



2012 NOTICE OF MEETING

FlexiGroup Limited
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26 October 2012

Dear Shareholder

Annual General Meeting 2012

On behalf of the Directors of FlexiGroup Limited ("FlexiGroup"), I am pleased to invite you to the FlexiGroup 2012 Annual General Meeting ("2012 AGM"). Enclosed is the notice of meeting setting out the business of the 2012 AGM ("Notice of Meeting").

FlexiGroup's 2012 AGM will be held on Monday 26 November 2012 commencing at 3.00pm (Sydney time) at the Sofitel Wentworth, 61-101 Phillip Street, Sydney NSW 2000. If you decide to attend the 2012 AGM, please bring this letter with you to facilitate registration and entry to the 2012 AGM. If you are unable to attend the 2012 AGM, I encourage you to complete and return the enclosed proxy form.

I encourage you to read the Notice of Meeting (including the explanatory notes) and the proxy form and consider directing your proxy how to vote on each resolution by crossing either the "for" box, the "abstain" box or the "against" box on the proxy form.

Subject to the abstentions noted, all the FlexiGroup Directors recommend that shareholders vote in favour of each of the resolutions proposed to be passed at the 2012 AGM.

I look forward to seeing you at the 2012 AGM.

Yours sincerely



Margaret Jackson
Chairman

Notice of Annual General Meeting

FlexiGroup Limited ABN 75 122 574 583

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Notice is hereby given that the 2012 Annual General Meeting ("2012 AGM") of FlexiGroup Limited ("FlexiGroup" or "Company") will be held at the Sofitel Wentworth, 61-101 Phillip Street, Sydney on Monday 26 November 2012, at 3:00pm, to conduct the following business:

Ordinary Business

1 Financial Reporting

To receive and consider the financial statements of the Company for the financial year ended 30 June 2012 and the reports of the Directors and the Auditor of the Company.

There is no vote on this item.

2 Remuneration Report

To adopt the Remuneration Report contained within the Annual Report of the Company for the year ended 30 June 2012.

Please note that this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement

For the purposes of sections 250R and 250BD of the Corporations Act 2001 (Cth):

- subject to paragraph 2, a vote must not be cast (in any capacity) on Item 2 by or on behalf of a member of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report ("**KMP**") or their closely related parties, whether as a shareholder or as a proxy except that a vote may be cast on Item 2 by a KMP, or a closely related party of a KMP, if:
 - the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on Item 2; and
 - the vote is not cast on behalf of a KMP or a closely related party of a KMP; and
- if you appoint the Chairman of the 2012 AGM as your proxy, and you do not direct your proxy how to vote on Item 2 on the proxy form, you will be expressly authorising the Chairman of the 2012 AGM to exercise your proxy even if Item 2 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2012 AGM.

The Chairman of the 2012 AGM intends to vote undirected proxies in favour of Item 2.

3 Re-Election of Margaret Jackson

Margaret Jackson will retire in accordance with Article 10.3 of the Constitution and offers herself for re-election as a Director.

4 Re-Election of R John Skippen

R John Skippen will retire in accordance with Article 10.3 of the Constitution and offers himself for re-election as a Director.

Special Business

5 Approval of participation in Long Term Incentive Plan and Termination Benefits

That for the purposes of ASX Listing Rule 10.14 and section 200B of the Corporations Act 2001 (Cth) and for all other purposes, the following be approved:

- participation in the Long Term Incentive Plan ("**LTIP**") up to a maximum of:
- 600,000 Performance Rights; and
- 2,790,000 Options,
by Mr Tarek Robbiati, the person the Board has appointed as the new Managing Director and Chief Executive Officer of the Company;
- the acquisition accordingly by Mr Robbiati of Performance Rights and Options up to the stated maximum and, in consequence of the exercise of those Performance Rights and Options, of ordinary shares of the Company ("**Shares**");
- the provision of benefits to Mr Robbiati under the LTIP including in connection with Mr Tarek Robbiati ceasing to hold a managerial or executive office or position of employment in the Company; and
- the provision of benefits to Mr Robbiati under the loan to be offered to Mr Robbiati ("**Loan**") including in connection with Mr Robbiati ceasing to hold a managerial or executive office or position of employment in the Company,

in accordance with the terms of the LTIP and as described in the Explanatory Notes to this Notice of Annual General Meeting.

Voting exclusion statements

For the purposes of ASX Listing Rule 14.11, the Company will disregard any votes cast on Item 5 by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purposes of section 250BD of the Corporations Act 2001 (Cth):

1. a vote must not be cast on Item 5 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 5. However, this voting exclusion does not apply if the KMP is the Chairman of the 2012 AGM acting as proxy and their appointment expressly authorises the Chairman of the 2012 AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the 2012 AGM as your proxy, and you do not direct your proxy how to vote on Item 5 on the proxy form, you will be expressly authorising the Chairman of the 2012 AGM to exercise your proxy even if Item 5 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2012 AGM.

The Chairman of the 2012 AGM intends to vote undirected proxies in favour of Item 5.

For the purposes of section 200B of the Corporations Act 2001 (Cth), a vote on Item 5 must not be cast (in any capacity) by or on behalf of Mr Robbiati or an associate of Mr Robbiati. However, a vote may be cast on Item 5 if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution and it is not cast on behalf of Mr Robbiati or an associate of Mr Robbiati.

Voting Entitlements

Pursuant to Corporations Regulation 7.11.37 and ASX Settlement and Operating Rule 5.6.1, the Directors have determined that the shareholding of each shareholder for the purpose of ascertaining voting entitlements for the 2012 AGM will be as it appears in the Company's share register at 7.00pm (Sydney time) on 24 November 2012.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the percentage or number of votes each proxy is appointed to exercise.

However, if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes. The proxy form, together with any power of attorney or authority under which the proxy form is signed, must be:

- (a) sent by facsimile to Link Market Services on +61 2 9287 0309; or
- (b) sent by post to Link Market Services in the enclosed reply paid envelope; or
- (c) online at www.linkmarketservices.com.au.

Proxies, together with any power of attorney or authority under which the proxy form is signed, must be received not less than 48 hours before the time of the 2012 AGM (i.e. by 3:00pm (Sydney time) on Saturday 24 November 2012) or the time of any adjourned meeting.

By order of the board



David Stevens
Company Secretary
26 October 2012

Explanatory Notes on the business to be transacted at the FlexiGroup Limited 2012 Annual General Meeting

Ordinary Business

Item 1 - Financial Reporting

Section 317(1) of the Corporations Act 2001 (Cwlth) (“Corporations Act”) requires a public company to lay before its annual general meeting the financial report, the Directors’ Report and the Auditor’s Report for the financial year that ended before the annual general meeting.

Shareholders will be given a reasonable opportunity to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit, and the preparation and contents of the financial statements and reports for the financial year ended 30 June 2012.

The reports are available on FlexiGroup’s website at www.flexigroup.com.au

There is no vote on this item.

Item 2 - Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2012 is put to the vote of shareholders for adoption. The Remuneration Report is set out on pages 5-22 of the Annual Report.

The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report at the 2012 AGM.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

Item 3 - Re-Election of Margaret Jackson

Under the provisions in the Company’s Constitution for the rotation of Directors, Margaret Jackson will retire at the 2012 AGM and offers herself for re-election.

Ms Jackson joined the Board on the incorporation of the Company in November 2006 and is the Chairman of the Company.

Ms Jackson is also President of Australian Volunteers International and Chairman of the Advisory Board for the Salvation Army Southern Territory.

Before beginning her career as a full time company director in 1992, Ms Jackson was a Partner of KPMG Peat Marwick’s Management Consulting Division. She is a former Chairman of Qantas and a former Director of BHP, ANZ, Southcorp, Billabong and Fairfax.

Prior to submitting herself for re-election, Ms Jackson acknowledged to the Company that she would have sufficient time to properly fulfil her duties to the Company.

The Directors (with Ms Jackson abstaining and not voting) recommend that shareholders vote in favour of Ms Jackson’s re-election.

Item 4 - Re-Election of R John Skippen

Under the provisions in the Company’s Constitution for the rotation of Directors, R John Skippen will retire at the 2012 AGM and offers himself for re-election.

Mr Skippen joined the Board on the incorporation of the Company in November 2006. Mr Skippen was the Finance Director and Chief Financial Officer of Harvey Norman Holdings Limited for 12 years and was also involved in the establishment of the original agreement between Flexirent Holdings Pty Limited and Harvey Norman in 1995. Mr Skippen has over 31 years’ experience as a chartered accountant and is currently a director of Emerging Leaders Investment Limited, Super Retail Group Limited and Slater & Gordon Limited. Mr Skippen is also a former director of Briscoe Group Limited (New Zealand).

Prior to submitting himself for re-election, Mr Skippen acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

The Directors (with Mr Skippen abstaining and not voting) recommend that shareholders vote in favour of Mr Skippen’s re-election.

Special Business

Item 5 - Approval of participation in Long Term Incentive Plan and Termination Benefits

5.1 Introduction

The Company announced on 9 August 2012, that Mr John DeLano wished to return to North America with his family and that the Board respected and accepted his decision.

As a result, a global search was undertaken by the Board to identify a new Managing Director and Chief Executive Officer to be appointed to replace Mr DeLano. As announced on 23 October 2012, the Board has appointed Mr Tarek Robbiati as the new Managing Director and Chief Executive Officer of FlexiGroup. In order to provide a meaningful incentive to Mr Robbiati and to drive future shareholder wealth, the Board intends to offer Mr Robbiati an award under the LTIP, as well as the Loan, as described below.

5.2 Overview of Listing Rule and Corporations Act requirements

ASX Listing Rule 10.14 provides that a listed company may only permit a director of a company to acquire securities under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

Part 2D.2.2 of the Corporations Act provides that the Company, its associates and any prescribed superannuation fund in connection with the Company are prohibited from giving a person who holds a "managerial or executive office" a benefit in connection with their ceasing to hold an office or position of employment by FlexiGroup unless shareholders approve the giving of the "benefit" or an exemption applies. "Benefit" is defined broadly in the Corporations Act to include most forms of valuable consideration. Retirement benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment (and whether or not contractually obliged to be given) including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments at or due to a person ceasing to hold an office or position of employment.

5.3 Reasons why shareholder approval is being sought

The approval of shareholders is sought to permit Mr Robbiati to participate in the Long Term Incentive Plan ("LTIP") for up to 600,000 Performance Rights and 2,790,000 Options, being the maximum acquisition amount specified in the resolution. See sections 5.5-5.13 (inclusive) of this Notice of Meeting for details of this grant under the LTIP.

Shareholder approval is also sought for the grant of

certain benefits under FlexiGroup's remuneration framework which will be considered to be termination benefits for the purposes of the Corporations Act. In particular, the shareholder approval will cover the following benefits which Mr Robbiati may potentially receive upon Mr Robbiati ceasing to hold a managerial or executive office or position of employment in the Company under his employment contract and arrangements with the Company, and the policies and incentive plans of FlexiGroup:

- the automatic or accelerated vesting (including by the Company exercising any discretion) of Performance Rights and/or Options issued to Mr Robbiati under the LTIP; and
- the potential forgiveness of some or all of the Loan (in certain circumstances) that the Board intends to offer to Mr Robbiati to compensate Mr Robbiati for the loss of benefits in leaving his current employment. See section 5.14 of this Notice of Meeting for details of the Loan.

5.4 Recommendation

The LTIP is part of the overall remuneration strategy of FlexiGroup which is designed to encourage superior performance and commitment to FlexiGroup by the executives participating in the LTIP.

The LTIP operates by giving participants in the LTIP the opportunity to acquire Shares if applicable performance conditions are met, and any other relevant conditions are satisfied. The performance conditions are set by the Board for each participant.

The Board believes that linking remuneration to achievement is a key driver of FlexiGroup's success and that the LTIP:

- provides a meaningful incentive for the creation of, and focus on, shareholder wealth;
- aligns the interests of executives and other employees with shareholders; and
- encourages employee retention.

Since the Company's LTIP was implemented in November 2006, the Board notes that significant performance targets of the Company's business have been achieved:

- the Company's TSR relative to other companies in the S&P/ASX 300 Index (excluding resources companies) June 2009 through June 2012 places it as the 2nd best performing company in that peer group;
- NPAT of the Company has more than doubled over the period;
- the business' trading volumes have more than doubled;
- the Company won Australia's Best Call Centre Award; and

- the Company was recognized by Hewitt as one of Australia's Best Employers;

The purpose of this resolution is to ensure that FlexiGroup can:

- ensure that Mr Robbiati is remunerated fairly and responsibly;
- align Mr Robbiati's interests with that of FlexiGroup's shareholders;
- provide long term incentives for participation in FlexiGroup's future growth; and
- assist to secure and retain the services of Mr Robbiati.

The Board notes that it is a competitive market for executives and that it is important to ensure that FlexiGroup's remuneration arrangements are competitive with the remuneration arrangements offered by its Australian and international competitors.

The Board believes that the terms of the overall proposed remuneration, including the terms of the participation in the LTIP and the Loan, are reasonable in FlexiGroup's circumstances and in the circumstances of Mr Robbiati, and reflect the arm's length negotiations between the Board and Mr Robbiati.

The Directors recommend that shareholders vote in favour of the resolution in Item 5 on the basis that the overall proposed remuneration for Mr Robbiati, which includes Mr Robbiati's participation in the LTIP, the grant of Performance Rights and Options to Mr Robbiati under the LTIP and the provision of benefits to Mr Robbiati on the terms described in these Explanatory Notes:

- is reasonable having regard to the circumstances of the Company;
- is in the best interests of the Company as a whole;
- is consistent with the Company's remuneration policy, in particular the Company's policy of linking remuneration to achievement, and the objective of attracting and retaining highly skilled executives and directors; and
- will therefore have a positive impact on the Company's prospects.

5.5 Approval Limits

The maximum number of Shares and Performance Rights and Options to acquire Shares for which approval is sought assumes that all of the Performance Rights and Options offered to Mr Robbiati are granted and subsequently exercised.

The Board has agreed to grant, subject to shareholder approval being obtained:

- 600,000 Performance Rights; and
- 2,790,000 Options,

in two tranches to Mr Robbiati, on the terms of the LTIP and the terms and conditions described below, and the acquisition of Shares by Mr Robbiati on exercise of those Performance Rights and Options ("**Grant**").

The number of Performance Rights to be issued in each tranche is:

- 150,000 Performance Rights for tranche 1 which relates to performance in FY13 ("**Tranche 1 Performance Rights**"); and
- 450,000 Performance Rights for tranche 2 which relates to performance in FY14-FY16 ("**Tranche 2 Performance Rights**").

The number of Options to be issued in each tranche is:

- 100,000 Options for tranche 1 which relates to performance in FY13 ("**Tranche 1 Options**"); and
- 2,690,000 Options for tranche 2 which relates to performance in FY14 - FY16 ("**Tranche 2 Options**").

The rules governing the LTIP applicable to Performance Rights and Options ("**LTIP Rules**") were lodged with the ASX on 11 December 2006 and may be accessed through the ASX announcements platform. A summary of the LTIP rules is set out in the Schedule to this Notice of Meeting.

The Grant provides a conditional entitlement to 3,390,000 Shares. The Performance Rights and Options comprising the Grant will become exercisable on the satisfaction of the performance conditions and tenure condition described below.

5.6 Consideration for the Grant

Under the Grant, Performance Rights and Options will be granted at no cost to Mr Robbiati.

5.7 Exercise Price

The Board has determined that:

- an exercise price of \$Nil per Share is payable by Mr Robbiati on the exercise of each Vested Performance Right granted under the Grant; and
- an exercise price calculated based on the volume weighted average price of Shares at which Shares are traded for the five trading days immediately prior to Mr Robbiati's employment commencement date, is payable by Mr Robbiati on the exercise of each Vested Option granted under the Grant.

5.8 Vesting Conditions

The Performance Rights and Options are to be allocated in 2 tranches. The Performance Rights and Options allocated in each tranche will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period and a tenure condition is satisfied.

The Performance Periods applicable to each of the performance-based Vesting Conditions are as follows:

Tranche	Performance Period
Tranche 1 Performance Rights	FY13 (being 1 July 2012 to 30 June 2013) ("Performance Rights Performance Period 1")
Tranche 2 Performance Rights	FY14 - FY16 (being 1 July 2013 to 30 June 2016) ("Performance Rights Performance Period 2")
Tranche 1 Options	FY13 (being 1 July 2012 to 30 June 2013) ("Options Performance Period 1")
Tranche 2 Options	FY14 - FY16 (being 1 July 2013 to 30 June 2016) ("Options Performance Period 2")

The testing date ("**Testing Date**") for:

- Performance Rights Performance Period 1 and Options Performance Period 1 is the results announcement date for FY13;
- and
- Performance Rights Performance Period 2 and Options Performance Period 2 is the results announcement date for FY16.

The Performance Rights and Options will be performance tested against the following performance-based Vesting Conditions:

Vesting Conditions	Percentage of Performance Rights and Options that performance condition is applicable to	Performance condition
Vesting Condition 1	50% of each Tranche of Performance Rights and Options	Cash EPS growth targets for the relevant Performance Period are met
Vesting Condition 2	50% of each Tranche of Performance Rights and Options	Relative TSR for the relevant Performance Period compared to the S&P/ASX 300 Index (not including resources companies)

Cash EPS growth performance condition

The first performance-based Vesting Condition is based on growth on an adjusted "Cash NPAT" earnings per share measure used by the Company to track earnings per share on an underlying performance basis. This adjusted "Cash NPAT" earnings per share measure ("**Cash EPS**") is calculated by the Company for a financial year as:

- the reported statutory net profit after tax for the financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings;
- divided by the weighted average number of ordinary shares on issue during the year.

This is consistent with how the Company reports its "Cash NPAT" in its investor presentations, including the FY12 annual results presentation on 9 August 2012.

In relation to the Tranche 1 Performance Rights and Tranche 1 Options, the performance condition tests the growth in Cash EPS for FY13 by measuring the Cash EPS for FY13 against the Cash EPS for FY12, expressed as an annual growth percentage rate, (“**Annual Cash EPS Growth**”).

The Annual Cash EPS Growth condition will be satisfied for Performance Rights Performance Period 1 and Options Performance Period 1 (as applicable) in accordance with the following table:

Annual Cash EPS Growth target	Percentage of Tranche 1 Performance Rights and Tranche 1 Options (as applicable) satisfying condition
Annual Cash EPS Growth is less than 12%	Nil
Annual Cash EPS Growth equals 12%	25%
Annual Cash EPS Growth is between 12% and 18%	Pro rata between 25% and 100%
Annual Cash EPS Growth is more than 18%	100%

In relation to the Tranche 2 Performance Rights and the Tranche 2 Options, the performance condition tests the compound annual growth in Cash EPS over Performance Rights Performance Period 2 and Options Performance Period 2 (as applicable) by measuring the Cash EPS for the financial year ending 30 June 2016 against the Cash EPS for the financial year immediately preceding the beginning of the relevant Performance Period, expressed as a compound annual growth percentage rate (“**CAGR Cash EPS Growth**”).

The CAGR Cash EPS Growth condition will be satisfied for Performance Rights Performance Period 2 and Options Performance Period 2 (as applicable) in accordance with the following table:

CAGR Cash EPS Growth target	Percentage of Tranche 2 Performance Rights and Tranche 2 Options (as applicable) satisfying condition
CAGR Cash EPS Growth is less than 13.5%	Nil
CAGR Cash EPS Growth equals 13.5%	25%
CAGR Cash EPS Growth is between 13.5% and 17.5%	Pro rata between 25% and 50%
CAGR Cash EPS Growth is between 17.5% and 22%	Pro rata between 50% and 100%
CAGR Cash EPS Growth is more than 22%	100%

However, the Board will have the discretion to vary the CAGR Cash EPS Growth condition at any time during the relevant Performance Period from that set out in the table if it believes it is appropriate to do so to reflect the Company’s circumstances. But the CAGR Cash Growth EPS level at which 100% of the Performance Rights and Options (as applicable) will satisfy the CAGR Cash EPS Growth performance condition will not be reduced by more than 2.5%.

Relative TSR performance condition

The second performance-based Vesting Condition for each tranche of Performance Rights and Options relates to the Company’s Total Shareholder Return (“**TSR**”) for the relevant Performance Period when compared to the peer group of companies in the S&P/ASX 300 Index (excluding resources companies).

For each Performance Period, the TSR for the Company will be determined by calculating the amount by which the sum of:

- the 30 day volume weighted average price (“**VWAP**”) for FlexiGroup Shares in the period up to and including the 30 June at the end of the relevant Performance Period; and
- the dividends paid on a Company Share during the relevant Performance Period,

exceeds the 30 day VWAP for the Company’s Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

The relative TSR performance condition will be satisfied in accordance with the following table:

Relative TSR target	Percentage of Performance Rights and Options available in given year satisfying condition
The Company's TSR is ranked in the 4th or 3rd quartiles (i.e. 51st to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies)	Nil
The Company's TSR equals performance of the 50th ranking company in S&P/ASX 300 Index (excluding resources companies)	50%
The Company's TSR is ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies)	Pro rata between 50% and 100%
The Company's TSR is ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies)	100%

There will be no re-testing of Performance Rights or Options for either of the performance based vesting conditions.

The Board will confirm in writing to Mr Robbiati as soon as reasonably practicable when any of the above performance-based Vesting Conditions have been met.

5.9 Vesting Date

As well as the two performance based Vesting Conditions, the Performance Rights and Options are also subject to a tenure condition. For any Performance Right or Option to vest and become exercisable, Mr Robbiati must remain employed by FlexiGroup at 1 December 2016.

Should Mr Robbiati cease to be employed by the Company on or prior to a tranche of Performance Rights and/or Options vesting, all of the unvested Performance Rights and/or Options will lapse immediately in accordance with the LTIP Rules unless the Board makes a determination that those Performance Rights and/or Options (as applicable) have vested.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the Options and/or Performance Rights held by Mr Robbiati in specified circumstances including Mr Robbiati's death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or redundancy of Mr Robbiati). The accelerated vesting of Performance Rights and/or Options under the LTIP in connection with the cessation of employment will constitute a termination benefit under the Corporations Act.

The value of any such benefit cannot be ascertained as at the date of this Notice of Meeting. The value of the benefit will depend on:

- the number of Performance Rights and/or Options granted and held by Mr Robbiati in accordance with the LTIP;
- the number of Performance Rights and/or Options held by Mr Robbiati which the Board determines should vest; and
- the market price of Shares at the time such Performance Rights and/or Options are exercised and Shares are acquired.

Key matters, events or circumstances which will, or are likely to, affect the calculation of the value of any accelerated vesting of Performance Rights and/or Options include:

- the financial performance of the Company;
- the personal performance of Mr Robbiati;
- the number of years of service with the Company;
- the circumstances in which Mr Robbiati leaves the Company;
- the proportion of the performance period served by Mr Robbiati as at the date their employment ceases; and
- performance against the performance conditions as at the date Mr Robbiati's employment ceases.

5.10 Exercise

Following the Vesting Date or the accelerated vesting of a Performance Right and/or Option, Vested Performance Rights and/or Options may be exercised by Mr Robbiati and Mr Robbiati will then be allocated or issued Shares on a one-for-one basis.

5.11 Expiry Date

The expiry date for both tranches of the Performance Rights is 31 March 2017. The expiry date for both tranches of the Options is 31 December 2020.

Vested Performance Rights and/or Options that are not exercised before the relevant expiry date will lapse in accordance with the LTIP Rules.

5.12 Disposal restriction

Mr Robbiati may not dispose of, deal in, or grant a security interest over any interest in, a Performance Right and/or Option without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

Mr Robbiati may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to him on exercise of a Vested Performance Right and/or Vested Option for any relevant period determined by the Board.

At this point in time, the Board has not imposed any disposal restriction on the Shares the subject of this approval which will be granted on the exercise of any Vested Performance Rights and/or Vested Options. However, the Board may impose a disposal restriction at any time after the date of grant but prior to the exercise of the Performance Rights and/or Options (subject to Mr Robbiati's agreement). The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

Once any Board imposed restriction (if any) is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of Vested Performance Rights and/or Vested Options may be dealt with freely.

5.13 Additional information

The Performance Rights and Options will be issued to Mr Robbiati within 3 years after shareholder approval has been obtained at the 2012 AGM.

No loan will be made by FlexiGroup in relation to the acquisition of the Performance Rights and Options by Mr Robbiati under the LTIP.

Mr DeLano, being the only Executive Director of the Company as at the date of this Notice of Meeting, is the only Director who is currently eligible to participate in the LTIP. Mr DeLano is the only director who has received securities under the LTIP since the last shareholder approval, which was granted at the 2011 FlexiGroup Annual General Meeting on 30 November 2011. As a result of and pursuant to that shareholder approval, Mr DeLano received 2,400,000 Performance Rights for \$Nil. Mr DeLano will cease to be eligible to participate in the LTIP once his resignation becomes effective, and Mr Robbiati will become eligible to participate in the LTIP once he commences employment with the Company. Details of any securities issued under the LTIP and a statement that approval for the issue of securities was obtained under ASX Listing Rule 10.14 will be published in each Annual Report of the Company for the period in which the relevant securities were granted.

Any additional persons who become entitled to participate in the LTIP after the resolution under Item 5 is approved, being persons in relation to whom shareholder approval is required under ASX Listing Rule 10.14 and who are not named in the Notice of Annual General Meeting to which these Explanatory Notes relate, will not be entitled to acquire securities under the LTIP until approval is obtained under ASX Listing Rule 10.14.

5.14 The Loan

As mentioned in section 5.1 of this Notice of Meeting, the Board intends to offer a loan to the Mr Robbiati to compensate Mr Robbiati for the loss of benefits in leaving his current employment. The Board believes that the terms of the overall proposed remuneration, including the terms of the participation in the LTIP and the Loan, are reasonable in FlexiGroup's circumstances and the circumstances of Mr Robbiati and reflect the arm's length negotiations between the Board and Mr Robbiati. The key terms of the Loan are:

- (a) **(Loan amount)** the Loan amount will be A\$800,000 to be drawn once at commencement of the Loan;
- (b) **(Loan security)** the Loan will be unsecured;
- (c) **(interest payable on Loan)** the Loan will be interest bearing and interest will accrue daily at the Australian Taxation Office approved rate for the purposes of the fringe benefit tax provisions from time to time – any interest which accrues on the Loan from time to time will be payable irrespective of whether any amount of the Loan is forgiven by the Company;
- (d) **(limited recourse repayment obligation)** except as described in paragraph (e) below, the obligation to repay the Loan will be limited recourse to any Shares or amounts that are allocated or derived from the exercise of Performance Rights and/or Options granted to Mr Robbiati (“**LTIP Amount**”) – to the extent that the LTIP Amount at 31 March 2017 (“**Loan Repayment Date**”) is insufficient to repay the Loan in full plus accrued but unpaid interest, Mr Robbiati will not be required to pay the shortfall;
- (e) **(repayment of Loan on cessation of employment)** if Mr Robbiati ceases employment with the Company because of:
 - (i) termination by the Company for cause (including for Mr Robbiati being guilty of serious misconduct, for fraud or dishonesty, for breach of confidentiality or being found guilty of a criminal offence) the Loan is repayable in full (together with accrued but unpaid interest) within 30 days of cessation of employment;
 - (ii) termination without cause (including on the grounds of redundancy or by notice by the Company):
 - (A) if the Loan (together with accrued but unpaid interest) is equal to or less than the LTIP Amount as at the date of cessation of employment – the Loan is repayable in full together with accrued but unpaid interest within 30 days of cessation of employment only to the extent of any LTIP Amount; or
 - (B) if the Loan (together with accrued but unpaid interest) is greater than the LTIP Amount as at the date of cessation of employment – it will be at the Board's discretion to determine the amount of the Loan that may be forgiven;
 - (iii) termination without cause (because of the death or total and permanent disablement of Mr Robbiati) – the Loan (together with accrued but unpaid interest) will be forgiven; or
 - (iv) voluntary resignation by Mr Robbiati:
 - (A) within 12 months of commencement of Mr Robbiati as Managing Director and Chief Executive Officer of the Company, the Loan is repayable in full (together with accrued but unpaid interest) within 30 days of cessation of employment; or
 - (B) more than 12 months after commencement of Mr Robbiati as Managing Director and Chief Executive Officer of the Company:
 - (AA) if the Loan (together with accrued but unpaid interest) is equal to or less than the LTIP Amount as at the date of cessation of employment – the Loan is repayable in full together (with accrued but unpaid interest) within 30 days of cessation of employment only to the extent of any LTIP Amount; or
 - (BB) if the Loan (together with accrued but unpaid interest) is greater than the LTIP Amount as at the date of cessation of employment – it will be at the Board's discretion to determine the amount of the Loan that may be forgiven.

The value of any potential benefit relating to any forgiveness of the Loan can only be determined at the time Mr Robbiati ceases employment with the Company having regard to the reason for the cessation of employment, the LTIP Amount available to be applied to the Loan and the terms of the Loan as described above. Accordingly, the value of any potential benefit relating to any forgiveness of the Loan cannot be ascertained as at the date of the Notice of Meeting.

SCHEDULE - SUMMARY OF THE LTIP RULES

A grant of performance rights and/or options is subject to both the LTIP rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP rules and the terms and conditions of specific grants of performance rights and/or options to participants in the LTIP.

Eligibility and Participation

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may, in its discretion, accept such applications.

Performance Rights and Options

A person participating in the LTIP (“**Executive**”) may be granted options and/or performance rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. The Board will determine the exercise price payable on exercise of a vested option.

Consideration for Grant

The Board may determine the amount (if any) payable for the grant of a performance right and/or option from time to time.

Vesting

Following the satisfaction of the performance hurdles applying to a performance right and/or option, the performance right and/or option vests on a date predetermined by the Board (“**Vesting Date**”).

Accelerated Vesting

Unless the Board determines otherwise, early vesting (prior to the relevant Vesting Date) of a performance right and/or option will automatically occur if there is a winding up of the Company, a delisting of the Company, a change of control of the Company or a reconstruction or amalgamation of the Company.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the performance rights and/or options held by an Executive in specified circumstances including the Executive’s death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or redundancy of that Executive).

Lapse

An unvested option or performance right will lapse on the earliest of:

- a. the expiry date applicable to that option or performance right;
- b. the Board determining that the performance hurdles in respect of the option or performance right are not satisfied and not capable of being satisfied on the relevant testing date and that the option or performance right has lapsed;
- c. 30 days after the Executive’s death or total and permanent disablement, if death or total and permanent disablement occurs;
- d. 30 days after the Executive ceases to be employed by the Company for retirement or redundancy unless the Board makes a determination that the option or performance right has vested;
- e. 30 days after the Executive ceases to be employed by the Company for any other reason (other than referred to in paragraphs (c) or (d) above) and the Board not making a determination during that period that the option or performance right has vested; or
- f. the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act (whether by omission or commission) of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Executive’s duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of an entity in the Company group, and that the option or performance right has lapsed.

A vested option or performance right will lapse on the earliest of:

- a. 12 months after the Executive's death or total and permanent disablement;
- b. 6 months after the Executive ceases to be employed by the Company by reason of retirement or redundancy and 3 months for any other reason (other than termination with cause);
- c. the date (excluding any notice period) on which the Executive's employment with the Company is terminated with cause; or
- d. 30 days after the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act (whether by omission or commission) of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Executive's duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a Company entity, and that the option or performance rights has lapsed.

Subject to the Listing Rules, the Board may, in its discretion, extend a period during which an Executive may exercise an option, provided that the Board may not extend the exercise period. If the Board exercises its discretion to extend the period during which an Executive may exercise an option, the Board will give written notice of such extension to the Executive as soon as reasonably practicable.

Delivery of Shares on Exercise of Vested Options or Vested Performance Rights

Following the Vesting Date or the accelerated vesting of an option and/or performance right, the vested option and/or performance right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued the number of shares comprised in each option and/or performance right.

Following the Vesting Date or the accelerated vesting of an option and/or performance right, the Company may also send the Executive a transfer notice inviting the Executive to offer their vested options to a broker. The broker may then choose to accept or refuse that offer. If the broker acquires the vested options, the broker must then exercise those options by paying the relevant exercise price to, or as directed by, the Company. The Company must then issue or cause to be transferred to the broker the number of shares comprised in each vested option.

The Board has the discretion to have shares issued or transferred to an Executive on the exercise of vested options and/or performance rights. Any shares issued under the LTIP will rank equally with those shares of the same class for the time being on issue except for any rights attaching to those shares by reference to a record date prior to the date of issue.

Adjustment

In the event of any capital reorganisation by the Company (including any bonus issues), an Executive's options and/or performance rights, and the shares allocated to the Executive on exercise of the Executive's options and/or performance rights, will be adjusted as set out in the LTIP rules and otherwise in accordance with the Listing Rules. In general, it is intended that the Executive will not receive any advantage or disadvantage from such adjustment.

Restrictions on Disposal of Shares

An Executive may not dispose of, deal in, or grant a security interest over any interest in, a share allocated to the Executive on exercise of a vested option and/or a vested performance right for any relevant period determined by the Board. The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction. Once the restriction is removed, and subject to the Company's Trading Policy, shares acquired on exercise of vested options and/or performance rights may be dealt with freely.

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