	(25,339)
Borrowing costs - vendor note	-	(756)	(756)
Impairment losses on loans and receivables	(7,185)	(4,255)	(11,440)
Operating expenditure	(32,612)	(6,155)	(38,767)
Amortisation of intangibles	-	(543)	(543)
Profit before income tax	24,951	7,967	32,918
Income tax expense	(5,922)	(2,522)	(8,444)
Statutory profit for the half-year	19,029	5,445	24,474
Amortisation of intangibles	-	543	543
Cash Net Profit After Tax	19,029	5,988	25,017
Total segment assets – 30 June 2011	573,188	329,269	902,457

Note 3 Dividends

	Half-year ended 2011 \$'000	Half-year ended 2010 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year	<u>15,282</u>	<u>12,396</u>

On 8 February 2012 the Directors have recommended the payment of an interim dividend of 6.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The interim dividend totalling \$16,756,100 is expected to be paid on 18 April 2012 out of retained profits at 31 December 2011 and has not been recognised as a liability at the end of the half-year.

Note 4 Equity securities issued

	2011		2010	
	No. of Shares ('000)	\$'000	No. of Shares ('000)	\$'000
Movement in ordinary shares during the half-year				
Balance at the beginning of the half-year	264,380	76,645	259,871	74,984
Issue of ordinary shares during the half-year				
14 September 2010- Issue of shares to executives under FlexiGroup Long Term Incentive Plan	-	-	4,084	1,389
6 September 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,570	428	-	-
7 September 2011- Issue of shares to employees from treasury shares	9,810	1,830	-	-
7 December 2011 - Issue of shares to employees from treasury shares	55	17	-	-
7 December 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,406	2,724	-	-
Balance at end of half-year	277,221	81,644	263,955	76,373
Movement in treasury shares during the half-year				
Balance at the beginning of the half-year	11,912	5,268	10,948	3,564
7 September 2011 - Transfer of shares to ordinary shares	(9,810)	(1,830)	570	872
7 December 2011 - Transfer of shares to ordinary shares	(55)	(17)	-	-
Balance at end of half-year	2,047	3,421	11,518	4,436

Note 5 Contingencies

There are no material contingent liabilities at the date of this report.

Note 6 Events occurring after balance sheet date

No significant events have occurred since the balance sheet date.

In the directors' opinion:

- a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that FlexiGroup Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Margaret Jackson
Chairman

Sydney
8 February 2012



Independent auditor's review report to the members of FlexiGroup Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FlexiGroup Limited, which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the FlexiGroup Limited Group (the consolidated entity). The consolidated entity comprises both FlexiGroup Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FlexiGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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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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 half-year financial report of FlexiGroup Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Price Waterhouse Coopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Victor Clarke', written over a horizontal line.

Victor Clarke
Partner

Sydney
8 February 2012